FORM 10-Q

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON D.C. 20429

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

For the quarterly period ended: June 30, 2021

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

For the transition period from ___________ to __________

FDIC Certificate Number 57053

SIGNATURE BANK

(Exact name of Company as specified in its charter)

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

(646) 822-1500

(Company's telephone number, including area code)

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

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 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 such files). 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 definitions 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

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

CLASS OF COMMON STOCK	NUMBER OF SHARES OUTSTANDING –August 6, 2021
$.01 Par Value per share	**60,636,731**

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Form 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except shares and per share amounts)	June 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Cash and due from banks	$ 24,811,551	12,208,997
Short-term investments	168,419	139,334
Total cash and cash equivalents	24,979,970	12,348,331
Securities available-for-sale (amortized cost $12,660,722 at June 30, 2021 and $8,891,709 at December 31, 2020); (zero allowance for credit losses at June 30, 2021 and $4 at December 31, 2020)	12,577,448	8,890,417
Securities held-to-maturity (fair value $3,373,059 at June 30, 2021 and $2,329,378 at December 31, 2020); (allowance for credit losses $78 at June 30, 2021 and $51 at December 31, 2020)	3,361,011	2,282,830
Federal Home Loan Bank stock	171,759	171,678
Loans held for sale	548,701	407,363
Loans and leases	54,509,167	48,833,098
Allowance for credit losses for loans and leases	(514,794)	(508,299)
Loans and leases, net	53,994,373	48,324,799
Premises and equipment, net	84,097	80,274
Operating lease right-of-use assets	229,432	237,407
Accrued interest and dividends receivable	307,704	277,801
Other assets	633,306	867,444
Total assets	$ 96,887,801	73,888,344
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	$ 28,674,539	18,757,771
Interest-bearing	56,887,937	44,557,552
Total deposits	85,562,476	63,315,323
Federal funds purchased and securities sold under agreements to repurchase	150,000	150,000
Federal Home Loan Bank borrowings	2,764,245	2,839,245
Subordinated debt	569,519	828,588
Operating lease liabilities	257,934	265,354
Accrued expenses and other liabilities	739,064	662,925
Total liabilities	90,043,238	68,061,435
Shareholders' equity		
Preferred stock, par value $.01 per share; 61,000,000 shares authorized; 730,000 shares issued and outstanding at June 30, 2021 and December 31, 2020	7	7
Common stock, par value $.01 per share; 125,000,000 and 64,000,000 shares authorized at June 30, 2021 and December 31, 2020, respectively; 57,859,394 shares issued and 57,761,664 outstanding at June 30, 2021; 55,520,417 shares issued and 53,564,573 outstanding at December 31, 2020	577	555
Additional paid-in capital	3,084,743	2,583,514
Retained earnings	3,871,125	3,548,260
Treasury stock, zero shares at June 30, 2021 and 1,899,336 shares at December 31, 2020	—	(232,531)
Accumulated other comprehensive loss	(111,889)	(72,896)
Total shareholders' equity	6,844,563	5,826,909
Total liabilities and shareholders' equity	$ 96,887,801	73,888,344

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars in thousands, except per share amounts)	*Three months ended June 30,* 2021	2020	*Six months ended June 30,* 2021	2020
INTEREST INCOME				
Loans held for sale	$ 998	937	1,577	1,642
Loans and leases	466,748	413,767	895,729	818,277
Securities available-for-sale	46,722	47,684	88,597	99,432
Securities held-to-maturity	13,240	14,030	26,202	28,624
Other investments	9,102	5,364	16,246	13,621
Total interest income	536,810	481,782	1,028,351	961,596
INTEREST EXPENSE				
Deposits	54,948	65,550	112,452	165,290
Federal funds purchased and securities sold under agreements to repurchase	595	719	1,197	1,467
Federal Home Loan Bank borrowings	17,114	22,528	34,242	47,739
Subordinated debt	6,932	5,852	16,733	11,704
Total interest expense	79,589	94,649	164,624	226,200
Net interest income before provision for credit losses	457,221	387,133	863,727	735,396
Provision for credit losses	8,308	93,008	39,180	159,831
Net interest income after provision for credit losses	448,913	294,125	824,547	575,565
NON-INTEREST INCOME				
Commissions	3,899	2,877	7,902	6,527
Fees and service charges	16,605	10,307	33,535	20,901
Net gains on sales of loans	3,393	1,821	10,454	4,556
Other (loss) income	(529)	(2,341)	4,178	(5,140)
Total non-interest income	23,368	12,664	56,069	26,844
NON-INTEREST EXPENSE				
Salaries and benefits	112,806	99,084	218,857	192,116
Occupancy and equipment	10,779	11,282	22,552	21,819
Information technology	10,722	10,254	22,203	20,473
FDIC assessment fees	4,486	3,699	10,211	6,597
Professional fees	7,278	4,789	12,420	9,532
Other general and administrative	25,948	22,765	52,167	45,302
Total non-interest expense	172,019	151,873	338,410	295,839
Income before income taxes	300,262	154,916	542,206	306,570
Income tax expense	85,769	37,702	137,181	89,769
Net income	$ 214,493	117,214	405,025	216,801
Preferred stock dividends	9,125	—	19,637	—
Net income available to common shareholders	$ 205,368	117,214	385,388	216,801
PER COMMON SHARE DATA				
Earnings per common share - basic	$ 3.59	2.22	6.87	4.10
Earnings per common share - diluted	$ 3.57	2.21	6.80	4.09
Dividends per common share	$ 0.56	0.56	1.12	1.12

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended June 30,		*Six months ended June 30,*	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Net income	$ 214,493	117,214	405,025	216,801
Other comprehensive income, net of tax:				
Net unrealized gains (losses) on securities	15,376	(4,549)	(81,661)	93,426
Tax effect	(4,541)	1,591	23,888	(27,670)
Net of tax	10,835	(2,958)	(57,773)	65,756
Amortization of net unrealized loss on securities transferred to held-to-maturity	219	776	490	1,485
Tax effect	(65)	(228)	(144)	(440)
Net of tax	154	548	346	1,045
Net unrealized gains (losses) on cash flow hedges	(670)	9,100	6,801	(62,344)
Reclassification adjustment for net (gains) losses included in net income	9,796	(7,880)	19,362	(11,289)
Tax effect	(2,701)	(547)	(7,729)	21,808
Net of tax	6,425	673	18,434	(51,825)
Total other comprehensive (loss) income, net of tax	17,414	(1,737)	(38,993)	14,976
Comprehensive income, net of tax	$ 231,907	115,477	366,032	231,777

See accompanying notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	Six months ended June 30, 2021						
(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, 2020	$ 555	7	2,583,514	3,548,260	(232,531)	(72,896)	5,826,909
Common stock issued	21	—	475,245	—	232,531	—	707,797
Restricted stock activity, net	2	—	14,167	—	—	—	14,169
Net Income	—	—	—	190,533	—	—	190,533
Other comprehensive income, net of tax	—	—	—	—	—	(56,407)	(56,407)
Dividends paid on preferred stock ($14.40 per share)	—	—	—	(10,512)	—	—	(10,512)
Dividends paid on common stock ($0.56 per share)	—	—	—	(30,086)	—	—	(30,086)
Balance at March 31, 2021	$ 578	7	3,072,926	3,698,195	—	(129,303)	6,642,403
Restricted stock activity, net	(1)	—	11,817	—	—	—	11,816
Net Income	—	—	—	214,493	—	—	214,493
Other comprehensive income, net of tax	—	—	—	—	—	17,414	17,414
Dividends paid on preferred stock ($12.50 per share)	—	—	—	(9,125)	—	—	(9,125)
Dividends paid on common stock ($0.56 per share)	—	—	—	(32,438)	—	—	(32,438)
Balance at June 30, 2021	$ 577	7	3,084,743	3,871,125	—	(111,889)	6,844,563

	Six months ended June 30, 2020							
(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, 2019 (1)	$	554	—	1,871,571	3,172,273	(233,570)	(65,630)	4,745,198
Opening retained earnings adjustments (2)		—	—	—	(32,289)	—	—	(32,289)
Restricted stock activity, net		1	—	(35,995)	—	50,761		14,767
Common stock repurchased		—	—	—	—	(50,008)	—	(50,008)
Net Income		—	—	—	99,587	—	—	99,587
Other comprehensive income, net of tax		—	—	—	—	—	16,713	16,713
Dividends paid on common stock ($0.56 per share)		—	—	—	(30,007)	—	—	(30,007)
Balance at Balance at March 31, 2020	$	555	—	1,835,576	3,209,564	(232,817)	(48,917)	4,763,961
Restricted stock activity, net		—	—	13,058	—	114	—	13,172
Net Income		—	—	—	117,214	—	—	117,214
Other comprehensive income, net of tax		—	—	—	—	—	(1,737)	(1,737)
Dividends paid on common stock ($0.56 per share)		—	—	—	(30,028)	—	—	(30,028)
Balance at Balance at June 30, 2020	$	555	—	1,848,634	3,296,750	(232,703)	(50,654)	4,862,582

(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.

(2) 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.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)		*Six months ended June 30,* 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$	405,025	216,801
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		9,841	10,574
Provision for credit losses		39,180	159,831
Provision for credit losses for available for sale securities		—	36
Net amortization/accretion of premium/discount		140,265	67,162
Stock-based compensation expense		25,165	27,939
Net gains on sales of securities and loans		(10,454)	(4,556)
Loss (gain) on trading activity		45	(127)
Deferred income tax (benefit) expense		(5,322)	(32,911)
Purchases of loans held for sale		(1,202,897)	(609,167)
Proceeds from sales and principal repayments of loans held for sale		978,930	812,365
Purchases of securities held for trading		(142,720)	(75,961)
Proceeds from sales of securities held for trading		89,968	78,559
Net increase in accrued interest and dividends receivable		(29,903)	(62,276)
Net decrease (increase) in other assets (1)		340,814	(83,791)
Net increase in accrued expenses and other liabilities (2)		107,410	53,940
Net cash provided by operating activities		745,347	558,418
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities available-for-sale ("AFS")		(5,587,055)	(1,144,793)
Maturities, redemptions, calls and principal repayments on securities AFS		1,826,776	986,414
Purchases of securities held-to-maturity ("HTM")		(1,696,114)	(170,714)
Maturities, redemptions, calls and principal repayments on securities HTM		606,292	187,978
Purchases of Federal Home Loan Bank stock		(3,456)	(69,395)
Proceeds from redemptions of Federal Home Loan Bank stock		3,375	82,031
Net increase in loans and leases		(5,751,510)	(6,101,034)
Net purchases of premises and equipment		(11,934)	(19,276)
Net cash used in investing activities		(10,613,626)	(6,248,789)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in non-interest-bearing deposits		9,916,768	3,065,454
Net increase in interest-bearing deposits		12,330,385	6,783,221
Proceeds from the issuance of Federal Home Loan Bank borrowings		1,750,000	2,632,101
Repayment of Federal Home Loan Bank borrowings		(1,825,000)	(2,890,000)
Repayment of other borrowings		(260,000)	—
Cash dividends paid on preferred stock		(19,637)	—
Cash dividends paid on common stock		(62,524)	(60,035)
Payments of employee taxes withheld from stock-based compensation		(38,691)	(9,426)
Issuance (Repurchase) of common stock		708,617	(50,008)
Net cash provided by financing activities		22,499,918	9,471,307
Net increase in cash and cash equivalents		12,631,639	3,780,936
Cash and cash equivalents at beginning of period		12,348,331	789,832
Cash and cash equivalents at end of period	$	24,979,970	4,570,768
Supplemental disclosures of cash flow information:			
Interest paid during the period	$	173,867	233,691
Income taxes paid during the period, net	$	136,095	86,163
Non-cash investing activities:			
Excess servicing strips from the securitization of SBA loans	$	21,457	25,456

(1) Includes $14.0 million and $6.4 million of amortization of operating lease right-of-use assets for the six months ended June 30, 2021 and 2020, respectively.
(2) Includes $12.6 million and $5.6 million of accretion of operating lease liabilities for the six months ended June 30, 2021 and 2020, respectively.

See accompanying notes to Consolidated Financial Statements.

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

1. Basis of Presentation and Consolidation

The accompanying unaudited Consolidated Financial Statements of the Bank have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and practices within the banking industry. These financial statements have been prepared to reflect all adjustments necessary to present fairly the financial condition and results of operations as of the dates and for the periods shown. All significant intercompany accounts and transactions have been eliminated in consolidation.

The results of operations and other data presented for the quarter ended June 30, 2021 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2021. The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The most significant estimate is 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, 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. See Critical Accounting Policies later in this report for additional information.

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.

You should read these unaudited Consolidated Financial Statements and notes thereto and the related management’s discussion and analysis together with the financial information in our 2020 Annual Report on Form 10-K, previously filed with the Federal Deposit Insurance Corporation (“FDIC”).

2. 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 adjusted 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 three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,			*Six months ended June 30,*	
(in thousands, except per share amounts)		**2021**	**2020**	**2021**	**2020**
Net income	$	214,493	117,214	405,025	216,801
Preferred stock dividends		9,125	—	19,637	—
Net income available to common shareholders	$	205,368	117,214	385,388	216,801
Less: Dividends paid on and earnings allocated to participating securities		270	531	604	1,066
Earnings applicable to common stock	$	205,098	116,683	384,784	215,735
Common and common equivalent shares:					
Weighted average common shares outstanding		57,128	52,672	56,069	52,609
Weighted average common equivalent shares		399	113	545	154
Weighted average common and common equivalent shares		57,527	52,785	56,614	52,763
Basic earnings per common share	$	3.59	2.22	6.87	4.10
Diluted earnings per common share	$	3.57	2.21	6.80	4.09

Restricted stock units whose issuance is contingent upon the satisfaction of certain performance and market conditions (PSUs), 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 three and six months ended June 30, 2021, average dilutive potential common shares associated with these contingently issuable PSUs were 83,546 shares. For the three and six months ended June 30, 2020, average dilutive potential common shares associated with these contingently issuable PSUs were zero.

3. Fair Value Measurements

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

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

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

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

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

Valuation Methodology

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

We utilize independent third-party pricing sources to value most of our investment securities. In order to ensure the 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 $211.5 million at June 30, 2021 and $215.8 million at December 31, 2020. 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 June 30, 2021 and December 31, 2020, classified according to the three-level valuation hierarchy:

(in thousands)		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
June 30, 2021					
ASSETS					
Securities available-for-sale:					
U.S. Treasury securities	$	9,997	—	—	9,997
Residential mortgage-backed securities:					
U.S. Government Agency		—	104,973	—	104,973
Government-sponsored enterprises		—	2,808,940	—	2,808,940
Collateralized mortgage obligations:					
U.S. Government Agency		—	1,146,530	—	1,146,530
Government-sponsored enterprises		—	5,655,254	—	5,655,254
Private		—	811,866	4,686	816,552
Securities of U.S. states and political subdivisions:					
Municipal Bond - Taxable		—	224,848	—	224,848
Other debt securities:					
Commercial mortgage-backed securities		—	60,576	—	60,576
Single issuer trust preferred & corporate debt securities		—	1,108,605	—	1,108,605
Pooled trust preferred securities		—	—	20,013	20,013
Other			390,166	230,994	621,160
Total securities available-for-sale		9,997	12,311,758	255,693	12,577,448
Equity securities		—	23,020	—	23,020
Derivatives (1)		—	22,561	1,860	24,421
Total assets	$	9,997	12,357,339	257,553	12,624,889
LIABILITIES					
Derivatives (1)	$	—	14,590	274	14,864
Total liabilities	$	—	14,590	274	14,864

(1) 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, 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 Bond - 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.

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 three and six months ended June 30, 2021 and 2020. Additionally, the following tables present 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)**
Three months ended June 30, 2021				
Beginning balance - Level 3	$	259,727	1,793	(206)
Issuance of equity warrant assets		—	53	—
Formation of SBA interest-only strip securities		14,695	—	—
Transfers into Level 3		—	—	—
Transfers out of Level 3		—	—	—
Total gains or (losses) (realized/unrealized):				
Included in earnings				
Non-interest income		—	14	(68)
Interest income		(10,420)	—	—
Included in other comprehensive income		(8,309)	—	—
Ending balance - Level 3	$	255,693	1,860	(274)
Three months ended June 30, 2020				
Beginning balance - Level 3	$	209,689	307	(661)
Issuance of equity warrant assets		—	58	—
Formation of SBA interest-only strip securities		10,736	—	—
Transfers into Level 3		—	—	—
Transfers out of Level 3		—	—	—
Total gains or (losses) (realized/unrealized):				
Included in earnings				
Non-interest income		—	238	(7)
Interest income		(9,572)	—	—
Included in other comprehensive income		9,162	—	—
Ending balance - Level 3	$	220,015	603	(668)

(1) 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.

(2) Derivative liabilities are associated with risk participation agreements.

(in thousands)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
		AFS Securities	Derivative Assets (1)	Derivative Liabilities (2)
Six months ended June 30, 2021				
Beginning balance - Level 3	$	238,680	1,425	(481)
Issuance of equity warrant assets		—	213	—
Formation of SBA interest-only strip securities		21,458	—	—
Transfers into Level 3		—	—	—
Transfers out of Level 3		—	—	—
Total gains or (losses) (realized/unrealized):				
Included in earnings				
Non-interest income		—	222	207
Interest income		(20,505)	—	—
Included in other comprehensive income		16,060	—	—
Ending balance - Level 3	$	255,693	1,860	(274)
Six months ended June 30, 2020				
Beginning balance - Level 3	$	209,996	261	(207)
Issuance of equity warrant assets		—	130	—
Formation of SBA interest-only strip securities		25,456	—	—
Transfers into Level 3		—	—	—
Transfers out of Level 3		—	—	—
Total gains or (losses) (realized/unrealized):				
Included in earnings				
Non-interest income		—	212	(461)
Interest income		(18,717)	—	—
Included in other comprehensive income		3,280	—	—
Ending balance - Level 3	$	220,015	603	(668)

(1) 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.

(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, held-for-sale, repossessed assets, and certain long-lived assets.

The following table presents the assets that were measured at fair value on a non-recurring basis as of June 30, 2021 and December 31, 2020, classified according to the three-level valuation hierarchy:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
June 30, 2021				
Collateral-dependent impaired loans:				
Commercial property	$ —	—	124,348	124,348
Acquisition, development and construction	—	—	3,240	3,240
1-4 family residential property	—	—	962	962
Home equity lines of credit	—	—	1,435	1,435
Commercial and industrial (1)	—	—	20,344	20,344
Other repossessed assets	—	—	20,293	20,293
Total assets	$ —	—	170,622	170,622
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

(1) Includes $10.0 million and $8.2 million of specialty finance loans as of June 30, 2021 and December 31, 2020, 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.

Fair value adjustments for collateral-dependent impaired loans are recorded through direct loan charge-offs and/or through a specific allocation of the ACLLL. During the three and six months ended June 30, 2021, we recorded fair value adjustments ((gain)/loss) on collateral-dependent loans totaling $25.7 million and $29.2 million, respectively, compared to $12.0 million and $13.5 million, respectively, recorded for the three and six months ended June 30, 2020. For both the three and six month comparative periods, the adjustments are principally related to charge-offs and net increases in reserves related to four commercial property loans totaling $12.3 million and $16.0 million, respectively.

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 three and six months ended June 30, 2021, we recorded negative fair value adjustments of $4.3 million and $7.5 million, respectively, compared to zero and $587,000 for the three and six months ended June 30, 2020, on repossessed assets. Adjustments recorded in 2021 principally related to taxi medallions. 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, 94.1% which mature within one year, had a carrying value and estimated fair value both at $1.85 billion at June 30, 2021. The estimated fair value is based on the discounted value of contractual cash flows using interest rates that approximated those offered for time deposits with similar maturities and terms.

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

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

		Estimated Fair Value Measurements			
(in thousands)	Carrying Amount	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 24,979,970	24,979,970	24,979,970	—	—
Securities available-for-sale (1)	12,577,448	12,577,448	9,997	12,311,758	255,693
Securities held-to-maturity (2)	3,361,011	3,373,059	—	3,373,059	—
Federal Home Loan Bank stock (3)	171,759	171,759	—	171,759	—
Loans held for sale	548,701	548,701	—	548,701	—
Loans and leases, net (4)	53,994,373	54,310,420	—	—	54,310,420
Equity securities (5)	23,020	23,020	—	23,020	—
Derivatives (6)	24,421	24,421	—	22,561	1,860
Total financial assets	$ 95,680,703	96,008,798	24,989,967	16,450,858	54,567,973
FINANCIAL LIABILITIES					
Deposits (7)	$ 85,562,476	85,567,102	—	85,567,102	—
Federal Home Loan Bank borrowings	2,764,245	2,841,134	—	2,841,134	—
Broker repurchase agreements	150,000	154,203	—	154,203	—
Subordinated debt	569,519	609,234	—	609,234	—
Derivatives (8)	14,864	14,864	—	14,590	274
Total financial liabilities	$ 89,061,104	89,186,537	—	89,186,263	274
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)	8,054	8,054	—	7,573	481
Total financial liabilities	$ 67,141,210	67,285,960	—	67,285,479	481

(1) Fair value amount includes zero ACL related to AFS securities as of June 30, 2021 and $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 $78,000 as of June 30, 2021, and $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.

(8) Level three derivative liabilities are Risk Participation Agreements.

4. Securities

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

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

	At June 30, 2021				*At December 31, 2020*			
(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	$ 9,997	—	—	9,997	9,996	4	—	10,000
Residential mortgage-backed securities:								
U.S. Government Agency	103,942	1,864	(833)	104,973	118,573	2,184	(436)	120,321
Government-sponsored enterprises	2,814,460	18,347	(23,867)	2,808,940	1,737,726	32,162	(7,295)	1,762,593
Collateralized mortgage obligations:								
U.S. Government Agency	1,150,636	3,913	(8,019)	1,146,530	685,313	4,001	(3,894)	685,420
Government-sponsored enterprises	5,730,781	23,328	(98,855)	5,655,254	4,170,910	37,094	(73,791)	4,134,213
Private	820,579	2,415	(6,442)	816,552	622,062	4,760	(3,860)	622,962
Securities of U.S. states and political subdivisions:								
Municipal Bond - Taxable	221,125	3,916	(193)	224,848	97,040	2,253	(31)	99,262
Other debt securities:								
Commercial mortgage-backed securities	60,478	719	(621)	60,576	59,132	1,040	(398)	59,774
Single issuer trust preferred & corporate debt securities	1,094,394	20,363	(6,152)	1,108,605	878,229	19,169	(4,999)	892,399
Pooled trust preferred securities	20,767	1,247	(2,001)	20,013	20,650	421	(3,252)	17,819
Other (1)	633,563	862	(13,265)	621,160	492,078	2,178	(8,598)	485,658
Total available-for-sale (2)	$12,660,722	76,974	(160,248)	12,577,448	8,891,709	105,266	(106,554)	8,890,421
HELD-TO-MATURITY								
FHLB, FNMA and FHLMC Debentures	$ 602,829	356	(1,984)	601,201	49,951	76	—	50,027
Residential mortgage-backed securities:								
U.S. Government Agency	18,283	375	(58)	18,600	21,944	317	(49)	22,212
Government-sponsored enterprises	686,846	4,417	(5,916)	685,347	331,952	7,764	(1,450)	338,266
Collateralized mortgage obligations:								
U.S. Government Agency	213,814	1,664	(2,973)	212,505	224,373	2,302	(1,943)	224,732
Government-sponsored enterprises	1,772,671	24,209	(14,869)	1,782,011	1,605,650	39,953	(8,302)	1,637,301
Private	1,067	60	—	1,127	1,297	9	—	1,306
Other debt securities:								
Single issuer trust preferred & corporate debt securities	65,579	6,689	—	72,268	47,714	7,820	—	55,534
Total held-to-maturity (3)	$ 3,361,089	37,770	(25,800)	3,373,059	2,282,881	58,241	(11,744)	2,329,378

(1) Amount includes $211.5 million and $223.1 million as of June 30, 2021 and December 31, 2020, respectively, resulting from the Company's securitization of the U.S. Government guaranteed portion of 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 allowance for credit losses related to AFS securities of zero as of June 30, 2021 and $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 $78,000 as of June 30, 2021 and $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 tables present information regarding AFS securities, categorized by type of security and length of time that individual securities have been in a continuous unrealized loss position at the dates indicated below.

	Less than 12 months		12 months or longer		Total	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
June 30, 2021						
Available-for-Sale Securities						
Residential mortgage-backed securities:						
U.S. Government Agency	$ 60,388	(826)	352	(7)	60,740	(833)
Government-sponsored enterprises	1,495,832	(15,899)	164,186	(7,968)	1,660,018	(23,867)
Collateralized mortgage obligations:						
U.S. Government Agency	551,586	(6,150)	41,187	(1,869)	592,773	(8,019)
Government-sponsored enterprises	3,311,952	(44,183)	542,876	(54,672)	3,854,828	(98,855)
Private	485,821	(5,254)	29,786	(1,188)	515,607	(6,442)
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	22,364	(193)	—	—	22,364	(193)
Other debt securities:						
Commercial mortgage-backed securities	12,038	(79)	13,200	(542)	25,238	(621)
Single issuer trust preferred & corporate debt securities	337,195	(5,176)	61,050	(976)	398,245	(6,152)
Pooled trust preferred securities	—	—	7,917	(2,001)	7,917	(2,001)
Other	284,621	(156)	216,643	(13,109)	501,264	(13,265)
Total AFS securities	$ 6,561,797	(77,916)	1,077,197	(82,332)	7,638,994	(160,248)

	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)
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)
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	5,609	(31)	—	—	5,609	(31)
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 $12.58 billion as of June 30, 2021, among which, $9.73 billion, or 77.3% 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, no 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 June 30, 2021 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 $2.85 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.

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 June 30, 2021.

We held $3.36 billion of HTM securities as of June 30, 2021, among which, $3.29 billion, or 98.0% 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 $66.6 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 June 30, 2021 by year of origination:

(in thousands)		**2015 and Prior**
A or Above	$	953,721
BBB		3,492
Below BBB		1,067
Total (1)	$	958,280

(1) No HTM debt securities with credit risk exposure existing at June 30, 2021 had an issuance date after December 31, 2015.

Beginning January 1, 2020, an ACL is recorded to reflect the expected lifetime credit loss on these non-agency HTM securities. Subsequent favorable or adverse changes in expected cash flows 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.

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 June 30, 2021, one AFS security totaling $500,000 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 three and six months ended June 30, 2021:

(in thousands)		AFS	HTM
Three months ended June 30, 2021			
Balance at March 31, 2021	$	—	51
Provision for credit losses		—	27
Charge-offs		—	—
Recoveries		—	—
Ending Balance at June 30, 2021	$	—	78
Three months ended June 30, 2020			
Balance at March 31, 2020	$	—	56
Provision for credit losses		36	4
Charge-offs		—	—
Recoveries		—	—
Ending Balance at June 30, 2020	$	36	60

(in thousands)		AFS	HTM
Six months ended June 30, 2021			
Balance at December 31, 2020	$	4	51
Provision for credit losses		(4)	27
Charge-offs		—	—
Recoveries		—	—
Ending Balance at June 30, 2021	$	—	78
Six months ended June 30, 2020			
Balance at December 31, 2019	$	—	—
Cumulative effect from change in accounting policies (1)		—	56
Balance, beginning of period, adjusted		—	56
Provision for credit losses		36	4
Charge-offs		—	—
Recoveries		—	—
Ending Balance at June 30, 2020	$	36	60

(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.

Gross realized gains and losses on sales of AFS securities were zero for the three and six months ended June 30, 2021 and the three and six months ended June 30, 2020, respectively.

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.

(in thousands)	June 30, 2021 Amortized Cost	Fair Value
AVAILABLE-FOR-SALE		
Due in one year or less	$ 39,170	39,583
Due after one year through five years	397,942	405,705
Due after five years through ten years	846,462	846,994
Due after ten years	11,377,148	11,285,166
Total available-for-sale debt securities	$ 12,660,722	12,577,448
HELD-TO-MATURITY		
Due in one year or less	$ 9,908	10,243
Due after one year through five years	178,001	179,907
Due after five years through ten years	530,627	529,261
Due after ten years	2,642,475	2,653,648
Total held-to-maturity debt securities	$ 3,361,011	3,373,059

We use securities as collateral for debtor-in-possession deposit accounts in excess of FDIC insurance limits, clients' treasury tax and loan deposits, public deposits, securities sold under agreements to repurchase and borrowings from the Federal Home Loan Bank of New York. As of June 30, 2021 and December 31, 2020, the Bank did not have any securities pledged with the FHLB. However, the carrying value of securities held by the FHLB as custodian totaled $208.3 million and $351.4 million, respectively. These securities were not pledged and can be used to pledge towards future borrowings, as necessary.

5. Loans and Leases, Net

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

(in thousands)		June 30, 2021	December 31, 2020
Mortgage loans:			
Multi-family residential property	$	15,467,895	15,171,520
Commercial property		10,714,009	10,553,599
Acquisition, development and construction loans		1,428,510	1,367,896
1-4 family residential property		472,690	494,680
Home equity lines of credit		77,651	82,553
Total mortgage loans		28,160,755	27,670,248
Commercial & Industrial loans:			
Fund banking		15,981,975	11,237,465
Specialty finance		5,051,233	5,043,106
Other commercial and industrial		3,082,850	3,034,047
PPP loans		2,306,564	1,874,447
Taxi medallions		—	2,826
Consumer		5,894	7,039
Total other loans		26,428,516	21,198,930
Net deferred fees and costs		(80,104)	(36,080)
ACLLL		(514,794)	(508,299)
Net loans	$	53,994,373	48,324,799

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 June 30, 2021:

(in thousands)	2021	2020	2019	2018	2017 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
June 30, 2021								
Commercial loans secured by real estate:								
Multi-family residential property								
Pass (Rating 1-6)	$1,821,666	4,280,394	1,681,219	1,925,644	3,505,555	62,469	—	13,276,947
Special Mention (Rating 7)	236,183	1,158,835	18,969	41,041	248,917	—	—	1,703,945
Substandard (Rating 8)	168,379	219,842	57,548	—	41,234	—	—	487,003
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total multi-family residential property	$2,226,228	5,659,071	1,757,736	1,966,685	3,795,706	62,469	—	15,467,895
Commercial property								
Pass (Rating 1-6)	$1,257,901	1,966,190	1,173,761	1,235,733	3,210,586	17,589	—	8,861,760
Special Mention (Rating 7)	128,858	797,346	116,037	41,836	122,240	—	—	1,206,317
Substandard (Rating 8)	53,583	469,405	18,363	21,608	82,973	—	—	645,932
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total commercial property	$1,440,342	3,232,941	1,308,161	1,299,177	3,415,799	17,589	—	10,714,009
1-4 family residential property								
Pass (Rating 1-6)	$ 34,813	82,164	43,814	50,919	160,982	14,959	—	387,651
Special Mention (Rating 7)	2,789	15,623	—	—	4,945	—	—	23,357
Substandard (Rating 8)	—	—	—	—	—	—	—	—
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total 1-4 family residential property	$ 37,602	97,787	43,814	50,919	165,927	14,959	—	411,008
Acquisition, development and construction								
Pass (Rating 1-6)	$ 278,552	570,236	74,135	133,197	91,006	163,110	—	1,310,236
Special Mention (Rating 7)	22,392	66,006	—	—	25,468	2,108	—	115,974
Substandard (Rating 8)	—	2,300	—	—	—	—	—	2,300
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total acquisition, development and construction	$ 300,944	638,542	74,135	133,197	116,474	165,218	—	1,428,510
Total commercial loans secured by real estate	$4,005,116	9,628,341	3,183,846	3,449,978	7,493,906	260,235	—	28,021,422
Commercial loans secured by real estate:								
Current period gross charge-offs (1)	$ —	(14,193)	—	—	—	—	—	(14,193)
Current period recoveries (1)	—	—	—	—	—	—	—	—
Current period net charge-offs (1)	$ —	(14,193)	—	—	—	—	—	(14,193)

(1) Excludes amounts related to loans that had a zero outstanding balance as of June 30, 2021.

The following table summarizes our C&I loan portfolio by risk rating and year of origination as of June 30, 2021:

(in thousands)		2021	2020	2019	2018	2017 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
June 30, 2021									
Commercial & industrial loans:									
Specialty finance									
Pass (Rating 1-6)	$	889,576	1,565,938	1,128,408	605,763	637,112	—	—	4,826,797
Special Mention (Rating 7)		—	3,642	18,628	5,905	7,612	—	—	35,787
Substandard (Rating 8)		5,655	38,155	58,959	32,570	53,310	—	—	188,649
Doubtful (Rating 9)		—	—	—	—	—	—	—	—
Total specialty finance	$	895,231	1,607,735	1,205,995	644,238	698,034	—	—	5,051,233
Fund banking									
Pass (Rating 1-6)	$	255,752	344	—	—	—	15,725,879	—	15,981,975
Special Mention (Rating 7)		—	—	—	—	—	—	—	—
Substandard (Rating 8)		—	—	—	—	—	—	—	—
Doubtful (Rating 9)		—	—	—	—	—	—	—	—
Non-rated		—	—	—	—	—	—	—	—
Total fund banking	$	255,752	344	—	—	—	15,725,879	—	15,981,975
Other commercial and industrial									
Pass (Rating 1-6)	$	184,186	414,091	240,345	280,880	525,386	1,207,694	5,031	2,857,613
Special Mention (Rating 7)		59,886	25,453	6	5,957	15,586	4,504	—	111,392
Substandard (Rating 8)		62	12,990	8,692	902	24,362	14,072	—	61,080
Doubtful (Rating 9)		—	—	—	—	—	—	—	—
Non-rated		45,929	2,890	1,358	1,005	326	1,257	—	52,765
Total other commercial and industrial	$	290,063	455,424	250,401	288,744	565,660	1,227,527	5,031	3,082,850
Paycheck Protection Program (1)									
Pass (Rating 1)	$	1,076,040	1,230,524	—	—	—	—	—	2,306,564
Special Mention (Rating 7)		—	—	—	—	—	—	—	—
Substandard (Rating 8)		—	—	—	—	—	—	—	—
Doubtful (Rating 9)		—	—	—	—	—	—	—	—
Non-rated		—	—	—	—	—	—	—	—
Total Paycheck Protection Program	$	1,076,040	1,230,524	—	—	—	—	—	2,306,564
Total commercial & industrial loans	$	2,517,086	3,294,027	1,456,396	932,982	1,263,694	16,953,406	5,031	26,422,622
Commercial & industrial loans:									
Current period gross charge-offs (2)	$	(4)	—	(143)	(264)	—	—	—	(411)
Current period recoveries (2)		19	—	—	—	—	—	—	19
Current period net charge-offs (2)	$	15	—	(143)	(264)	—	—	—	(392)

(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.

(2) Excludes amounts related to loans or leases that had a zero outstanding balance as of June 30, 2021.

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 (1)	$ —	—	—	—	(3,921)	—	—	(3,921)
Current period recoveries (1)	—	—	—	—	—	—	—	—
Current period net charge-offs (1)	$ —	—	—	—	(3,921)	—	—	(3,921)

(1) Excludes amounts related to loans that had a zero outstanding balance as of December 31, 2020.

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)	—	—	—	—	—	—	—	—
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)	—	—	—	—	—	—	—	—
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 (2)	$ (200)	—	—	—	(4)	—	—	(204)
Current period recoveries (2)	4	—	—	—	—	—	—	4
Current period net charge-offs (2)	$ (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.

(2) Excludes amounts related to loans or leases that had a zero outstanding balance as of December 31, 2020.

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 tables summarize our consumer loan portfolio by year of origination as of June 30, 2021 and December 31, 2020:

(in thousands)	2021	2020	2019	2018	2017 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
June 30, 2021								
Consumer loans (1):								
Residential mortgages	$ —	—	—	—	61,683	—	—	61,683
Home equity lines of credits	78	—	—	—	77,573	—	—	77,651
Consumer loans	2,556	43	74	187	3,034	—	—	5,894
Total consumer loans	$ 2,634	43	74	187	142,290	—	—	145,228
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.

(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
June 30, 2021			
Residential mortgages	$ 58,831	2,852	61,683
Home equity lines of credit	73,784	3,867	77,651
Other consumer loans	5,894	—	5,894
Total consumer loans	$ 138,509	6,719	145,228
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

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
June 30, 2021								
Commercial loans								
Loans secured by real estate:								
Multi-family residential property	$	26,971	105	27,076	15,440,819	15,467,895	105	—
Commercial property		14,417	14,848	29,265	10,684,744	10,714,009	—	100,994
1-4 family residential property		—	—	—	411,007	411,007	—	—
Acquisition, development and construction loans		12,800	—	12,800	1,415,710	1,428,510	—	—
Commercial and industrial loans:								
Specialty finance		9,835	4,215	14,050	5,037,183	5,051,233	—	15,694
Fund banking		21,925	—	21,925	15,960,050	15,981,975	—	—
Commercial and industrial		9,422	6,247	15,669	5,373,745	5,389,414	12	12,692
Consumer loans								
Residential mortgages		233	2,913	3,146	58,537	61,683	526	2,852
Home equity lines of credit		473	3,394	3,867	73,784	77,651	—	3,867
Consumer loans		491	—	491	5,403	5,894	—	—
Total	$	96,567	31,722	128,289	54,460,982	54,589,271	643	136,099
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 medallion loans		—	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

Nonaccrual loans at June 30, 2021 and December 31, 2020 totaled $136.1 million and $120.2 million, respectively. The increase in nonaccrual loans was primarily attributable to the addition of nine commercial property loans totaling $62.8 million and one owner-occupied C&I loan totaling $5.4 million, partially offset by the payoff of one commercial property loan totaling $23.0 million, other payoffs and receipt of payments on nonaccrual loans totaling $12.0 million, and charge-offs totaling $18.0 million.

There were no commitments at June 30, 2021 to lend additional funds on nonaccrual loans. For further discussion, see Note 6 to our Consolidated Financial Statements.

As of June 30, 2021, loans past due 90 days or more and still accruing primarily included $1.7 million of government-guaranteed SBA loans and one 1-4 family residential property loan totaling $76,000 that was well secured and in process of collection. As of December 31, 2020, loans past due 90 days or more and still accruing included three commercial and industrial loans totaling $1.1 million that were well secured and in process collection.

As of June 30, 2021 and December 31, 2020, the Bank held residential consumer mortgage loans in the process of foreclosure of $4.8 million and $4.9 million, respectively. Due to COVID-19 circumstances, all foreclosures that were in process remain suspended as of June 30, 2021. 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 June 30, 2021 and December 31, 2020. Other repossessed assets as of June 30, 2021 and December 31, 2020 totaled $21.2 million and $34.5 million, respectively. The June 30, 2021 and December 31, 2020 repossessed asset balances principally consist of taxi medallions. Included in the June 30, 2021 and December 31, 2020 balances are $15.3 million and $24.8 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 June 30, 2021 and December 31, 2020, the Bank had pledged $10.35 billion and $10.45 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 $3.66 billion and $3.49 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.

6. Allowance for Credit Losses

The table below presents a breakdown of our ACL by financial instrument type as of the dates indicated:

(in thousands)		June 30, 2021	December 31, 2020
ACL related to loans and leases	$	514,794	508,299
ACL related to unfunded commitments		7,752	7,951
ACL related to accrued interest receivable (2)		2,243	2,784
ACL related to AFS debt securities (1)		—	4
ACL related to HTM debt securities (1)		78	51
Total ACL	$	524,867	519,089

(1) Amount represents ACL related to investment securities. See Note 4 for further discussion.

(2) Included in Accrued interest and dividends receivable in the consolidated statements of financial condition. See Critical Accounting Policies for further discussion.

The tables below present a summary by loan portfolio segment of our 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
Three months ended June 30, 2021								
Beginning balance - ACLLL	$	434,722	9,687	68,463	3,821	4,457	611	521,761
Provision		(6,999)	141	13,732	1,304	264	(74)	8,368
Charge-offs		(14,845)	(860)	(1,664)	(125)	—	—	(17,494)
Recoveries		54	—	2,009	77	2	17	2,159
Ending balance - ACLLL	$	412,932	8,968	82,540	5,077	4,723	554	514,794
Three months ended June 30, 2020								
Beginning balance - ACLLL	$	234,694	9,353	101,436	4,523	5,444	824	356,274
Provision		92,671	3,809	(3,015)	(93)	(294)	(74)	93,004
Charge-offs		—	—	(4,050)	(635)	(2)	(94)	(4,781)
Recoveries		—	—	120	41	4	10	175
Ending balance - ACLLL	$	327,365	13,162	94,491	3,836	5,152	666	444,672

		Credit-rated loans			Non-rated loans			
(in thousands)		Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
Six months ended June 30, 2021								
Beginning balance - ACLLL	$	407,956	13,137	77,186	4,785	4,557	678	508,299
Provision		29,857	(3,308)	12,689	430	161	(136)	39,693
Charge-offs		(24,935)	(861)	(10,105)	(270)	—	(20)	(36,191)
Recoveries		54	—	2,770	132	5	32	2,993
Ending balance - ACLLL	$	412,932	8,968	82,540	5,077	4,723	554	514,794
Six months ended June 30, 2020								
Beginning balance - ACLLL	$	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		131,877	6,789	19,444	1,987	(675)	405	159,827
Charge-offs		—	—	(5,754)	(941)	(37)	(141)	(6,873)
Recoveries		—	—	379	139	8	20	546
Ending balance - ACLLL	$	327,365	13,162	94,491	3,836	5,152	666	444,672

(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.*

For the three months ended June 30, 2021, the ACLLL decreased $7.0 million, or 1.3% which was predominantly attributable to improved overall macroeconomic forecast metrics including improvements in the NYC multi-family property price index. In addition, the NYC commercial property price index stabilized during the quarter for the first time since the inception of the pandemic. Further, commercial property charge-offs of $14.3 million during the quarter resulted in a corresponding ACLLL release. These reserve releases were offset by declining debt service coverage ratios and net operating income for our commercial real estate borrowers reflecting the 2020 impact of COVID-19 on vacancies. Updated net operating income metrics also resulted in larger reserves on our commercial real estate nonaccrual and TDR loans for the quarter. Further offsetting the favorable macroeconomic trends within the overall portfolio was a reserve build in Specialty Finance (Commercial and Industrial) due to continued loan growth, and volatility in macroeconomic metrics year-over-year which had a negative impact on reserves of lower weighted average risk ratings within the portfolio. For the six months ended June 30, 2021, the ACLLL increased $6.5 million, or 1.3%, from $508.3 million to $514.8 million. The increase was primarily attributable to declining DSCs within the CRE portfolio due to the impact of COVID-19 and its impact on our nonaccrual and TDR reserves, partially offset by the aforementioned improved economic metrics.

Our current forecast as of June 30, 2021 exhibits improved levels of unemployment through 2021, with a higher Gross Domestic Product (“GDP”) growth forecast compared to the first quarter of 2021, primarily due to the assumption of US herd resilience, or 65% of population fully vaccinated, by mid-summer 2021, and the anticipation of the passage of additional relief legislation in the second half of 2021 that will continue to focus on infrastructure and social benefits. i.e., the Build Back Better package. GDP growth is currently forecasted to be in the 6% to 11% range throughout 2021, with the peak of 11% projected in second quarter of 2021, followed by continued elevated but gradually declining GDP growth levels in the 2% to 5% range through 2022. The forecast also contains declining unemployment levels slightly lower than 6% in mid-2021, followed by a consistent improving trend through 2022, ending at approximately 3.5%. These unemployment and GDP growth forecast trends are highly correlated with the expected timing of herd resilience. Any changes in the forecast for the multifamily and 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. Additionally, while the risk of a COVID-19 variant is contemplated in the current forecast to a degree, the full extent of impact on future economic conditions, and corresponding forecasts, is currently unknown as we and economists gain more knowledge about the delta variant.

The following table presents our ACLLL and outstanding balances by loan portfolio segment:

	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 June 30, 2021							
ACLLL:							
Individually evaluated for impairment (2)	$ 57,694	—	14,980	21	2,588	—	75,283
Collectively evaluated for impairment	355,238	8,968	67,560	5,056	2,135	554	439,511
Recorded investment in loans:							
Individually evaluated for impairment (2)	369,305	—	54,430	43	6,718	—	430,496
Collectively evaluated for impairment	$27,241,109	411,008	26,315,426	52,722	132,616	5,894	54,158,775
As of December 31, 2020							
ACLLL:							
Individually 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:							
Individually 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

(1) Includes home equity lines of credit.

(2) Includes reasonably expected TDRs, if any.

A loan is individually evaluated for impairment if it does not share similar risk characteristics with other loans that also have an asset specific risk exposure. This includes 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 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 for a sustained period. 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 January 1, 2022 or 60 days after the end of the COVID-19 national emergency, as stipulated by the Consolidated Appropriations Act, 2021 signed in December 31, 2020. 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 since the first quarter of 2020.

As a result of COVID-19, we have received payment relief requests. As of June 30, 2021, we continue to provide certain borrowers with full payment deferral, whereas others who were initially provided a three to six month deferral have either returned to pay in full, or exited the full payment deferral period and entered into a modified interest-only payment structure.

As of June 30, 2021, total non-payment deferrals declined to $461.0 million, or 0.8% of total loans, compared with non-payment deferrals of $1.31 billion, or 2.7% of total loans, at December 31, 2020, and $11.08 billion, or 24.5% of total loans at their peak level as of June 30, 2020. The non-payment deferrals at June 30, 2021 primarily include loans secured by commercial real estate totaling $389.3 million as well as commercial and industrial loans totaling $60.8 million. Additionally, $3.91 billion, or 7.2% of total loans, is comprised of modified principal and interest payments, predominantly interest-only structures. As of June 30, 2021, all but six of these modifications totaling $183.5 million are accounted for in accordance with the CARES Act.

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

	June 30, 2021				*June 30, 2020*			
(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	$ 48,361	37,168	—	23,613	—	—	—	—
Commercial and industrial loans	23,324	11,451	—	9,402	40,812	5,501	—	10,506
Residential mortgages	—	—	—	—	1,396	1,396	—	1,869
With an allowance recorded:								
Commercial loans secured by real estate:								
Commercial property	76,370	63,826	10,824	70,565	22,629	22,629	7,329	7,543
Commercial and industrial loans	18,156	16,935	8,512	17,865	12,738	12,202	5,776	13,717
Residential mortgages	3,170	2,852	1,428	1,932	1,431	1,431	716	1,444
Home equity lines of credit	3,909	3,867	1,160	3,548	3,780	3,780	1,134	3,677
Total:								
Commercial loans secured by real estate	124,731	100,994	10,824	94,178	22,629	22,629	7,329	7,543
Commercial and industrial loans	41,480	28,386	8,512	27,267	53,550	17,703	5,776	24,223
Residential mortgages	3,170	2,852	1,428	1,932	2,827	2,827	716	3,313
Home equity lines of credit	3,909	3,867	1,160	3,548	3,780	3,780	1,134	3,677
Total nonaccrual loans (1)	$ 173,290	136,099	21,924	126,925	82,786	46,939	14,955	38,756

(1) There were no nonaccrual loans accounted for on cash basis for the six months ended June 30, 2021 and 2020. 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 have applied this guidance since the first quarter of 2020. See further discussion earlier in this Note.

The following table presents loans that were classified as TDRs during the three and six months ended June 30, 2021 and 2020. The pre-modification balances represent the recorded investment immediately prior to modification, and the post-modification balances represent the recorded investment as of the dates indicated:

	Three months ended June 30, 2021			*Three months ended June 30, 2020*		
(dollars in thousands)	**Number of Loans (1)**	**Pre-Modification Balance (1)**	**Post-Modification Balance (1)**	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**
Commercial loans secured by real estate:						
Commercial property	—	$ —	—	1	$ 356	356
Commercial and industrial loans:						
Other commercial and industrial	1	449	449	3	3,133	3,132
Consumer loans:						
Residential mortgages	—	—	—	1	1,498	1,396
Total	1	$ 449	449	5	$ 4,987	4,884

(1) Excludes reasonably expected TDRs.

	Six months ended June 30, 2021			*Six months ended June 30, 2020*		
(dollars in thousands)	**Number of Loans (1)**	**Pre-Modification Balance (1)**	**Post-Modification Balance (1)**	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**
Commercial loans secured by real estate:						
Commercial property	5	$ 28,280	27,975	2	$ 19,356	19,356
Multi-family residential property	—	—	—	1	70,000	70,000
Commercial and industrial loans:						
Other commercial and industrial	5	6,115	5,971	4	3,480	3,371
Consumer loans:						
Residential mortgages	—	—	—	1	1,498	1,396
Total	10	$ 34,395	33,946	8	$ 94,334	94,123

(1) Excludes reasonably expected TDRs.

The following tables summarize how TDR loans recorded during three and six months ended June 30, 2021 and 2020 were modified:

(in thousands)		Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Total
Three months ended June 30, 2021 (2)						
Commercial loans secured by real estate:						
Multifamily residential property	$	—	—	—	—	—
Commercial and industrial		—	—	449	—	449
Consumer loans:						
Residential mortgages						
Total	$	—	—	449	—	449
Three months ended June 30, 2020 (2)						
Commercial loans secured by real estate:						
Commercial property	$	356	—	—	—	356
Commercial and industrial		1,750	—	1,040	342	3,132
Consumer loans:						
Residential mortgages		—	—	1,396	—	1,396
Total	$	2,106	—	2,436	342	4,884

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

(2) Excludes reasonably expected TDRs.

(in thousands)		Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Total
Six months ended June 30, 2021 (2)						
Commercial loans secured by real estate:						
Commercial property	$	—	—	27,975	—	27,975
Multifamily residential property		—	—	—	—	—
Commercial and industrial		—	—	5,668	303	5,971
Consumer loans:						
Residential mortgages		—	—	—	—	—
Total	$	—	—	33,643	303	33,946
Six months ended June 30, 2020 (2)						
Commercial loans secured by real estate:						
Commercial property	$	19,356	—	—	—	19,356
Multifamily residential property		—	70,000	—	—	70,000
Commercial and industrial		1,989	—	1,040	342	3,371
Consumer loans:						
Residential mortgages		—	—	1,396	—	1,396
Total	$	21,345	70,000	2,436	342	94,123

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

(2) Excludes reasonably expected TDRs.

As of June 30, 2021 and December 31, 2020, our ACLLL for TDRs including reasonably expected TDRs, totaled $66.4 million and $53.0 million, respectively. No loans that were modified as a TDR within the previous 12 months subsequently defaulted on payments for the periods ended June 30, 2021 and December 31, 2020.

As of June 30, 2021, 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.

7. Deposits

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

(in thousands)		June 30, 2021	December 31, 2020
Non-interest-bearing demand	$	28,377,647	18,461,971
NOW and interest-bearing demand		18,668,946	11,825,113
Money market		35,067,481	29,189,903
Time deposits		1,924,476	1,627,309
Brokered deposits (1)		1,523,926	2,211,027
Total deposits	$	85,562,476	63,315,323

(1) Includes non-interest bearing deposits of $296.9 million and $296.0 million as of June 30, 2021 and December 31, 2020, respectively.

8. Repurchase Agreements

As of June 30, 2021 and December 31, 2020, we had repurchase agreements with brokers accounted for as secured borrowings totaling $150.0 million, among which $100.0 million is expected to mature in August 2025 and the remaining $50.0 million is expected to mature in August 2026, respectively.

Collateral for these types of transactions typically consists of government agency and government-sponsored enterprise securities. Securities collateralizing these agreements are classified as Securities available-for-sale or Securities held-to-maturity in the Consolidated Statements of Financial Condition. The amount of excess collateral required is governed by each individual contract. The primary risk associated with these repurchase agreements is the requirement to pledge a balance of market value based collateral in excess of the borrowed amount. The excess collateral pledged represents an unsecured exposure to the lending counterparty. As the market value of the collateral changes, additional collateral may need to be pledged. In accordance with our policies, eligible counterparties are defined and monitored to minimize exposure. As of June 30, 2021, all repurchase agreements were collateralized with government-sponsored enterprise securities.

9. 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 June 30, 2021, 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 are the 30th day of March, June, September and December of each year. For the three months ended June 30, 2021, the Bank paid a cash dividend of $9.1 million, or $12.50 per share to preferred shareholders. For the six months ended June 30, 2021, the Bank paid a cash dividend of $19.6 million, or $26.90 per share to preferred shareholders. The Bank also declared a cash dividend of $12.50 per share payable on or after September 30, 2021 to preferred shareholders of record at the close of business on September 17, 2021.

10. Equity Incentive Plan

We have an equity incentive plan designed to assist us in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide us and our subsidiaries and affiliates with incentives directly related to increases in our shareholder value. Activity related to the equity incentive plan for the three and six months ended June 30, 2021 is summarized as follows:

	Three months ended June 30, 2021	*Six months ended June 30, 2021*
Shares available for future awards at beginning of period	617,718	710,861
Restricted stock		
Granted	(16,426)	(285,420)
Forfeited (1)	70,830	71,061
Shares sold to cover minimum tax withholding upon vesting	106	175,726
Shares available for future awards at end of period	672,228	672,228

(1) Forfeitures were primarily related to the shares forfeited as result of the retirement of two senior management members on June 30, 2021.

Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the three and six months ended June 30, 2021:

	Three months ended June 30, 2021		*Six months ended June 30, 2021*	
	Shares	*Weighted Average Grant Price*	*Shares*	*Weighted Average Grant Price*
Outstanding at beginning of period	786,252	$ 139.76	945,646	$ 110.30
Granted	16,426	234.63	285,420	204.86
Vested	(317)	124.42	(428,474)	115.92
Forfeited (1)	(70,830)	148.15	(71,061)	147.95
Outstanding at end of period	731,531	139.10	731,531	139.10

(1) Forfeitures were primarily related to the shares forfeited as result of the retirement of two senior management members on June 30, 2021.

As of June 30, 2021, our total unrecognized compensation cost related to unvested restricted shares was $85.8 million which is expected to be recognized over a weighted-average period of 1.92 years. During the three and six months ended June 30, 2021, we recognized compensation expense of $11.0 million and $25.2 million, respectively for restricted shares. The total fair value of restricted shares that vested during the three and six months ended June 30, 2021 was $80,000 and $98.4 million, respectively.

11. Accumulated Other Comprehensive Loss

The following tables presents information regarding items reclassified out of Accumulated Other Comprehensive Loss ("AOCL") during the three and six months ended June 30, 2021 and 2020:

(in thousands)		*Three months ended June 30, 2021*	*Three months ended June 30, 2020*	
Details About AOCL		**Amount Reclassified Out of AOCL**	**Amount Reclassified Out of AOCL**	**Affected Line Item in the Consolidated Statement of Operations**
Net unrealized losses on derivatives (cash flow hedges)				
Reclassifications, before tax	$	9,796	(7,880)	Interest expense - FHLB borrowings
		(2,899)	2,326	Income tax expense
Total reclassifications, net of tax	$	6,897	(5,554)	

(in thousands)		*Six months ended June 30, 2021*	*Six months ended June 30, 2020*	
Details About AOCL		**Amount Reclassified Out of AOCL**	**Amount Reclassified Out of AOCL**	**Affected Line Item in the Consolidated Statement of Operations**
Net unrealized losses on derivatives (cash flow hedges)				
Reclassifications, before tax	$	19,362	(11,289)	Interest expense - FHLB borrowings
		(5,738)	3,344	Income tax expense
Total reclassifications, net of tax	$	13,624	(7,945)	

The following table presents changes in AOCL, net of tax, for the three and six months ended June 30, 2021 and 2020:

(in thousands)		**AFS Securities**	**HTM Securities Transferred from AFS**	**Cash Flow Hedges**	**Total**
Three months ended June 30, 2021					
Balance at March 31, 2021	$	(65,127)	(4,468)	(59,708)	(129,303)
Net change in unrealized gain (loss)		10,835	—	(472)	10,363
Amortization of net unrealized loss on securities transferred to HTM		—	154	—	154
Amounts reclassified out of AOCL		—	—	6,897	6,897
Net current period other comprehensive income		10,835	154	6,425	17,414
Balance at June 30, 2021	$	(54,292)	(4,314)	(53,283)	(111,889)
Three months ended June 30, 2020					
Balance at March 31, 2020	$	45,294	(6,087)	(88,124)	(48,917)
Net change in unrealized gain (loss)		(2,958)	—	6,227	3,269
Amortization of net unrealized loss on securities transferred to HTM		—	548	—	548
Amounts reclassified out of AOCL		—	—	(5,554)	(5,554)
Net current period other comprehensive income (loss)		(2,958)	548	673	(1,737)
Balance at June 30, 2020	$	42,336	(5,539)	(87,451)	(50,654)

(in thousands)		AFS Securities	HTM Securities Transferred from AFS	Cash Flow Hedges	Total
Six months ended June 30, 2021					
Balance at December 31, 2020	$	3,481	(4,660)	(71,717)	(72,896)
Net change in unrealized gain (loss)		(57,773)	—	4,810	(52,963)
Amortization of net unrealized loss on securities transferred to HTM		—	346	—	346
Amounts reclassified out of AOCL		—	—	13,624	13,624
Net current period other comprehensive income (loss)		(57,773)	346	18,434	(38,993)
Balance at June 30, 2021	$	(54,292)	(4,314)	(53,283)	(111,889)
Six months ended June 30, 2020					
Balance at December 31, 2019	$	(23,421)	(6,584)	(35,625)	(65,630)
Net change in unrealized gain (loss)		65,757	—	(43,881)	21,876
Amortization of net unrealized loss on securities transferred to HTM		—	1,045	—	1,045
Amounts reclassified out of AOCL		—	—	(7,945)	(7,945)
Net current period other comprehensive income (loss)		65,757	1,045	(51,826)	14,976
Balance at June 30, 2020	$	42,336	(5,539)	(87,451)	(50,654)

The related tax effects allocated to debt securities and cash flow hedges in AOCL for the six months ended June 30, 2021 and 2020 are as follows:

(in thousands)		Gross Amount	Tax Component	Net of Tax
June 30, 2021				
Unrealized loss on AFS and HTM securities (1)	$	(101,155)	42,549	(58,606)
Unrealized loss on cash flow hedges		(75,617)	22,334	(53,283)
Balance at June 30, 2021	$	(176,772)	64,883	(111,889)
June 30, 2020				
Unrealized gain on AFS and HTM securities (1)	$	30,888	4,496	35,384
Unrealized loss on cash flow hedges		(122,242)	36,204	(86,038)
Balance at June 30, 2020	$	(91,354)	40,700	(50,654)

(1) Includes amortization of net unrealized loss on securities transferred to HTM.

12. 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 June 30, 2021. 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) during the three and six months ended June 30, 2021 and 2020:

	At or for the three months ended June 30,		*At or for the six months ended June 30,*	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Amount of (gain) loss reclassified from accumulated other comprehensive loss to interest expense	$ 9,796	7,880	$ 19,362	11,289
Amount of gain (loss) recognized in other comprehensive (loss) income	(670)	9,100	6,801	(62,344)

Gains (losses) included in the Consolidated Statements of Income related to interest rate derivatives designated as cash flow hedges during the three and six months ended June 30, 2021 were $(9.8) million and $(19.4) million, respectively, compared to $(7.9) million and $(11.3) million for the same periods in the prior year. 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 $37.8 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.

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. The notional amount outstanding at June 30, 2021 was $450.0 million. For the current quarter, 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 $3.1 million and $6.0 million, net for the three and six months ended June 30, 2021, respectively.

As of June 30, 2021 and 2020, the following amounts were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges.

(in thousands)	June 30, 2021	
Line Item in the Consolidated Statement of Financial Condition in Which the Hedged Item is included	**Carrying Amount of the Hedged Assets**	**Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets**
Loans and leases (1)	$ 445,892	(4,108)

(1) These amounts include the amortized cost basis of closed portfolios used to designated hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At June 30, 2021, the amortized cost basis of the closed portfolios used in these hedging relationships was $1.04 billion; the cumulative basis adjustments associated with these hedging relationships was $4.1 million; and the amount of the designated hedged items was $445.9 million.

(in thousands)	June 30, 2020	
Line Item in the Consolidated Statement of Financial Condition in Which the Hedged Item is included	**Carrying Amount of the Hedged Assets**	**Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets**
Loans and leases (1)	$ 632,903	(17,097)

(1) These amounts include the amortized cost basis of closed portfolios used to designated hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At June 30, 2020, the amortized cost basis of the closed portfolios used in these hedging relationships was $1.31 billion; the cumulative basis adjustments associated with these hedging relationships as $17.1 million; and the amount of the designated hedged items was $632.9 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 currency 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 June 30, 2021 and December 31, 2020, respectively:

	Fair Values of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
(in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
June 30, 2021				
Derivatives designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ 2,476	Other Liabilities	$ —
Total derivatives designated as hedging instruments		$ 2,476		$ —
Derivatives not designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ 15,576	Other Liabilities	$ 13,190
Other Contracts (1)	Other Assets	6,369	Other Liabilities	1,674
Total derivatives not designated as hedging instruments		$ 21,945		$ 14,864
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

(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 June 30, 2021.

The effect of gain or (loss) from derivatives designated as fair value hedges on the Consolidated Statements of Income for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three months ended June 30,		*Six months ended June 30,*	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Derivative - interest rate swaps:				
Interest income	$ 2,971	2,869	(4,127)	(17,135)
Hedged item - loans:				
Interest income	(2,972)	(2,769)	4,108	17,097
Net effect on Interest income	$ (1)	100	(19)	(38)

The following table presents the effect of derivatives not designated as hedging instruments on the Consolidated Statements of Income for the three and six months ended June 30, 2021 and 2020:

			Three months ended June 30,		*Six months ended June 30,*	
(in thousands)			**2021**	**2020**	**2021**	**2020**
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 Derivative		Amount of Gain or (Loss) Recognized in Income on Derivative	
Interest Rate Contracts	Other income / (expense)	$	(2,084)	(1,465)	1,336	(2,780)
Other Contracts (1)	Other income / (expense)		(180)	(18,551)	(1,506)	(10,744)
Total		$	(2,264)	(20,016)	(170)	(13,524)

(1) Other contracts include risk participation agreements, foreign exchange contracts and venture capital related equity warrants.

The loss of $180,000 and $1.5 million related to other contracts for the three and six months ended June 30, 2021, respectively and the loss of $18.6 million and $10.7 million for the three and six ended June 30, 2020, respectively. These losses principally relate 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, there was a net gain of $151,000 and $234,000 for the three and six months ended June 30, 2021, respectively and there was a net gain (loss) of $957,000 and $(656,000) for three and six months ended June 30, 2020, respectively.

13. 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 June 30, 2021, 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 including 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:

	Three months ended June 30,		Six months ended June 30,	
(dollars in thousands)	**2021**	**2020**	**2021**	**2020**
Operating lease cost	$ 8,932	8,305	17,813	16,635
Total lease cost	8,932	8,305	17,813	16,635
Other Information				
Cash paid for amounts included in the measurement of operating lease liabilities	$ 8,402	7,608	16,425	14,264
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 1,122	5,146	12,124	11,596

	June 30, 2021	December 31, 2020
Weighted-average remaining lease-term Operating leases - (in years)	10	10
Weighted-average discount rate - operating leases	3.03 %	3.14 %

The following table presents the remaining maturity of lease liabilities as of June 30, 2021, 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 (excluding the six months ended June 30, 2021) (1)	$ 4,828
2022	37,378
2023	37,244
2024	31,477
2025	28,829
Thereafter	164,363
Total undiscounted operating lease payments	304,119
Less: present value adjustment	46,185
Operating lease liabilities	$ 257,934

(1) Net of $12.8 million of landlord provided lease incentives that are expected to be received during the remainder of 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 June 30, 2021, 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 three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Interest income on lease receivables	$ 10,494	10,075	21,364	20,069
Interest income from accretion of unguaranteed residual assets	1,155	1,152	2,223	2,316
Total lease income (1)	$ 11,649	11,227	23,587	22,385

(1) Included in Interest income - Loans and leases, net within the Consolidated Statements of Income.

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)	**June 30, 2021**	**December 31, 2020**
Net investment in the lease - lease payment receivable	$ 922,171	984,611
Net investment in the lease - unguaranteed residual assets	138,760	142,824
Total net investments in leases	$ 1,060,931	1,127,435

The following table presents the remaining maturity analysis of the undiscounted lease receivables as of June 30, 2021, 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 (excluding the six months ended June 30, 2021)	$ 242,004
2022	263,818
2023	200,073
2024	133,336
2025	76,670
Thereafter	59,323
Total undiscounted lease payments	975,224
Less: present value adjustment	85,707
Lease receivables recognized	$ 1,060,931

14. Segment Reporting

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

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

Specialty Finance consists principally of financing and leasing products, including equipment, transportation, 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):

(in thousands)	At or for the three months ended June 30, 2021	At or for the three months ended June 30, 2020	At or for the six months ended June 30, 2021	At or for the six months ended June 30, 2020
Commercial Banking				
Interest income	$ 499,238	450,746	955,579	900,907
Interest expense	79,589	94,649	164,624	226,200
Provision for (recovery of) credit losses	(1,062)	94,247	32,212	150,846
Non-interest income	22,331	11,405	52,704	24,446
Non-interest expense	157,446	142,133	311,433	275,866
Income before income taxes	$ 285,596	131,122	500,014	272,441
Total assets	$ 96,923,188	60,374,464	96,923,188	60,374,464
Specialty Finance				
Interest income	$ 49,962	49,086	98,627	98,022
Interest expense	12,390	18,050	25,855	37,333
Provision for (recovery of) credit losses	9,370	(1,239)	6,968	8,985
Non-interest income	1,060	1,265	3,522	2,410
Non-interest expense	14,596	9,746	27,134	19,985
Income before income taxes	$ 14,666	23,794	42,192	34,129
Total assets	$ 5,361,858	4,993,324	5,361,858	4,993,324

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

	At or for the three months ended June 30,		*At or for the six months ended June 30,*	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Net interest income:				
Commercial Banking	$ 419,649	356,097	790,955	674,707
Specialty Finance	37,572	31,036	72,772	60,689
Consolidated	$ 457,221	387,133	863,727	735,396
Provision for (recovery of) credit losses:				
Commercial Banking	$ (1,062)	94,247	32,212	150,846
Specialty Finance	9,370	(1,239)	6,968	8,985
Consolidated	$ 8,308	93,008	39,180	159,831
Non-interest income:				
Commercial Banking	$ 22,331	11,405	52,704	24,446
Specialty Finance	1,060	1,265	3,522	2,410
Eliminations	(23)	(6)	(157)	(12)
Consolidated	$ 23,368	12,664	56,069	26,844
Non-interest expense:				
Commercial Banking	$ 157,446	142,133	311,433	275,866
Specialty Finance	14,596	9,746	27,134	19,985
Eliminations	(23)	(6)	(157)	(12)
Consolidated	$ 172,019	151,873	338,410	295,839
Income before income taxes:				
Commercial Banking	$ 285,596	131,122	500,014	272,441
Specialty Finance	14,666	23,794	42,192	34,129
Consolidated	$ 300,262	154,916	542,206	306,570
Total assets:				
Commercial Banking	$ 96,923,188	60,374,464	$ 96,923,188	60,374,464
Specialty Finance	5,361,858	4,993,324	5,361,858	4,993,324
Eliminations (1)	(5,397,245)	(5,017,980)	(5,397,245)	(5,017,980)
Consolidated	$ 96,887,801	$60,349,808	$ 96,887,801	60,349,808

(1) Eliminations related to intercompany funding.

15. Subsequent Events

On July 23, 2021, the Bank completed a public offering of 2,500,000 shares of common stock generating net proceeds of approximately $570.0 million. The Bank also granted the underwriters an option to purchase up to 375,000 additional shares. In total, all 2,875,000 shares were issued and sold by the Bank and the net proceeds from this offering were $655.5 million. The net proceeds from this offering will be used for general corporate purposes and to facilitate our continued growth.

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

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

This Quarterly Report on Form 10-Q and oral statements made from time-to-time by our representatives contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. You should not place undue reliance on such statements because they are subject to numerous risks and uncertainties relating to our operations and the business environment in which we operate, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy, expectations, beliefs, projections, anticipated events or trends, growth prospects, financial performance, and 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 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.

These factors include the risks discussed under the section entitled "Item 1A. - Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, as well as the same section later in this report.

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

Company Background

We are a New York-based full-service commercial bank with 37 private client offices located throughout the metropolitan New York area, as well as those in Connecticut, 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, 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.

Recent Developments

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, participated in the Federal Reserve's Main Street Lending Program in 2020, and participated in the Small Business Administration's Paycheck Protection Program for our eligible clients. We continue to closely monitor the rapid developments and uncertainties regarding the pandemic.

The spread of COVID-19 has, in many geographies through the United States, decreased substantially due to the availability and incidence of successful vaccine and other medical treatments and the widespread adoption of public health measures designed to prevent the spread of infection. However, in certain geographies rates of infection have not decreased significantly or have increased and, in general, the discovery and spread of new variants of the coronavirus have raised concerns about the potential for the continuation of 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.

Coronavirus Aid, Relief, and Economic Security ("CARES") Act and Other Legislative and Regulatory Actions

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 included funding for loans to be issued by financial institutions to small businesses through the SBA, known as the Paycheck Protection Program ("PPP"). These loans were 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. Although PPP loans originally had a minimum two-year term, all originations after May 31, 2020 have a five year term. Under its terms, the PPP ended on May 31, 2021. Since the inception of the PPP, we originated approximately 9,600 loans with an aggregate principal balance of $3.09 billion. Outstanding PPP loans totaled $2.31 billion as of June 30, 2021.

Since the end of March 2020, the Bank has been working with borrowers negatively impacted by the COVID-19 pandemic. As of June 30, 2021, total nonpayment deferrals significantly decreased to $461.0 million, or 0.8% of the Bank's total loans. Additionally, $3.91 billion, or 7.2% of total loans, is currently comprised of modified principal and interest payments, predominantly interest-only structures. As of July 15, 2021, total non-payment deferrals were $308.7 million, or 0.6% of the Bank's total loan portfolio, compared with non-payment deferrals of $1.31 billion, or 2.7% of total loans, at December 31, 2020, and $11.08 billion, or 24.5% of total loans at their peak level as of June 30, 2020. Additionally. $3.79 billion, or 7.0% of total loans, is comprised of modified principal and interest payments, predominantly interest-only structures as of July 15, 2021. The positive trend is the result of the Bank's ability to work closely with its clients toward reasonable resolutions. 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 since March 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 registered as a lender in the MSLP in 2020. The MSLP terminated on January 8, 2021. Outstanding MSLP loans totaled $5.7 million as of June 30, 2021.

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.

On March 11, 2021, the American Rescue Plan Act of 2021 (the “Rescue Plan”), a $1.9 trillion economic stimulus bill, was signed into law. The Rescue Plan primarily was focused on providing direct economic stimulus to individuals and additional financial support to the healthcare system, supply chain infrastructure, state and local governments, and school systems. The Rescue Plan extended and expanded CARES Act and other pandemic-related unemployment insurance benefit programs through September 6, 2021 and provided funding for a number of emergency rental and homeowner assistance programs. In addition, the moratoria on foreclosures on federally-guaranteed mortgages that were implemented under the CARES Act will continue to be in effect until July 31, 2021.

Team Expansion

In the 2021 second quarter, the Bank on-boarded two private Client Banking Teams on the West Coast as well as the SBA leading team. Additionally, the Bank added seven Private Client Group Directors to existing California teams.

Digital Asset Activities

The Bank began its digital asset banking initiative with the onboarding of a private client group in the first quarter of 2018. The team has relationships with many institutional participants that make up the digital asset ecosystem, including exchanges, custodians, digital miners, institutional traders, and more. Since 2018, the team has seen significant growth in digital asset related deposits due to the increasing adoption and investments in cryptocurrencies and stablecoins. In 2019, the Bank launched its proprietary block-chain based payment solution, Signet, to allow for real-time payments and help to connect participants in the ecosystem by offering real-time execution, 24/7/365.

The Bank intends to offer a loan product collateralized by Bitcoin. These loans would not only be collateralized by the cryptocurrency, but will also be full recourse and underwritten to the client’s financial statements. The product will only be offered to select institutional clients within the digital asset ecosystem and we will be diligent and prudent in the rollout of this new product. As of June 30, 2021, the Bank does not have any loan exposure directly collateralized by digital assets.

Common Stock Dividend

On July 13, 2021, the Bank declared a cash dividend of $0.56 per share, or a total of $34.0 million to all common shareholders of record at the close of business on July 30, 2021, payable on or after August 13, 2021. During the quarter, the Bank also declared and paid a cash dividend of $0.56 per share, or a total of $32.4 million, for the first quarter of 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, commercial real estate concentration, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant.

Common Stock Issuance

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 $707.8 million. The net proceeds from this offering were used for general corporate purposes and to facilitate our continued growth.

On July 23, 2021, the Bank completed a public offering of 2,500,000 shares of our common stock. The Bank also granted the underwriters an option to purchase an additional 375,000 shares. In total, all 2,875,000 shares were issued and sold by the Bank and the net proceeds from this offering were $655.5 million. The net proceeds from this offering will be used for general corporate purposes and to facilitate our continued growth.

Preferred Stock Issuance & Dividend

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.

On March 30, 2021, the Bank paid a cash dividend of $14.40 per share to preferred shareholders of record at the close of business on March 19, 2021. The Bank paid a cash dividend of $12.50 per share on June 30, 2021 to preferred shareholders of record at the close of business on June 18, 2021. In July 2021, we also declared a cash dividend of $12.50 per share payable on September 30, 2021 to preferred shareholders of record at the close of business on September 17, 2021. See Note 9 to our Consolidated Financial Statements for additional information.

Subordinated Debt Issuance & Redemption

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. These 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 these 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.

On April 19, 2021, the Bank redeemed its Variable Rate Subordinated Notes due April 19, 2026, at a price of 100% of the principal amount to be redeemed, or $260.0 million, plus accrued and unpaid interest of $6.9 million, totaling $266.9 million.

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 and the first six months of 2021. 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 June 30, 2021. At the Bank's Annual Meeting of Stockholders held on April 22, 2021, shareholders approved the continuation of our share repurchase plan in an aggregate amount up to $500.0 million.

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 for loans and leases ("ACLLL") 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.

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 June 30, 2021, 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 99.6% of our total loan portfolio, excluding loans held for sale, as of June 30, 2021.

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 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 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 modeled using vendor-based loss rate models. 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 RNS 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; and
- 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; and

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 as 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 both a TDR and a reasonably expected TDR, we record a provision for impairment loss, 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 applies to modifications made between March 1, 2020, and the earlier of January 1, 2022 or 60 days after the end of the COVID-19 national emergency, as stipulated by the Consolidated Appropriations Act, 2021 signed in December 2020. 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 since the first quarter of 2020.

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 June 30, 2021 and December 31, 2020, we reserved $2.2 million and $2.8 million, respectively, 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 or delayed 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 June 30, 2021, and December 31, 2020, the accrued interest receivable related to COVID-19 related deferrals was $80.6 million and $79.5 million, respectively.

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.

Charge-offs 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 $3.25 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 $3.25 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.

New Accounting Standards

(i) Not Yet Adopted

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 but no later than December 31, 2022. The ASU allows companies to apply the standard as of the beginning of the interim period between March 12, 2020 and December 31, 2022. The expedients and exceptions provided by this ASU for contract modifications are permitted to be adopted any time through December 31, 2022 and do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for certain optional expedients elected for certain hedging relationships existing as of December 31, 2022. The impact of this ASU to the Company's Consolidated Financial Statements is not expected to be material.

(ii) Recently Adopted

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 adopted this ASU on January 7, 2021 and its impact to the Company's Consolidated Financial Statements was not material.

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 impacts 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. We adopted this ASU on January 1, 2021 and its impact to the Company's Consolidated Financial Statements was not 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. We adopted this ASU on January 1, 2021 and its impact to the Company's Consolidated Financial Statements was not 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. We adopted this ASU on January 1, 2021 and its impact to the Company's Consolidated Financial Statements was not material.

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 did not have a material impact on our disclosures.

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 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

FINANCIAL SUMMARY

(in thousands, except ratios and per share amounts)	*Three months ended June 30,* 2021	2020	*Six months ended June 30,* 2021	2020
PER COMMON SHARE				
Earnings per common share - basic	$ 3.59	$ 2.22	$ 6.87	$ 4.10
Earnings per common share - diluted	$ 3.57	$ 2.21	$ 6.80	$ 4.09
Weighted average common shares outstanding - basic	57,128	52,672	56,069	52,609
Weighted average common shares outstanding - diluted	57,527	52,785	56,614	52,763
Book value per common share	$ 106.24	$ 90.77	$ 106.24	$ 90.77
SELECTED FINANCIAL DATA				
Return on average total assets	0.94%	0.82%	0.95%	0.80%
Return on average common shareholders' equity	13.61%	9.79%	13.33%	9.08%
Efficiency ratio (1)	35.79%	37.99%	36.79%	38.81%
Yield on interest-earning assets	2.37%	3.43%	2.44%	3.62%
Yield on interest-earning assets, tax-equivalent basis (2)	2.37%	3.44%	2.45%	3.63%
Cost of deposits and borrowings	0.38%	0.73%	0.42%	0.93%
Net interest margin	2.02%	2.76%	2.05%	2.77%
Net interest margin, tax-equivalent basis (2)(3)	2.02%	2.77%	2.06%	2.78%

(1) 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.

(2) Based on the 21 percent U.S. federal statutory tax rate for the periods presented. The tax-equivalent basis is considered a non-GAAP financial measure and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. This ratio is a metric used by management to evaluate the impact of tax-exempt assets on the Bank's yield on interest-earning assets and net interest margin.

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

CAPITAL RATIOS

	June 30, 2021	**March 31, 2021**	**December 31, 2020**	**June 30, 2020**
Tangible common equity (4)	6.31 %	6.92 %	6.89 %	7.99 %
Tier 1 leverage	7.86 %	8.82 %	8.55 %	8.76 %
Common equity Tier 1 risk-based	10.07 %	10.92 %	9.87 %	10.43 %
Tier 1 risk-based	11.20 %	12.18 %	11.20 %	10.43 %
Total risk-based	12.77 %	14.41 %	13.54 %	12.16 %

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

Net Income

Net income for the second quarter of 2021 was $214.5 million or $3.57 diluted earnings per share, compared to $117.2 million, or $2.21 diluted earnings per share, for the second quarter of 2020. The increase in net income in the second quarter of 2021, versus the comparable quarter last year, was primarily the result of an increase of $70.1 million in net interest income, an annualized growth rate of 49.9%, fueled by strong average deposit and loan growth, as well as a decrease of $84.7 million in the provision for credit losses, compared to the second quarter of 2020, which was predominantly attributable to improved macroeconomic conditions due to the impact of COVID-19 on the U.S economy. Non-interest income increased by $10.7 million, primarily driven by a $6.3 million increase in fees and service charges, a $1.6 million increase in net gains on sales of loans, as well as a $1.7 million increase in income associated with equity method investments. These increases were offset by a $20.1 million increase in non-interest expenses predominantly due to an increase of $13.7 million in salaries and benefits from the significant hiring of private client banking teams, and operational support to meet the Bank's growing needs.

Net income for the six months ended June 30, 2021 was $405.0 million, or $6.80 diluted earnings per share, compared to $216.8 million or $4.09 diluted earnings per share, for the six months ended June 30, 2020. The increase in net income in the first two quarters of 2021, versus the comparable period last year, was primarily due to an increase of $128.3 million in net interest income, fueled by growth in average interest-earning assets and a decrease of $120.7 million in the provision for credit losses predominantly attributable to improved macroeconomic conditions due to the impact of COVID-19 on the U.S economy. These increases were offset by an increase of $42.6 million in non-interest expense primarily due to a rise of $26.7 million in salaries and benefits from the significant hiring for the new national business initiatives, coupled with the addition of two private client banking teams on the West Coast as well as the SBA lending team during the first two quarters of 2021.

Returns on average common shareholders’ equity and average total assets for the second quarter of 2021 were 13.61% and 0.94%, respectively, compared to 9.79% and 0.82% for the second quarter last year. Returns on average common shareholders’ equity and average total assets for the six months ended June 30, 2021 were 13.33% and 0.95%, respectively, compared to 9.08% and 0.80%, for the same period last year.

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities. The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the quarters ended June 30, 2021 and 2020:

	Three months ended June 30, 2021			*Three months ended June 30, 2020*		
(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	$ 23,729,151	6,763	0.11 %	4,120,084	1,889	0.18 %
Investment securities	14,511,607	62,301	1.72 %	9,379,183	65,189	2.78 %
Commercial loans, mortgages and leases	52,324,060	467,188	3.58 %	42,551,809	413,284	3.91 %
Residential mortgages and consumer loans	151,401	1,286	3.41 %	180,320	2,026	4.52 %
Loans held for sale	271,611	998	1.47 %	227,023	937	1.66 %
Total interest-earning assets (1)	90,987,830	538,536	2.37 %	56,458,419	483,325	3.44 %
Non-interest-earning assets	868,338			1,202,816		
Total assets	$ 91,856,168			57,661,235		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 18,488,233	19,551	0.42 %	7,696,059	12,875	0.67 %
Money market	34,895,844	31,288	0.36 %	22,597,010	42,126	0.75 %
Time deposits	1,842,956	4,109	0.89 %	2,233,641	10,549	1.90 %
Non-interest-bearing demand deposits	25,511,558	—	— %	14,848,167	—	— %
Total deposits	80,738,591	54,948	0.27 %	47,374,877	65,550	0.56 %
Subordinated debt	620,709	6,932	4.47 %	456,584	5,852	5.13 %
Other borrowings	2,914,245	17,709	2.44 %	4,318,476	23,247	2.17 %
Total deposits and borrowings	84,273,545	79,589	0.38 %	52,149,937	94,649	0.73 %
Other non-interest-bearing liabilities	819,989			666,952		
Preferred equity	708,071			—		
Common equity	6,054,563			4,844,346		
Total liabilities and shareholders' equity	$ 91,856,168			57,661,235		
OTHER DATA						
Net interest income / interest rate spread (1)		458,947	1.99 %		388,676	2.71 %
Tax-equivalent adjustment		(1,726)			(1,543)	
Net interest income, as reported		457,221			387,133	
Net interest margin			2.02 %			2.76 %
Tax-equivalent effect			— %			0.01 %
Net interest margin on a tax-equivalent basis (1)			2.02 %			2.77 %
Ratio of average interest-earning assets to average interest-bearing liabilities			107.97 %			108.26 %

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

The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the six months ended June 30, 2021 and 2020:

	Six months ended June 30, 2021			Six months ended June 30, 2020		
(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	$ 20,437,320	11,779	0.12 %	2,693,115	6,303	0.47 %
Investment securities	13,336,026	119,266	1.79 %	9,490,033	135,374	2.85 %
Commercial loans, mortgages and leases	50,772,133	896,523	3.56 %	40,957,747	817,648	4.01 %
Residential mortgages and consumer loans	154,335	2,620	3.42 %	183,920	3,675	4.02 %
Loans held for sale	202,237	1,577	1.57 %	154,415	1,642	2.14 %
Total interest-earning assets (1)	84,902,051	1,031,765	2.45 %	53,479,230	964,642	3.63 %
Non-interest-earning assets	919,686			993,553		
Total assets	$ 85,821,737			54,472,783		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 17,286,749	39,499	0.46 %	6,623,067	32,886	1.00 %
Money market	32,608,177	63,974	0.40 %	21,508,865	109,288	1.02 %
Time deposits	1,815,886	8,979	1.00 %	2,300,393	23,116	2.02 %
Non-interest-bearing demand deposits	23,095,758	—	— %	13,826,244	—	— %
Total deposits	74,806,570	112,452	0.30 %	44,258,569	165,290	0.75 %
Subordinated debt	724,167	16,733	4.62 %	456,411	11,704	5.13 %
Other borrowings	2,948,223	35,439	2.42 %	4,252,950	49,206	2.33 %
Total deposits and borrowings	78,478,960	164,624	0.42 %	48,967,930	226,200	0.93 %
Other non-interest-bearing liabilities	802,551			680,581		
Preferred equity	708,045			—		
Common equity	5,832,181			4,824,272		
Total liabilities and shareholders' equity	$ 85,821,737			54,472,783		
OTHER DATA						
Net interest income / interest rate spread (1)		867,141	2.03 %		738,442	2.70 %
Tax-equivalent adjustment		(3,414)			(3,046)	
Net interest income, as reported		863,727			735,396	
Net interest margin			2.05 %			2.77 %
Tax-equivalent effect			0.01 %			0.01 %
Net interest margin on a tax-equivalent basis (1)			2.06 %			2.78 %
Ratio of average interest-earning assets to average interest-bearing liabilities			108.18 %			109.21 %

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

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.

	Three months ended June 30, 2021 vs. 2020			*Six months ended June 30, 2021 vs. 2020*		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME						
Short-term investments	$ (4,116)	8,990	4,874	(36,053)	41,529	5,476
Investment securities	(38,559)	35,672	(2,887)	(70,970)	54,863	(16,107)
Commercial loans, mortgages and leases	(41,010)	94,913	53,903	(117,052)	195,927	78,875
Residential mortgages and consumer loans	(415)	(325)	(740)	(464)	(591)	(1,055)
Loans held for sale	(123)	184	61	(574)	509	(65)
Total interest income (1)	(84,223)	139,434	55,211	(225,113)	292,237	67,124
INTEREST EXPENSE						
Interest-bearing deposits						
NOW and interest-bearing demand	(11,379)	18,055	6,676	(46,336)	52,949	6,613
Money market	(33,766)	22,928	(10,838)	(101,710)	56,396	(45,314)
Time deposits	(4,595)	(1,845)	(6,440)	(9,268)	(4,869)	(14,137)
Total interest-bearing deposits	(49,740)	39,138	(10,602)	(157,314)	104,476	(52,838)
Subordinated debt	(1,024)	2,104	1,080	(1,837)	6,866	5,029
Other borrowings	2,021	(7,559)	(5,538)	1,328	(15,095)	(13,767)
Total interest expense	(48,743)	33,683	(15,060)	(157,823)	96,247	(61,576)
Net interest income	$ (35,480)	105,751	70,271	(67,290)	195,990	128,700

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

Net interest income for the second quarter of 2021 was $457.2 million, an increase of $70.1 million, or 18.1%, compared to $387.1 million for the second quarter last year. The increase in net interest income for the second quarter of 2021 was largely driven by a $34.53 billion increase in average interest-earning assets, partially offset by a 107 basis point decrease in yield on interest-earning assets to 2.37%, when compared to the same period last year. Further contributing to this increase was a 35 basis point decrease in the average cost of funds to 0.38% in the second quarter of 2021, partially offset by an $33.36 billion increase in average total deposits compared to the second quarter of 2020. The 75 basis point decrease in net interest margin on a tax-equivalent basis to 2.02% for the second quarter of 2021 compared to 2.77% for the same period last year, is primarily due to significant excess cash balances from continued strong deposit growth which negatively impacted our net interest margin by 55 basis points, as well as the aforementioned yield and cost of fund drivers.

Net interest income for the six months ended June 30, 2021 was $863.7 million, an increase of $128.3 million, or 17.5%, compared to $735.4 million for the same period in 2020. The increase in net interest income for the six months ended June 30, 2021 was largely driven by a $31.42 billion increase in average interest-earning assets, partially offset by a 118 basis point decrease in yield on interest-earning assets to 2.45%, when compared to the same period last year. Further contributing to this increase was a 51 basis point decrease in average cost of funds to 0.42% for the first two quarters of 2021, partially offset by a $30.55 billion increase in average total deposits compared to the same period last year. These same factors contributed to the 72 basis point decrease in net interest margin on a tax-equivalent basis to 2.06% for the six months ended June 30, 2021, compared to 2.78% for the same period last year.

Total investment securities averaged $14.51 billion for the quarter ended June 30, 2021, compared to $9.38 billion for the second quarter of 2020. The overall yield on the securities portfolio in the current quarter was 1.72%, a decrease of 106 basis points when compared to 2.78% for the second quarter last year due to lower reinvestment yields and higher premium amortization as a result of the Federal Reserve's rate cuts in response to the COVID-19 pandemic. Our portfolio primarily consists of high quality and highly-rated mortgage-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations issued by government agencies, government-sponsored enterprises, and private issuers. We mitigate extension risk through our overall strategy of purchasing relatively stable duration securities that, by their nature, have lower yields. At June 30, 2021, the baseline average duration of our investment securities portfolio was approximately 2.92 years, compared to 2.12 years at June 30, 2020.

Total commercial loans, mortgages and leases averaged $52.48 billion in the second quarter of 2021, an increase of $9.74 billion, or 22.8%, when compared to the second quarter of 2020. The average yield on this portfolio decreased 33 basis points to 3.58% from the second quarter last year, primarily due to a decrease in market rates. Prepayment penalty income was $6.8 million and $13.6 million for three and six month periods ended June 30, 2021, respectively, compared to $11.7 million and $20.9 million for the same periods last year. Our commercial real estate loans (including multi-family loans) normally have a term of ten years, with a fixed rate of interest in years one through five and a rate that either adjusts annually or is fixed for the five years that follow. Loans that prepay in the first five years generate prepayment penalties ranging from one to five percentage points of the then-current loan balance, depending on the remaining term of the loan. If a loan is still outstanding in the sixth year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of one to five percentage points over years six through ten. It is difficult to predict the level of prepayment activity in future periods as it depends on market conditions, real estate values, the actual or perceived direction of market interest rates and the contractual repricing and maturity dates of commercial real estate loans.

Average non-interest-bearing demand deposits for the second quarter of 2021 were $25.51 billion, an increase of $10.66 billion, or 71.8%, when compared to the second quarter of 2020. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, 33.5% of all deposits at June 30, 2021. Additionally, average NOW and interest-bearing demand and money market accounts totaled $53.38 billion for the second quarter of 2021, an increase of $23.09 billion, or 76.2%, when compared to the second quarter of 2020. 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 in 2020, our funding cost for money market accounts decreased to 0.36% for the quarter ended June 30, 2021 compared to 0.75% for the second quarter of 2020. Our funding cost for NOW and interest-bearing demand accounts was 0.42% for the second quarter of 2021 compared to 0.67% for the second quarter of 2020.

For the second quarter of 2021, average total borrowings decreased $1.24 billion, or 26.0% to $3.53 billion compared to $4.78 billion for the second quarter of 2020. The decrease in average total borrowings, when compared to the second quarter of 2020, was primarily attributable to our continued ability to fund our loan growth with deposits. The average cost of total borrowings was 2.80% and 2.45% for the second quarter of 2021 and 2020, respectively. The increase in the average cost of borrowings is primarily due to the issuance of subordinated debt of $375.0 million on October 6, 2020 at a fixed rate of 4.00% per annum for the first five years until October 2025, partially offset by lower replacement rates for our Federal Home Loan Bank advances as a result of the rate cuts by the Federal Reserve in response to the COVID-19 pandemic in 2020.

Provision for Credit Losses

Our provision for credit losses was $8.3 million for the quarter ended June 30, 2021, compared to $93.0 million for the second quarter last year, a decrease of $84.7 million. For the six months ended June 30, 2021, our provision for credit losses was $39.2 million, compared to $159.8 million for the same period last year, a decrease of $120.7 million. The decrease in the Bank's provision for credit losses for the three and six months ended June 30, 2021 was predominantly attributable to improved macroeconomic conditions compared with the same period last year, principally as it relates to the commercial property price indices in both the multi-family and commercial property sectors, as well as more favorable trends in forecasted metrics such as unemployment rate and GDP growth.

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 Note 6 to our Consolidated Financial Statements.

Non-Interest Income

For the quarter ended June 30, 2021, non-interest income was $23.4 million, an increase of $10.7 million, or 84.5%, when compared to the second quarter of last year. The increase was primarily attributable to a $6.3 million increase in fees and service charges and a $1.0 million increase in commissions due to the continued growth of our business, primarily Fund Banking, a $1.6 million increase in net gains on sale of loans, as well as an decrease of $1.6 million in our LIHTC tax credit investment amortization during the second quarter of 2021, when compared to the same period last year. Further contributing to the increase is a $1.7 million increase in other income principally related to our equity method investments, when compared to the same period last year. The decrease was partially offset by decrease of $1.5 million in unrealized mark-to-market gains/ losses related to our non-hedging derivatives.

For the six months ended June 30, 2021, non-interest income was $56.1 million, an increase of $29.2 million, or 108.9%, when compared to the same period last year. The increase was primarily attributable to a $12.6 million increase in fees and service charges and a $1.4 million increase in commissions due to the continued growth of our business, primarily Fund Banking, a $5.9 million increase in net gains on sale of loans, $1.6 million increase in other income principally related to our equity method investment, as well as an decrease of $1.5 million in our LIHTC tax credit investment amortization during the first two quarters of 2021, when compared to the same period last year. Further contributing to the increase is an increase of $6.3 million in unrealized mark-to-market gains principally related to our non-hedging derivatives compared to unrealized mark-to-market losses in the same period last year.

Non-Interest Expense

For the quarter ended June 30, 2021, non-interest expense was $172.0 million, an increase of $20.1 million, or 13.3%, when compared to the same period last year. The increase was predominantly due to an increase of $13.7 million in salaries and benefits from the significant hiring of private client banking teams and operational support to meet the Bank's growing needs. Further contributing was a $2.5 million increase in professional fees, as well as a $3.2 million increase in other general and administrative expenses due to the continued growth of our business and our ongoing West Coast expansion.

For the six months ended June 30, 2021, non-interest expense was $338.4 million, an increase of $42.6 million, or 14.4%, when compared to the same period last year. The increase was primarily driven by an increase of $26.7 million in salaries and benefits mostly attributable to the addition of five new private client banking teams and the SBA lending team during the first two quarters of 2021 as we continue our West Coast expansion, along with increased compensation costs driven by the continued growth of our business. Further contributing to the increase was an increase of $3.6 million in FDIC assessment fees, an increase of $2.9 million in professional fees and an increase $6.9 million in other general and administrative expenses due to the continued growth of our business and our ongoing West Coast expansion.

Stock-Based Compensation

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

As of June 30, 2021, our total unrecognized compensation cost related to unvested restricted shares was $85.8 million, which is expected to be recognized over a weighted-average period of 1.92 years. During the three and six months ended June 30, 2021, we recognized compensation expense of $11.0 million and $25.2 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the three and six months ended June 30, 2021 was $80,000 and $98.4 million, respectively.

Income Taxes

Income tax expense for the quarter ended June 30, 2021 was $85.8 million reflecting an effective tax rate of 28.6%, compared to income tax expense of $37.7 million for the quarter ended June 30, 2020, reflecting an effective tax rate of 24.3%. The increase in the effective tax rate is primarily a result of the less significant effect of our tax benefits due to higher pre-tax income. The increase is also a result of the new New York State tax rate enacted on April 19, 2021, which increased the corporate tax rate from 6.5% to 7.25% for tax years 2021-2023.

For the six months ended June 30, 2021, the provision for income taxes was $137.2 million reflecting an effective tax rate of 25.3%, compared to $89.8 million for the six months ended June 30, 2020 reflecting an effective tax rate of 29.3%. The decrease in the effective tax rate was primarily a result of a discrete benefit of $18.9 million during the six months ended June 30, 2021, compared with a $7.3 million discrete expense in the six months ended June 30,2020. The discrete item in both periods is related to the vesting of employee stock based compensation awards. This decrease was offset by the less significant effect of our tax benefits due to higher pre-tax income, as well as an increase in the New York State tax rate enacted on April 19, 2021.

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, fund banking, venture banking, and other commercial deposit gathering activities, while Specialty Finance principally consists of financing and leasing products, including equipment, transportation, 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:

(in thousands)		Commercial Banking	Specialty Finance	Eliminations (1)	Consolidated
Three months ended June 30, 2021					
Net interest income	$	419,649	37,572	—	457,221
Provision for (recovery of) credit losses		(1,062)	9,370	—	8,308
Total non-interest income		22,331	1,060	(23)	23,368
Total non-interest expense		157,446	14,596	(23)	172,019
Income before income taxes		285,596	14,666	—	300,262
Total assets	$	96,923,188	5,361,858	(5,397,245)	96,887,801
Three months ended June 30, 2020					
Net interest income	$	356,097	31,036	—	387,133
Provision for (recovery of) credit losses		94,247	(1,239)	—	93,008
Total non-interest income		11,405	1,265	(6)	12,664
Total non-interest expense		142,133	9,746	(6)	151,873
Income before income taxes		131,122	23,794	—	154,916
Total assets	$	60,374,464	4,993,324	(5,017,980)	60,349,808

(1) Eliminations related to intercompany funding.

(in thousands)		Commercial Banking	Specialty Finance	Eliminations (1)	Consolidated
Six months ended June 30, 2021					
Net interest income	$	790,955	72,772	—	863,727
Provision for (recovery of) credit losses		32,212	6,968	—	39,180
Total non-interest income		52,704	3,522	(157)	56,069
Total non-interest expense		311,433	27,134	(157)	338,410
Income before income taxes		500,014	42,192	—	542,206
Total assets	$	96,923,188	5,361,858	(5,397,245)	96,887,801
Six months ended June 30, 2020					
Net interest income	$	674,707	60,689	—	735,396
Provision for (recovery of) credit losses		150,846	8,985	—	159,831
Total non-interest income		24,446	2,410	(12)	26,844
Total non-interest expense		275,866	19,985	(12)	295,839
Income before income taxes		272,441	34,129	—	306,570
Total assets	$	60,374,464	4,993,324	(5,017,980)	60,349,808

(1) Eliminations related to intercompany funding

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.

		At or for the three months ended June 30,		At or for the six months ended June 30,	
(in thousands)		**2021**	**2020**	**2021**	**2020**
Net interest income	$	419,649	356,097	790,955	674,707
Provision for (recovery of) credit losses		(1,062)	94,247	32,212	150,846
Total non-interest income		22,331	11,405	52,704	24,446
Total non-interest expense		157,446	142,133	311,433	275,866
Income before income taxes		285,596	131,122	500,014	272,441
Total assets	$	96,923,188	60,374,464	96,923,188	60,374,464

Commercial Banking net interest income for the three months ended June 30, 2021 increased $63.6 million, or 17.8%, to $419.6 million, when compared to $356.1 million for the same period last year. Commercial Banking net interest income for the six months ended June 30, 2021 increased $116.2 million, or 17.2%, to $791.0 million, when compared to $674.7 million for the same period last year. The increases in net interest income were largely driven by an increase in average interest-earning assets and a reduction in cost of funds, partially offset by a decrease in yield on these assets and an increase in average deposits compared with the same period last year.

The provision for credit losses decreased $95.3 million, or over 100%, to a $1.1 million reserve release for the quarter ended June 30, 2021, compared to a $94.3 million reserve build for the same period prior year. For the six months ended June 30, 2021, the provision for credit losses decreased $118.6 million, or 78.6%, to a $32.2 million reserve build, compared to a $150.8 million reserve build for the same period last year. The decreases in the Bank’s provision for credit losses for the three and six months ended June 30, 2021 were predominantly attributable to improved macroeconomic conditions compared with the same periods last year, primarily improvement in the multi-family and commercial property price index forecasts. 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 6 to our Consolidated Financial Statements.

Non-interest expense was $157.4 million for the quarter ended June 30, 2021, an increase of $15.3 million, or 10.8%, when compared to $142.1 million for the quarter ended June 30, 2020. For the six months ended June 30, 2021, non-interest expense was $311.4 million, an increase of $35.6 million, or 12.9%, when compared to the same period last year. The increases were primarily attributable to an increase in salaries and benefits from the significant hiring of private client banking teams and operational support to meet the Bank's growing needs. Further contributing is an increase in professional fees and other general and administrative expenses, which were also attributable to the continued growth of our business.

The increase of $36.55 billion in total assets, or 60.5%, from $60.37 billion as of June 30, 2020 to $96.92 billion as of June 30, 2021, was primarily attributable to growth in our commercial and industrial portfolios, primarily fund banking, as well as significant deposit growth over the last year.

Specialty Finance

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

	At or for the three months ended June 30,		*At or for the six months ended June 30,*	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Net interest income	$ 37,572	31,036	72,772	60,689
Provision for (recovery of) credit losses	9,370	(1,239)	6,968	8,985
Total non-interest income	1,060	1,265	3,522	2,410
Total non-interest expense	14,596	9,746	27,134	19,985
Income before income taxes	14,666	23,794	42,192	34,129
Total assets	$ 5,361,858	4,993,324	5,361,858	4,993,324

Specialty Finance net interest income was $37.6 million for the quarter ended June 30, 2021, an increase of $6.5 million, or 21.1%, when compared to $31.0 million for the same period last year. Net interest income was $72.8 million for the six months ended June 30, 2021, an increase of $12.1 million, or 19.9% when compared to the same period last year. The increase in both periods is primarily attributable to the continued loan growth in our equipment lending portfolios.

The provision of credit losses increased $10.6 million, or over 100%, from a reserve release of $1.2 million for the quarter ended June 30, 2020 to a reserve build of $9.4 million for the quarter ended June 30, 2021. The increase is primarily attributable due to continued loan growth, and volatility in macroeconomic metrics year-over-year which had a negative impact on reserves of lower weighted average risk ratings within the portfolio as compared to the same period last year. For the six months ended June 30, 2021, the provision for loan and lease losses decreased $2.0 million, or 22.4%, to a reserve build of $7.0 million. While fairly stable, the decrease is primarily attributable to improved macroeconomic conditions during the six months ended June 30, 2021. 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 6 to our Consolidated Financial Statements.

Non-interest expense was $14.6 million for the quarter ended June 30, 2021, an increase of $4.9 million or 49.8% when compared $9.7 million for the same period last year. For the six months ended June 30, 2021, non-interest expense was $27.1 million, an increase of $7.1 million, or 35.8%, when compared to $20.0 million for the same period last year. The increase in both periods is primarily attributable to continued business expansion.

The increase of $368.5 million in total assets, or 7.4%, from $4.99 billion as of June 30, 2020 to $5.36 billion as of June 30, 2021, was primarily attributable to the continued growth in our equipment lending portfolios.

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 and losses 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 June 30, 2021. 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 June 30, 2021, our total securities portfolio was $15.94 billion and primarily consisted of mortgage-backed securities (“MBSs”) and collateralized mortgage obligations (“CMOs”) issued by U.S. Government agencies ($1.49 billion), government-sponsored enterprises ($11.53 billion), and private issuers ($817.6 million). As of June 30, 2021, 85.8% of our securities portfolio had a AAA credit rating, 95.0% had a credit rating of A or better, and 99.5% was rated investment grade or better. Overall, our securities portfolio had a weighted average duration of 2.92 years and a weighted average life of 4.93 years as of June 30, 2021. For further discussion of our investment securities and the related determination of fair value, see Notes 3 and 4 to our Consolidated Financial Statements.

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

At June 30, 2021, the net unrealized loss on securities, net of tax effect, was $58.6 million as reflected in accumulated other comprehensive loss, compared to a net unrealized gain of $1.2 million at December 31, 2020 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 3. 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.

Loan Portfolio

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

	June 30, 2021		December 31, 2020	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Mortgage loans:				
Multi-family residential property	$ 15,467,895	28.09%	15,171,520	30.81 %
Commercial property	10,714,009	19.46%	10,553,599	21.44 %
Acquisition, development and construction loans	1,428,510	2.59%	1,367,896	2.78 %
1-4 family residential property	472,690	0.86%	494,680	1.00 %
Home equity lines of credit	77,651	0.14%	82,553	0.17 %
Other loans:				
Fund banking	15,981,975	29.02%	11,237,465	22.82 %
Specialty finance	5,051,233	9.17%	5,043,106	10.24 %
Other commercial and industrial	3,082,850	5.60%	3,034,047	6.16 %
PPP loans	2,306,564	4.19%	1,874,447	3.81 %
Taxi medallions	—	0.00%	2,826	0.01 %
SBA guaranteed portion	480,068	0.87%	365,962	0.74 %
Consumer	5,894	0.01%	7,039	0.01 %
Sub-total / Total	55,069,339	100.00%	49,235,140	100.00 %
Premiums, deferred fees and costs	(11,470)		5,321	
Total	$ 55,057,869		49,240,461	

Total loans increased by $5.82 billion to $55.06 billion at June 30, 2021 from $49.24 billion at December 31, 2020, primarily as a result of fund banking growth. Our total loan-to-deposit ratio, excluding loans held for sale, decreased to 63.7% as of June 30, 2021 when compared to 77.1% at December 31, 2020, as a result of the strong deposit growth during the year.

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.

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 5 to our Consolidated Financial Statements for the summary of our portfolio of commercial loans by credit rating as of June 30, 2021 and December 31, 2020.

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

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

(in thousands)		Performing	Nonperforming	Total
June 30, 2021				
Residential mortgages	$	58,831	2,852	61,683
Home equity lines of credit		73,784	3,867	77,651
Other consumer loans		5,894	—	5,894
Total consumer loans	$	138,509	6,719	145,228
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

Asset Quality

Nonperforming Assets

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

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

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

(dollars in thousands)		June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Nonaccrual assets:					
Loans	$	74,717	61,846	77,260	37,932
Troubled debt restructured loans		61,382	71,867	42,912	9,007
Investment securities, at fair value		500	200	200	200
Other repossessed assets		21,233	31,007	34,466	48,884
Total nonperforming assets	$	157,832	164,920	154,838	96,023
Accruing troubled debt restructured loans (1)	$	294,397	238,133	248,226	160,480
Accruing loans past due 90 days or more (2):					
Loans	$	643	991	2,343	12,008
Loans held for sale (3)	$	1,687	3,941	3,411	4,863
Asset Quality Ratios:					
Total nonaccrual loans to total loans		0.25 %	0.26 %	0.25 %	0.10 %
Total nonperforming assets to total assets		0.14 %	0.19 %	0.21 %	0.16 %
ACLLL to nonaccrual loans		378.25 %	390.21 %	422.98 %	947.34 %

(1) Includes reasonably expected TDRs.

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

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

Significant nonaccrual loans at June 30, 2021 consisted of 13 commercial property loans totaling $101.0 million, 13 commercial and industrial relationships, comprised of 39 loans, totaling $23.6 million, four home equity lines of credit totaling $2.6 million, and one commercial loan secured by a 1-4 family residential property totaling $1.4 million. Each nonaccrual loan is being actively managed by the Bank, and the ACLLL includes a specific allocation for each such loan, when appropriate.

Nonaccrual investment securities at June 30, 2021 and December 31, 2020 consisted of one bank-collateralized pooled trust preferred AFS security totaling $500,000 and $200,000, respectively. This security was classified as nonperforming because of delinquent payments as a result of payment deferrals.

As of June 30, 2021, accruing loans past due 30 to 89 days were $94.8 million, a decrease of $140.1 million compared to December 31, 2020. This decrease is primarily due to improved processing times and less COVID-19 related documentation delays compared to 2020.

As of June 30, 2021, loans past due 90 days or more and accruing primarily consisted of $1.7 million of government-guaranteed SBA loans and one 1-4 family residential property loan totaling $76,000 that was well secured and in process of collection. At 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 loans totaling $1.1 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 Critical Accounting Policies. Additionally, for a discussion of our TDRs and the related financial effects, see Note 6 to our Consolidated Financial Statements.

Our repossessed assets as of June 30, 2021 and December 31, 2020 totaled $21.2 million and $34.5 million, respectively. The decrease is primarily driven by negative fair value adjustments due to the decline in NYC and Chicago taxi medallion values totaling $4.8 million and $2.4 million, respectively, and the sale of approximately $6.7 million of repossessed assets during the second quarter of 2021. This decrease was offset by the repossession of underlying collateral related to other commercial and industrial loans totaling $543,000.

As of June 30, 2021 and December 31, 2020, repossessed assets included taxi medallions totaling $15.3 million and $24.8 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 June 30, 2021, $6.9 million of payments have been received to date leaving the remaining net exposure for these medallions at $8.4 million. The remaining taxi medallion net exposure totals $9.8 million in NYC and $2.4 million in Chicago.

COVID-19 Related Loan Modifications

As of June 30, 2021, total non-payment deferrals decreased to $461.0 million, or 0.8% of the Bank's total loans. Additionally, $3.91 billion, or 7.2% of total loans, is currently comprised of modified principal and interest payments, predominantly interest-only structures. As of July 15, 2021, total non-payment deferrals were $308.7 million, or 0.6% of the Bank’s total loan portfolio, compared with non-payment deferrals of $1.31 billion, or 2.7% of total loans, at December 31, 2020, and $11.08 billion, or 24.5% of total loans at 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 non-payment deferrals by portfolio segment as of July 15, 2021:

		Non-Payment Modifications	
(dollars in thousands)	**Portfolio Balance June 30, 2021**	**Deferral Balance July 15,2021**	**% of Loan Category**
Multi-family	$ 15,467,895	84,995	0.5 %
Retail	5,585,040	137,775	2.5 %
Office	4,043,673	6,207	0.1 %
Acquisition, Development, and Construction (ADC)	1,426,530	8,084	0.6 %
Industrial	634,960	—	— %
Hotel	76,516	—	— %
Land	41,921	—	— %
Other	333,878	—	— %
Total Commercial Real Estate	27,610,413	237,061	0.9 %
Fund Banking and Venture Banking	16,176,897	—	— %
Asset Based Lending	347,964	—	— %
Signature Financial	5,051,233	1,530	— %
Traditional Commercial & Industrial	2,539,965	59,250	2.3 %
Total Commercial & Industrial	24,116,059	60,780	0.3 %
PPP Loans	2,306,564	—	— %
Consumer and Residential	556,235	10,877	2.0 %
Premium, deferred fees, and costs	(80,104)	—	— %
Total Loans	$ 54,509,167	308,718	0.6 %

Additionally, as of July 15, 2021 the Bank has made other COVID-19 related modifications that have resulted in the receipt of modified principal and interest payments totaling $3.79 billion, or 7.0% of total loans.

Allowance for Credit Losses for Loans and Leases

Our ACLLL 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 CECL in the Company’s loan and lease portfolio over its expected life. The ACLLL 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 RNS period, all of which are susceptible to potential significant revision as more information becomes available.

At June 30, 2021 and December 31, 2020, our ACLLL totaled $514.8 million and $508.3 million , respectively, which represents 0.94% and 1.04% 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 the Allowance for Credit Losses for Loans and Leases section of our Critical Accounting Policies.

The provision for credit losses for loans and leases is a charge to earnings to maintain the ACLLL 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 RNS period. For the three and six months ended June 30, 2021, we recorded provisions of $8.3 million and $39.2 million, respectively, as compared to $93.0 million and $159.8 million for the comparative periods in the prior year, respectively. The decrease in provision for both the three and six months ended June 30, 2021 was predominantly attributable to improved overall macroeconomic conditions compared with the same periods last year including improvements in NYC multi-family price index and stability in the NYC commercial property price indices. 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 further contributes to this decrease. 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 6 for additional information regarding the period over period provision for credit losses fluctuations.

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

	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 June 30, 2021							
ACLLL:							
Individually evaluated for impairment (2)	$ 57,694	—	14,980	21	2,588	—	75,283
Collectively evaluated for impairment	355,238	8,968	67,560	5,056	2,135	554	439,511
Recorded investment in loans:							
Individually evaluated for impairment (2)	369,305	—	54,430	43	6,718	—	430,496
Collectively evaluated for impairment	27,241,109	411,008	26,315,426	52,722	132,616	5,894	54,158,775
As of December 31, 2020							
ACLLL:							
Individually evaluated for impairment	$ 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:							
Individually evaluated for impairment	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

(1) Includes home equity lines of credit.

(2) Includes reasonably expected TDRs.

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

	June 30, 2021			*December 31, 2020*		
(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	$ 15,467,895	152,996	0.99 %	15,171,520	128,233	0.85 %
Commercial property	10,714,009	201,903	1.88 %	10,553,599	233,491	2.21 %
Acquisition, development and construction loans	1,428,510	58,033	4.06 %	1,367,896	46,233	3.38 %
1-4 family residential property	472,690	10,832	2.29 %	494,680	14,366	2.90 %
Home equity lines of credit	77,651	2,859	3.68 %	82,553	3,328	4.03 %
Other commercial loans:						
Fund banking	15,981,975	3,719	0.02 %	11,237,465	3,605	0.03 %
Specialty finance	5,051,233	58,425	1.16 %	5,043,106	53,969	1.07 %
Commercial and industrial	3,082,850	25,473	0.83 %	3,034,047	24,395	0.80 %
PPP loans (1)	2,306,564	—	— %	1,874,447	—	— %
Taxi medallions	—	—	— %	2,826	—	— %
Other loans:						
Consumer	5,894	554	9.40 %	7,039	679	9.65 %
Total	$ 54,589,271	514,794	0.94 %	48,869,178	508,299	1.04 %

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

Summary of Loan Loss Experience

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

	At or for the three months ended June 30,		At or for the six months ended June 30,	
(dollars in thousands)	**2021**	**2020**	**2021**	**2020**
Beginning balance - ACLLL	$ 521,761	356,274	508,299	291,172
Charge-offs:				
Credit-rated commercial loans	(17,369)	(4,050)	(35,901)	(5,754)
Non-rated commercial loans	(125)	(635)	(270)	(941)
Residential mortgages	—	(2)	—	(37)
Consumer loans	—	(94)	(20)	(141)
Total charge-offs	(17,494)	(4,781)	(36,191)	(6,873)
Recoveries:				
Credit-rated commercial loans	2,063	120	2,824	379
Non-rated commercial loans	77	41	132	139
Residential mortgages	2	4	5	8
Consumer loans	17	10	32	20
Total recoveries	2,159	175	2,993	546
Net charge-offs	(15,335)	(4,606)	(33,198)	(6,327)
Provision	8,368	93,004	39,693	159,827
Ending balance - ACLLL	$ 514,794	444,672	514,794	444,672
Ratios:				
ACLLL	0.94 %	0.98 %	0.94 %	0.98 %
Net (charge-offs) recoveries to average loans	0.12 %	(0.04)%	0.13 %	(0.03)%

For the quarter ended June 30, 2021, net charge-offs were $15.3 million, compared to $4.6 million for the same period last year. Significant charge-offs during the quarter ended June 30, 2021 consisted of three commercial property loans totaling $14.2 million, $1.3 million related to one commercial and industrial loan, $860,000 related to one 1-4 family residential property, and $539,000 related to one multi-family loan. Net charge-offs were $33.2 million for the six months ended June 30, 2021, when compared to $6.3 million for the same period last year.

Deposits

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, further, with and the addition of the Specialized Mortgage Banking Solutions team. Since then, we on-boarded 27 private client banking teams in the Greater Los Angeles and San Francisco markets, including two newly added teams during the current quarter. 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. Given our business model, our depositor base is more heavily weighted to larger uninsured deposits than many other banks. As of June 30, 2021, approximately 90.7% of our total deposits of $77.65 billion were not FDIC-insured.

Core deposits, which exclude time deposits and brokered deposits, increased $22.64 billion to $82.11 billion as of June 30, 2021, from $59.48 billion as of December 31, 2020. The increase is due to the addition of new private client banking teams, further traction of recent deposit growth initiatives, such as the expansion of our digital asset banking deposit base as discussed in more detail in *Recent Developments*, as well as additional deposits garnered by our existing private client banking teams.

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

	June 30, 2021			*December 31, 2020*	
(dollars in thousands)		**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts (1)	$	1,596,129	1.87%	1,330,516	2.10%
Business demand deposit accounts (1)		26,781,518	31.30%	17,131,455	27.06%
Brokered demand deposit accounts (1)		296,892	0.35%	295,800	0.47%
Personal NOW		30,204	0.04%	39,939	0.06%
Business NOW		18,638,742	21.78%	11,785,174	18.61%
Brokered NOW		158,052	0.18%	769,676	1.22%
Rent security		322,707	0.38%	308,748	0.49%
Personal money market accounts		4,187,271	4.89%	4,026,622	6.36%
Business money market accounts		30,557,503	35.71%	24,854,533	39.25%
Brokered money market accounts		1,026,790	1.20%	928,815	1.47%
Personal time deposits		401,360	0.47%	443,897	0.70%
Business time deposits		1,523,116	1.78%	1,183,412	1.87%
Brokered time deposits		42,192	0.05%	216,736	0.34%
Total	$	85,562,476	100.00%	63,315,323	100.00%
Demand deposit accounts (1)	$	28,377,647	33.17%	18,461,971	29.16%
NOW		18,668,946	21.82%	11,825,113	18.68%
Money market accounts		35,067,481	40.98%	29,189,903	46.10%
Time deposits		1,924,476	2.25%	1,627,309	2.57%
Brokered deposits (2)		1,523,926	1.78%	2,211,027	3.49%
Total	$	85,562,476	100.00%	63,315,323	100.00%
Personal	$	6,214,964	7.26%	5,840,974	9.22%
Business		77,823,586	90.96%	55,263,322	87.28%
Brokered deposits (2)		1,523,926	1.78%	2,211,027	3.50%
Total	$	85,562,476	100.00%	63,315,323	100.00%

(1) Non-interest bearing.

(2) Includes non-interest bearing deposits of $296.9 million and $296.0 million as of June 30, 2021 and December 31, 2020, respectively.

Borrowings

At June 30, 2021, our borrowings were $3.48 billion, or 3.9% of our funding liabilities, compared to $3.82 billion, or 5.7% of our funding liabilities, at December 31, 2020. The decrease in our borrowings, primarily reflects a $75.0 million decrease in the use of FHLB borrowings during the second quarter, 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 $171.8 million in Federal Home Loan Bank of New York (“FHLB”) capital stock as required collateral for our outstanding borrowing position with the FHLB at June 30, 2021. Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and our FHLB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $6.51 billion at June 30, 2021.

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. These 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 these 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, these 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. These 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 these 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, these 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 to institutional investors. These 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 these 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, these 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. On April 19, 2021, the Bank redeemed these notes at a price of 100% of the principal amount to be redeemed, or $260.0 million, plus accrued and unpaid interest of $6.9 million, totaling $266.9 million.

Subordinated debt is reported in the Consolidated Statements of Financial Condition net of deferred issuance costs of $5.5 million related to the corresponding debt offerings.

The following table presents the maturity or re-pricing of our borrowings as of June 30, 2021:

(in thousands)

3 months or less	3 - 12 months	1 - 3 years	Over 3 years	Total (1)
$ 1,850,000	589,728	299,780	749,738	3,489,246

(1) Excludes $5.5 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 June 30, 2021, excluding operating leases disclosed in Note 13 to our Consolidated Financial Statements:

(dollars in thousands)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Borrowings (1)	$ 2,439,728	299,780	124,738	625,000	3,489,246
Investments in qualified affordable housing projects	72,914	59,498	19,982	13,955	166,349
Total contractual cash obligations	$ 2,512,642	359,278	144,720	638,955	3,655,595

(1) Excludes $5.5 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. These 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 these 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 April 19, 2021, the Bank redeemed these Notes at a price of 100% of the principal amount to be redeemed, or $260.0 million, plus accrued and unpaid interest of $6.9 million, totaling $266.9 million.

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. These 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, these notes can be prepaid by the Bank. Net proceeds from this offering were 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. These 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, these 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:

(in thousands)		June 30, 2021	December 31, 2020
Unused commitments to extend credit	$	17,164,876	11,607,572
Financial standby letters of credit		705,749	722,031
Commercial and similar letters of credit		13,349	19,313
Other		1,599	1,203
Total	$	17,885,573	12,350,119

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 June 30, 2021 and December 31, 2020, our ACL on total unfunded commitments to extend credit totaled $7.8 million and $8.0 million, respectively.

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 June 30, 2021 and December 31, 2020, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amount of $2.0 million and $1.6 million, respectively

As of June 30, 2021 and December 31, 2020, we had commitments to sell loans totaling $8.1 million and $8.8 million, respectively.

Capital Resources

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

Basel III Requirements

On July 9, 2013, the FDIC approved final rules that substantially amended the regulatory risk-based capital rules applicable to Signature Bank, effective beginning January 1, 2015. The FDIC's final capital rules 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 June 30, 2021:

	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)	$ 8,021,360	12.77 %	5,023,747	8.00 %	6,279,684	10.00 %
Tier 1 capital (to risk-weighted assets)	7,031,426	11.20 %	3,767,810	6.00 %	5,023,747	8.00 %
Common equity Tier 1 capital (to risk-weighted assets)	6,323,253	10.07 %	2,825,858	4.50 %	4,081,794	6.50 %
Tier 1 leverage capital (to average assets)	7,031,426	7.86 %	3,576,530	4.00 %	4,470,662	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 the quarter, the Bank also declared and paid a cash dividend of $0.56 per share, or a total of $32.4 million, for the first quarter of 2021. On July 13, 2021, the Bank declared a cash dividend of $0.56 per share, or a total of $34.0 million payable on or after August 13, 2021 to common stockholders of record at the close of business on July 30, 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 Developments* 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. On April 19, 2021, the Bank redeemed its Variable Rate Subordinated Notes due April 19, 2026, at a price of 100% of the principal amount to be redeemed, or $260.0 million, plus accrued and unpaid interest of $6.9 million, totaling $266.9 million. Outstanding subordinated debt further strengthens our Tier 2 capital position.

In addition, as stated in *Recent Developments*, in July 2021 and February 2021, the Bank raised $655.5 million and $707.8 million of common stock in a public offering, respectively. Also on December 17, 2020, the Bank issued 5.00% Noncumulative Perpetual Series A Preferred Stock for net proceeds, after underwriting discounts and expenses, were approximately $708.0 million.

On March 30, 2021, we paid our first cash dividend of $14.40 per share, or a total of $10.5 million to preferred shareholders of record at the close of business on March 19, 2021. On June 30, 2021, the Bank also paid a cash dividend of $12.50 per share, or a total of $9.1 million to preferred shareholders of record at the close of business on June 18, 2021.

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 %

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 during the second and third quarters of 2020 – see *Recent Developments* 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 ongoing impact of the Bank's growth and 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, Chief Investment 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 and recent common stock offerings, recent preferred stock issuance in December 2020, as well as our subordinated debt issuances. In July 2021 and February 2021, the Bank raised $655.5 million and $707.8 million of common stock, respectively, in public offerings.

Credit availability at the FHLB is based on our financial condition, our asset size and the amount of collateral we hold at the FHLB. At June 30, 2021, our FHLB borrowings totaled $2.76 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 June 30, 2021. While not pledged, the FHLB held $208.3 million of securities as custodian as of quarter end. 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 June 30, 2021, 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% and 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 $6.51 billion as of June 30, 2021.

The Bank declared and paid a quarterly common stock cash dividend of $0.56 per share, or a total of approximately $30.0 million to $32.0 million each quarter since the third quarter of 2018. On July 13, 2021, the Bank declared a cash dividend of $0.56 per share, or a total of $34.0 million which will be paid on or after August 13, 2021 to common stockholders of record at the close of business on July 30, 2021. During the quarter, the Bank also declared and paid a cash dividend of $0.56 per share, or a total of $32.4 million for the first quarter of 2021.

On March 30, 2021, the Bank paid a cash dividend of $10.5 million, or $14.40 per share to preferred shareholders of record at the close of business on March 19, 2021 for the first quarter of 2021. On June 30, 2021, the Bank paid a cash dividend of $9.1 million or, $12.50 per share to preferred shareholders of record at the close of business on June 18, 2021 for the second quarter of 2021. The Bank also declared a cash dividend of $12.50 per share payable on or after September 30, 2021 to preferred shareholders of record at the close of business on September 17, 2021. See Note 9 to our Consolidated Financial Statements for additional information.

In addition, 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. 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 and thus far in 2021. 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 June 30, 2021. At the Bank's Annual Meeting of Stockholders, which was held on April 22, 2021, the Bank's common stockholders approved the continuation of our share repurchase plan in an aggregate amount up to $500.0 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Interest Rate Risk Management

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

We use various asset/liability strategies 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. As of June 30, 2021, 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 June 30, 2021:

(dollars in thousands)		Adjusted Net Interest Income	Change from Base
Ramp scenario:			
Base	$	1,891,022	— %
Up to 100 basis points		2,009,398	6.3 %
Up to 200 basis points		2,131,284	12.7 %
Up to 300 basis points		2,242,640	18.6 %
Up to 400 basis points		2,355,311	24.6 %
Shock scenario:			
Base	$	1,891,022	— %
Up to 100 basis points		2,122,979	12.3 %
Up to 200 basis points		2,368,796	25.3 %
Up to 300 basis points		2,590,052	37.0 %
Up to 400 basis points		2,829,058	49.6 %

We also use a simulation model to measure the impact that hypothetical market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. As of June 30, 2021, 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 June 30, 2021 to the interest rate movements described above (base case market value of equity is $10.31 billion):

(dollars in thousands)		**Sensitivity**	**Change from Base**
Up to 100 basis points	$	1,773,416	17.2 %
Up to 200 basis points		3,218,567	31.2 %
Up to 300 basis points		4,241,430	41.1 %
Up to 400 basis points		5,000,625	48.5 %

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

For information on risk factors, see "Risk Factors" in Part I -- Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020. We do not believe there were any material changes in the status of our risk factors from those previously disclosed and described in our Annual Report on Form 10-K for the year ended December 31, 2020.

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

During the second quarter of 2021, we issued an aggregate of 16,426 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.

At the Bank's Annual Meeting of Stockholders, which was held on April 22, 2021, an amendment to increase the number of authorized shares of capital stock from 125,000,000 to up to 186,000,000, with 125,000,000 shares being common stock and 61,000,000 shares being preferred stock was approved by the Bank's common stockholders. In addition, an amendment to the Bank’s Amended and Restated 2004 Long-Term Incentive Plan (the “2004 Equity Plan”) to increase the number of shares for issuance under the 2004 Equity Plan by 1,225,000 shares, was also approved. The amendment was approved by the Superintendent of the New York State Department of Financial Services in July 2021.

Share 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 and in the first half of 2021. 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 June 30, 2021. At the Bank's Annual Meeting of Stockholders, which was held on April 22, 2021, the shareholders approved the continuation of our share repurchase plan in an aggregate amount up to $500.0 million. See Recent Developments for additional information.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) The following exhibits are submitted herewith:

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

SIGNATURES

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

Date: August 9, 2021	Signature Bank
	/s/ JOSEPH J. DEPAOLO
	Joseph J. DePaolo
	President and Chief Executive Officer
	/s/ STEPHEN WYREMSKI
	Stephen Wyremski
	Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

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Exhibit 31.1

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

I, Joseph J. DePaolo, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2021

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

Exhibit 31.2

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

I, Stephen Wyremski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Signature Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 9, 2021

/s/ STEPHEN WYREMSKI
Stephen Wyremski
Senior Vice President and Chief Financial Officer

Exhibit 32

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

In connection with the Quarterly Report on Form 10-Q of Signature Bank (the “Company”) for the period ended June 30, 2021, as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), Joseph J. DePaolo, as Chief Executive Officer of the Company, and Stephen Wyremski, as Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

Date: August 9, 2021

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

/s/ STEPHEN WYREMSKI
Stephen Wyremski
Senior Vice President and Chief Financial Officer