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, 2022

☐ **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 8, 2022
$.01 Par Value per share	**62,929,139**

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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, 2022 (unaudited)**	**December 31, 2021**
ASSETS		
Cash and due from banks	$ 14,497,512	29,547,574
Short-term investments	80,849	73,097
Total cash and cash equivalents	14,578,361	29,620,671
Securities available-for-sale (amortized cost $21,268,893 at June 30, 2022 and $17,398,906 at December 31, 2021); (zero allowance for credit losses at June 30, 2022 and December 31, 2021)	19,587,707	17,152,863
Securities held-to-maturity (fair value $6,238,824 at June 30, 2022 and $4,944,777 at December 31, 2021); (allowance for credit losses $25 at June 30, 2022 and $56 at December 31, 2021)	6,728,016	4,998,281
Federal Home Loan Bank stock	131,220	166,697
Loans held for sale	815,386	386,765
Loans and leases	72,001,189	64,862,798
Allowance for credit losses for loans and leases	(445,965)	(474,389)
Loans and leases, net	71,555,224	64,388,409
Premises and equipment, net	104,218	92,232
Operating lease right-of-use assets	260,236	225,988
Accrued interest and dividends receivable	349,190	306,827
Other assets	1,857,245	1,106,694
Total assets	$ 115,966,803	118,445,427
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	$ 41,408,804	44,363,215
Interest-bearing	62,710,242	61,769,579
Total deposits	104,119,046	106,132,794
Federal funds purchased and securities sold under agreements to repurchase	150,000	150,000
Federal Home Loan Bank borrowings	1,574,517	2,639,245
Subordinated debt	570,926	570,228
Operating lease liabilities	289,278	254,660
Accrued expenses and other liabilities	1,231,230	857,882
Total liabilities	107,934,997	110,604,809
Shareholders' equity		
Preferred stock, par value $.01 per share; 61,000,000 shares authorized; 730,000 shares issued and outstanding at June 30, 2022 and December 31, 2021	7	7
Common stock, par value $.01 per share; 125,000,000 shares authorized; 63,064,475 shares issued and 62,928,651 outstanding at June 30, 2022; 60,729,674 shares issued and 60,631,944 outstanding at December 31, 2021	629	606
Additional paid-in capital	4,524,343	3,763,810
Retained earnings	4,887,453	4,298,527
Accumulated other comprehensive loss	(1,380,626)	(222,332)
Total shareholders' equity	8,031,806	7,840,618
Total liabilities and shareholders' equity	$ 115,966,803	118,445,427

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,* 2022	2021	*Six months ended June 30,* 2022	2021
INTEREST INCOME				
Loans and leases	$ 601,726	466,748	1,133,720	895,729
Loans held for sale	2,743	998	4,177	1,577
Securities available-for-sale	98,715	46,722	172,960	88,597
Securities held-to-maturity	26,295	13,240	45,110	26,202
Other investments	45,100	9,102	60,777	16,246
Total interest income	774,579	536,810	1,416,744	1,028,351
INTEREST EXPENSE				
Deposits	106,304	54,948	152,344	112,452
Federal funds purchased and securities sold under agreements to repurchase	588	595	1,178	1,197
Federal Home Loan Bank borrowings	12,459	17,114	28,275	34,242
Subordinated debt	6,122	6,932	12,281	16,733
Total interest expense	125,473	79,589	194,078	164,624
Net interest income before provision for credit losses	649,106	457,221	1,222,666	863,727
Provision for credit losses	4,249	8,308	6,944	39,180
Net interest income after provision for credit losses	644,857	448,913	1,215,722	824,547
NON-INTEREST INCOME				
Fees and service charges	24,790	16,605	47,480	33,535
Commissions	4,267	3,899	8,508	7,902
Net losses on sales of securities	—	—	(816)	—
Net gains on sales of loans	2,454	3,393	6,296	10,454
Other income (loss)	6,151	(529)	10,598	4,178
Total non-interest income	37,662	23,368	72,066	56,069
NON-INTEREST EXPENSE				
Salaries and benefits	132,820	112,806	259,841	218,857
Occupancy and equipment	12,582	10,779	24,612	22,552
Information technology	14,927	10,722	29,483	22,203
FDIC assessment fees	7,853	4,486	15,942	10,211
Professional fees	12,080	7,278	21,518	12,420
Other general and administrative	29,783	25,948	52,030	52,167
Total non-interest expense	210,045	172,019	403,426	338,410
Income before income taxes	472,474	300,262	884,362	542,206
Income tax expense	133,272	85,769	206,626	137,181
Net income	$ 339,202	214,493	677,736	405,025
Preferred stock dividends	9,125	9,125	18,250	19,637
Net income available to common shareholders	$ 330,077	205,368	659,486	385,388
PER COMMON SHARE DATA				
Earnings per common share - basic	$ 5.28	3.59	10.62	6.87
Earnings per common share - diluted	$ 5.26	3.57	10.54	6.80
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 (LOSS)
(unaudited)

		Three months ended June 30,		*Six months ended June 30,*	
(in thousands)		**2022**	**2021**	**2022**	**2021**
Net income	$	339,202	214,493	677,736	405,025
Other comprehensive income (loss), net of tax:					
Net unrealized gains (losses) on securities		(592,420)	15,376	(1,435,961)	(81,661)
Tax effect		168,694	(4,541)	406,938	23,888
Net of tax		(423,726)	10,835	(1,029,023)	(57,773)
Reclassification adjustment for net losses on sales of securities included in net income		—	—	816	—
Tax effect		—	—	(233)	—
Net of tax		—	—	583	—
Amortization of net unrealized losses on securities transferred to held-to-maturity		170	219	335	490
Tax effect		(48)	(65)	(95)	(144)
Net of tax		122	154	240	346
Net unrealized gains (losses) on cash flow hedges		(43,142)	(670)	(184,705)	6,801
Reclassification adjustment for net losses included in net income		4,277	9,796	3,430	19,362
Tax effect		11,089	(2,701)	51,181	(7,729)
Net of tax		(27,776)	6,425	(130,094)	18,434
Total other comprehensive (loss) income, net of tax		(451,380)	17,414	(1,158,294)	(38,993)
Comprehensive (loss) income, net of tax	$	(112,178)	231,907	(480,558)	366,032

See accompanying notes to Consolidated Financial Statements.

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

	Six months ended June 30, 2022						
(in thousands)		**Common stock**	**Preferred Stock**	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total shareholders' equity**
Balance at December 31, 2021	$	606	7	3,763,810	4,298,527	(222,332)	7,840,618
Common stock issued		21	—	731,683	—	—	731,704
Restricted stock activity, net		2	—	13,587	—	—	13,589
Net Income		—	—	—	338,534	—	338,534
Other comprehensive loss, net of tax		—	—	—	—	(706,914)	(706,914)
Dividends paid on preferred stock ($12,50 per share)		—	—	—	(9,125)	—	(9,125)
Dividends paid on common stock ($0.56 per share)		—	—	—	(35,245)	—	(35,245)
Balance at March 31, 2022	$	629	7	4,509,080	4,592,691	(929,246)	8,173,161
Restricted stock activity, net		—	—	15,263	—	—	15,263
Net Income		—	—	—	339,202	—	339,202
Other comprehensive loss, net of tax		—	—	—	—	(451,380)	(451,380)
Dividends paid on preferred stock ($12.50 per share)		—	—	—	(9,125)	—	(9,125)
Dividends paid on common stock ($0.56 per share)		—	—	—	(35,315)	—	(35,315)
Balance at June 30, 2022	$	629	7	4,524,343	4,887,453	(1,380,626)	8,031,806

	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 loss, net of tax		—	—	—	—	—	(56,407)	(56,407)
Dividends paid on preferred stock (see Note 9)		—	—	—	(10,512)	—	—	(10,512)
Dividends paid on common stock ($0.56 per share)		—	—	—	(30,086)	—	—	(30,086)
Balance at 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 Balance at June 30, 2021	$	577	7	3,084,743	3,871,125	—	(111,889)	6,844,563

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)		Six months ended June 30, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$	677,736	405,025
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		11,494	9,841
Provision for credit losses		6,944	39,180
Net amortization/accretion of premium/discount		188,564	140,265
Stock-based compensation expense		28,607	25,165
Net gains on sales of securities and loans		(5,480)	(10,454)
(Gain) losses on trading activities		(13)	45
Deferred income tax expense (benefit)		58,123	(5,322)
Purchases of loans held for sale		(1,286,409)	(1,202,897)
Proceeds from sales and principal repayments of loans held for sale		719,716	978,930
Purchases of securities held for trading		(31,265)	(142,720)
Proceeds from sales of securities held for trading		37,429	89,968
Net increase in accrued interest and dividends receivable		(42,363)	(29,903)
Net (increase) decrease in other assets (1)		(532,684)	340,814
Net increase in accrued expenses and other liabilities (2)		407,966	107,410
Net cash provided by operating activities		238,365	745,347
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities available-for-sale ("AFS")		(5,430,845)	(5,587,055)
Proceeds from sales of securities AFS		9,761	—
Maturities, redemptions, calls and principal repayments on securities AFS		1,576,874	1,826,776
Purchases of securities held-to-maturity ("HTM")		(2,112,813)	(1,696,114)
Maturities, redemptions, calls and principal repayments on securities HTM		369,735	606,292
Purchases of Federal Home Loan Bank stock		(12,421)	(3,456)
Proceeds from redemptions of Federal Home Loan Bank stock		47,898	3,375
Net increase in loans and leases		(7,229,290)	(5,751,510)
Net purchases of premises and equipment		(23,866)	(11,934)
Net cash used in investing activities		(12,804,967)	(10,613,626)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) increase in non-interest-bearing deposits		(2,954,411)	9,916,768
Net increase in interest-bearing deposits		940,663	12,330,385
Proceeds from the issuance of Federal Home Loan Bank borrowings		1,250,000	1,750,000
Repayment of Federal Home Loan Bank borrowings		(2,314,728)	(1,825,000)
Repayment of other borrowings		—	(260,000)
Cash dividends paid on preferred stock		(18,250)	(19,637)
Cash dividends paid on common stock		(70,560)	(62,524)
Payments of employee taxes withheld from stock-based compensation		(40,371)	(38,691)
Issuance of common stock		731,949	708,617
Net cash provided by financing activities		(2,475,708)	22,499,918
Net (decrease) increase in cash and cash equivalents		(15,042,310)	12,631,639
Cash and cash equivalents at beginning of period		29,620,671	12,348,331
Cash and cash equivalents at end of period	$	14,578,361	24,979,970
Supplemental disclosures of cash flow information:			
Interest paid during the period	$	191,440	173,867
Income taxes paid during the period, net	$	123,052	136,095
Non-cash operating and investing activities:			
Excess servicing strips from the securitization of SBA loans	$	27,050	21,457
Landlord provided improvement incentives	$	342	—

(1) Includes $15.1 million and $14.0 million of amortization of operating lease right-of-use assets for the six months ended June 30, 2022 and 2021, respectively.

(2) Includes $14.7 million and $12.6 million of accretion of operating lease liabilities for the six months ended June 30, 2022 and 2021, 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 Financial, LLC (“Signature Financial”), Signature Securities Group Corporation (“Signature Securities”) 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, 2022 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2022. 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”).

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 2021 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, 2022 and 2021:

		Three months ended June 30,		Six months ended June 30,	
(in thousands, except per share amounts)		**2022**	**2021**	**2022**	**2021**
Net income	$	339,202	214,493	677,736	405,025
Preferred stock dividends		9,125	9,125	18,250	19,637
Net income available to common shareholders	$	330,077	205,368	659,486	385,388
Less: Dividends paid on and earnings allocated to participating securities		225	270	482	604
Earnings applicable to common stock	$	329,852	205,098	659,004	384,784
Common and common equivalent shares:					
Weighted average common shares outstanding		62,440	57,128	62,057	56,069
Weighted average common equivalent shares		252	399	445	545
Weighted average common and common equivalent shares		62,692	57,527	62,502	56,614
Basic earnings per common share	$	5.28	3.59	10.62	6.87
Diluted earnings per common share	$	5.26	3.57	10.54	6.80

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, 2022 and 2021, average dilutive potential common shares associated with these contingently issuable PSUs were 132,510 shares and 83,546 respectively.

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 or other market 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 certain 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 $229.5 million at June 30, 2022 and $232.7 million at December 31, 2021. 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, 2022 and December 31, 2021, 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, 2022					
ASSETS					
Securities available-for-sale:					
U.S. Treasury securities	$	158,690	—	—	158,690
Residential mortgage-backed securities:					
U.S. Government Agency		—	68,716	—	68,716
Government-sponsored enterprises		—	6,475,607	—	6,475,607
Collateralized mortgage obligations:					
U.S. Government Agency		—	1,202,537	—	1,202,537
Government-sponsored enterprises		—	7,849,210	—	7,849,210
Private		—	974,907	3,621	978,528
Securities of U.S. states and political subdivisions:					
Municipal bonds		—	259,580	—	259,580
Other debt securities:					
Commercial mortgage-backed securities		—	94,532	—	94,532
Single issuer trust preferred & corporate debt securities		—	1,436,329	—	1,436,329
Pooled trust preferred securities		—	—	14,094	14,094
Other		—	801,876	248,008	1,049,884
Total securities available-for-sale		158,690	19,163,294	265,723	19,587,707
Equity securities		—	21,039	—	21,039
Derivatives (1)		—	26,463	1,440	27,903
Total assets	$	158,690	19,210,796	267,163	19,636,649
LIABILITIES					
Derivatives (1)	$	—	389,182	70	389,252
Total liabilities	$	—	389,182	70	389,252

(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, 2021				
ASSETS				
Securities available-for-sale:				
U.S. Treasury securities	$ 9,983	—	—	9,983
Residential mortgage-backed securities:				
U.S. Government Agency	—	83,189	—	83,189
Government-sponsored enterprises	—	5,318,389	—	5,318,389
Collateralized mortgage obligations:				
U.S. Government Agency	—	1,057,750	—	1,057,750
Government-sponsored enterprises	—	6,815,083	—	6,815,083
Private	—	1,167,131	3,958	1,171,089
Securities of U.S. states and political subdivisions:				
Municipal bonds	—	250,372	—	250,372
Other debt securities:				
Commercial mortgage-backed securities	—	118,662	—	118,662
Single issuer trust preferred & corporate debt securities	—	1,328,981	—	1,328,981
Pooled trust preferred securities	—	—	21,143	21,143
Other	—	726,126	252,096	978,222
Total securities available-for-sale	9,983	16,865,683	277,197	17,152,863
Equity securities	—	22,861	—	22,861
Derivatives (1)	—	16,958	2,059	19,017
Total assets	$ 9,983	16,905,502	279,256	17,194,741
LIABILITIES				
Derivatives (1)	$ —	48,657	215	48,872
Total liabilities	$ —	48,657	215	48,872

(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.

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, 2022 and 2021. 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, 2022			
Beginning balance - Level 3	$ 278,263	1,806	(119)
Issuance of equity warrant assets	—	66	—
Formation of SBA interest-only strip securities	16,150	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or (losses) (realized/unrealized):			
Included in earnings			
Non-interest (expense)/ income	—	(432)	49
Interest income	(11,889)	—	—
Included in other comprehensive income	(16,801)	—	—
Ending balance - Level 3	$ 265,723	1,440	(70)
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)

(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, 2022				
Beginning balance - Level 3	$	277,197	2,059	(215)
Issuance of equity warrant assets		—	157	—
Formation of SBA interest-only strip securities		27,049	—	—
Transfers into Level 3		—	—	—
Transfers out of Level 3		—	—	—
Total gains or (losses) (realized/unrealized):				
Included in earnings				
Non-interest (expense)/ income		—	(776)	145
Interest income		(23,620)	—	—
Included in other comprehensive income		(14,903)	—	—
Ending balance - Level 3	$	265,723	1,440	(70)
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)

(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, 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, 2022 and December 31, 2021, 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, 2022				
Collateral-dependent loans:				
Commercial property	$ —	—	54,797	54,797
Multi-family residential property	—	—	8,030	8,030
Acquisition, development and construction	—	—	2,640	2,640
1-4 family residential property	—	—	2,145	2,145
Home equity lines of credit	—	—	2,686	2,686
Commercial and industrial (1)	—	—	27,207	27,207
Other repossessed assets	—	—	65	65
Total assets	$ —	—	97,570	97,570
December 31, 2021				
Collateral-dependent loans:				
Commercial property	$ —	—	125,861	125,861
Multi-family residential property	—	—	30,046	30,046
1-4 family residential property	—	—	2,678	2,678
Home equity lines of credit	—	—	1,441	1,441
Commercial and industrial (1)	—	—	25,346	25,346
Other repossessed assets	—	—	3,242	3,242
Total assets	$ —	—	188,614	188,614

(1) Includes $13.5 million and $16.6 million of specialty finance loans as of June 30, 2022 and December 31, 2021, 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, or internal valuations performed leveraging net operating income information specific to the property and market capitalization rates.

Fair value adjustments for collateral-dependent loans are recorded through direct loan charge-offs and/or through a specific allocation of the ACLLL. During the three and six months ended June 30, 2022, we recorded fair value adjustments ((gain)/loss) on collateral-dependent loans totaling $3.8 million and $7.7 million, respectively, compared to $25.7 million and $29.2 million, respectively, recorded for the three and six months ended June 30, 2021. For both the three and six month periods in 2022, the adjustments are principally related to increases in reserves and/or charge-offs related to three nonaccrual commercial property loans.

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, 2022, we recorded negative fair value adjustment of $112,000 and $24,000, respectively, and negative fair value adjustments of $4.3 million and $7.5 million for the three and six months ended June 30, 2021, on repossessed assets. 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, 91.4% which mature within one year, had a carrying value and estimated fair value both at $1.45 billion at June 30, 2022. 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, 2022					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 14,578,361	14,578,361	14,578,361	—	—
Securities available-for-sale (1)	19,587,707	19,587,707	158,690	19,163,294	265,723
Securities held-to-maturity (2)	6,728,016	6,238,824	—	6,238,824	—
Federal Home Loan Bank stock (3)	131,220	131,220	—	131,220	—
Loans held for sale	815,386	815,386	—	815,386	—
Loans and leases, net (4)	71,555,224	70,032,515	—	—	70,032,515
Equity securities (5)	21,039	21,039	—	21,039	—
Derivatives (6)	27,903	27,903	—	26,463	1,440
Total financial assets	$ 113,444,856	111,432,955	14,737,051	26,396,226	70,299,678
FINANCIAL LIABILITIES					
Deposits (7)	$ 104,119,046	104,107,467	—	104,107,467	—
Federal Home Loan Bank borrowings	1,574,517	1,549,789	—	1,549,789	—
Broker repurchase agreements	150,000	149,940	—	149,940	—
Subordinated debt	570,926	554,767	—	554,767	—
Derivatives (8)	389,252	389,252	—	389,182	70
Total financial liabilities	$ 106,803,741	106,751,215	—	106,751,145	70
December 31, 2021					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 29,620,671	29,620,671	29,620,671	—	—
Securities available-for-sale (1)	17,152,863	17,152,863	9,983	16,865,683	277,197
Securities held-to-maturity (2)	4,998,281	4,944,777	—	4,944,777	—
Federal Home Loan Bank stock (3)	166,697	166,697	—	166,697	—
Loans held for sale	386,765	386,765	—	386,765	—
Loans and leases, net (4)	64,388,409	64,448,949	—	—	64,448,949
Equity securities (5)	22,861	22,861	—	22,861	—
Derivatives (6)	19,017	19,017	—	16,958	2,059
Total financial assets	$ 116,755,564	116,762,600	29,630,654	22,403,741	64,728,205
FINANCIAL LIABILITIES					
Deposits (7)	$ 106,132,794	106,132,108	—	106,132,108	—
Federal Home Loan Bank borrowings	2,639,245	2,680,360	—	2,680,360	—
Broker repurchase agreements	150,000	152,327	—	152,327	—
Subordinated debt	570,228	608,500	—	608,500	—
Derivatives (8)	48,872	48,872	—	48,657	215
Total financial liabilities	$ 109,541,139	109,622,167	—	109,621,952	215

(1) Fair value amount includes zero ACL related to AFS securities both as of June 30, 2022 and December 31, 2021, which is included in Securities available-for-sale in the Consolidated Statements of Financial Condition.

(2) Amortized cost amount includes ACL related to HTM securities of $25,000 and $56.000 as of June 30, 2022 and December 31, 2021, respectively, 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, 2022				*At December 31, 2021*			
(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	$ 160,371	—	(1,681)	158,690	9,998	—	(15)	9,983
Residential mortgage-backed securities:								
U.S. Government Agency	73,600	213	(5,097)	68,716	82,877	1,436	(1,124)	83,189
Government-sponsored enterprises	7,068,273	247	(592,913)	6,475,607	5,365,674	10,088	(57,373)	5,318,389
Collateralized mortgage obligations:								
U.S. Government Agency	1,262,007	16	(59,486)	1,202,537	1,072,210	1,052	(15,512)	1,057,750
Government-sponsored enterprises	8,605,461	352	(756,603)	7,849,210	6,975,502	9,272	(169,691)	6,815,083
Private	1,093,996	189	(115,657)	978,528	1,188,166	1,034	(18,111)	1,171,089
Securities of U.S. states and political subdivisions:								
Municipal bonds	289,889	9	(30,318)	259,580	247,968	2,976	(572)	250,372
Other debt securities:								
Commercial mortgage-backed securities	102,912	—	(8,380)	94,532	120,280	226	(1,844)	118,662
Single issuer trust preferred & corporate debt securities	1,526,739	805	(91,215)	1,436,329	1,326,216	16,103	(13,338)	1,328,981
Pooled trust preferred securities	15,422	237	(1,565)	14,094	20,915	1,456	(1,228)	21,143
Other (1)	1,070,223	4,684	(25,023)	1,049,884	989,100	3,704	(14,582)	978,222
Total available-for-sale (2)	$21,268,893	6,752	(1,687,938)	19,587,707	17,398,906	47,347	(293,390)	17,152,863
HELD-TO-MATURITY								
FHLB, FNMA and FHLMC Debentures	$ 2,582,882	—	(157,274)	2,425,608	1,988,244	10	(20,815)	1,967,439
Residential mortgage-backed securities:								
U.S. Government Agency	17,215	1	(961)	16,255	15,589	253	(56)	15,786
Government-sponsored enterprises	1,237,902	34	(113,790)	1,124,146	1,056,525	2,611	(13,105)	1,046,031
Collateralized mortgage obligations:								
U.S. Government Agency	203,820	4	(19,208)	184,616	173,669	451	(4,330)	169,790
Government-sponsored enterprises	2,620,866	112	(196,225)	2,424,753	1,697,859	10,131	(34,193)	1,673,797
Private	827	—	(21)	806	932	57	—	989
Other debt securities:								
Single issuer trust preferred & corporate debt securities	64,529	366	(2,255)	62,640	65,519	5,834	(408)	70,945
Total held-to-maturity (3)	$ 6,728,041	517	(489,734)	6,238,824	4,998,337	19,347	(72,907)	4,944,777

(1) Amount includes SBA interest-only strip securities of $229.5 million and $232.7 million and SBA pools of $759.1 million and $653.2 million related to AFS securities as of June 30, 2022 and December 31, 2021, respectively, resulting from the Company's securitization of the U.S. Government guaranteed portion of Small Business Administration ('SBA") loans. The guaranteed portion of SBA loans is backed by the full faith and credit of the US government. Therefore, no credit risk is deemed to be associated with this portfolio.

(2) Fair value amount excludes ACL to AFS securities. As of June 30, 2022 and December 31, 2021, zero ACL related to AFS securities is included in Securities available-for-sale in the Consolidated Statements of Financial Condition

(3) Excludes ACL related to HTM securities of $25,000 as of June 30, 2022 and $56,000 as of December 31, 2021, which is included in Securities held-to-maturity in the Consolidated Statements of Financial Condition.

The credit loss standard 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.

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, 2022						
Available-for-Sale Securities						
U.S. Treasury securities	$ 158,691	(1,681)	—	—	158,691	(1,681)
Residential mortgage-backed securities:						
U.S. Government Agency	19,726	(847)	38,423	(4,250)	58,149	(5,097)
Government-sponsored enterprises	5,620,913	(481,743)	793,561	(111,170)	6,414,474	(592,913)
Collateralized mortgage obligations:						
U.S. Government Agency	850,169	(37,180)	351,697	(22,306)	1,201,866	(59,486)
Government-sponsored enterprises	5,883,163	(504,769)	1,838,031	(251,834)	7,721,194	(756,603)
Private	699,810	(79,974)	271,413	(35,683)	971,223	(115,657)
Securities of U.S. states and political subdivisions:						
Municipal Bond	256,197	(30,071)	1,753	(247)	257,950	(30,318)
Other debt securities:						
Commercial mortgage-backed securities	86,960	(8,322)	7,572	(58)	94,532	(8,380)
Single issuer trust preferred & corporate debt securities	1,155,071	(66,428)	190,121	(24,787)	1,345,192	(91,215)
Pooled trust preferred securities	3,000	(457)	7,616	(1,108)	10,616	(1,565)
Other	48,455	(3,306)	242,217	(21,717)	290,672	(25,023)
Total AFS securities	$ 14,782,155	(1,214,778)	3,742,404	(473,160)	18,524,559	(1,687,938)

	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, 2021						
Available-for-Sale Securities						
U.S. Treasury securities	$ 9,983	(15)	—	—	9,983	(15)
Residential mortgage-backed securities:						
U.S. Government Agency	18,907	(186)	35,922	(938)	54,829	(1,124)
Government-sponsored enterprises	3,862,438	(38,522)	380,204	(18,851)	4,242,642	(57,373)
Collateralized mortgage obligations:						
U.S. Government Agency	760,014	(9,605)	122,882	(5,907)	882,896	(15,512)
Government-sponsored enterprises	4,006,960	(76,295)	1,413,377	(93,396)	5,420,337	(169,691)
Private	931,471	(13,644)	119,462	(4,467)	1,050,933	(18,111)
Securities of U.S. states and political subdivisions:						
Municipal Bond	65,916	(557)	697	(15)	66,613	(572)
Other debt securities:						
Commercial mortgage-backed securities	92,170	(1,750)	9,550	(94)	101,720	(1,844)
Single issuer trust preferred & corporate debt securities	549,694	(9,004)	108,765	(4,334)	658,459	(13,338)
Pooled trust preferred securities	—	—	8,706	(1,228)	8,706	(1,228)
Other	50,602	(486)	239,400	(14,096)	290,002	(14,582)
Total AFS securities	$ 10,348,155	(150,064)	2,438,965	(143,326)	12,787,120	(293,390)

For AFS securities, the 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 $19.59 billion as of June 30, 2022, among which, $15.75 billion, or 80.4% were either U.S. Treasury or residential mortgage-backed securities ("RMBS") or collateralized mortgage obligations ("CMO") issued by either a U.S. Government agency or government sponsored entity ("GSE"). Historical events have shown the ability of the U.S. Government, as well as the GSEs, to honor their contractual obligations through financial crises. As a result, a zero reserve was applied since we do not believe the decline in fair value for these securities would be attributable to credit related factors. Therefore, changes in fair value for these securities for the period ended June 30, 2022 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 $3.83 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, Constant Default Rate ("CDR"), and Severity ("SEV"). For Single Issuer Trust Preferred and Corporate Debt Securities, key financial information is reviewed for each borrower to consider their adequacy of capital, liquidity, and credit quality measurements as well as the industry dynamic. If it is determined that a portion of the unrealized loss is attributable to credit risk, that portion will be charged through earnings, with the establishment of an allowance for credit losses or a reserve change recorded through earnings to adjust the prior period allowance for credit loss estimate to the current period estimate.

The impairment analysis performed following the aforementioned three steps did not identify any credit risk driven unrealized losses as of June 30, 2022 and December 31, 2021. As of June 30, 2022 and December 31, 2021, there was no AFS security with an associated allowance for credit losses.

Held-to-Maturity Securities

Under the credit loss standard, 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, 2022 and December 31, 2021.

We held $6.73 billion of HTM securities as of June 30, 2022, among which, $6.66 billion, or 99.0% 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 $65.4 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 credit rating.

The following table represents the amortized cost and associated risk rating of non-agency HTM securities as of June 30, 2022 by year of origination:

(in thousands)		**2015 and Prior**
A or Above	$	25,549
BBB		10,980
Below BBB		—
Total (1)	$	36,529

(1) No HTM debt securities with credit risk exposure existing at June 30, 2022 had an issuance date after December 31, 2015.

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, 2022, no AFS and HTM securities were on nonaccrual status. As of December 31, 2021, one AFS security totaling $700,000 was on nonaccrual status. For the three and six months ended June 30, 2022 and 2021, 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, 2022:

(in thousands)		**AFS**	**HTM**
Three months ended June 30, 2022			
Balance at March 31, 2022	$	—	46
Provision for (release of) credit losses		—	(21)
Charge-offs		—	—
Recoveries		—	—
Ending Balance at June 30, 2022	$	—	25
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

(in thousands)		**AFS**	**HTM**
Six months ended June 30, 2022			
Balance at December 31, 2021	$	—	56
Provision for (release of) credit losses		—	(31)
Charge-offs		—	—
Recoveries		—	—
Ending Balance at June 30, 2022	$	—	25
Six months ended June 30, 2021			
Balance at December 31, 2020	$	4	51
Provision for (release of) credit losses		(4)	27
Charge-offs		—	—
Recoveries		—	—
Ending Balance at June 30, 2021	$	—	78

Gross realized gains on sales of AFS securities were zero and $313,000 for the three and six months ended June 30, 2022, respectively and zero for the three and six months ended June 30, 2021. Gross realized losses on sales of AFS securities were zero and $1.1 million for the three and six months ended June 30, 2022, respectively and zero for the three and six months ended June 30, 2021.

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, 2022 Amortized Cost	June 30, 2022 Fair Value
AVAILABLE-FOR-SALE		
Due in one year or less	$ 99,944	99,780
Due after one year through five years	974,017	934,012
Due after five years through ten years	1,731,992	1,627,314
Due after ten years	18,462,940	16,926,601
Total available-for-sale debt securities	$ 21,268,893	19,587,707
HELD-TO-MATURITY (1)		
Due in one year or less	$ 7,486	7,555
Due after one year through five years	2,085,071	1,981,552
Due after five years through ten years	833,342	760,200
Due after ten years	3,802,142	3,489,517
Total held-to-maturity debt securities	$ 6,728,041	6,238,824

(1) Amortized cost amount excludes ACL related to HTM securities of $25,000 as of June 30, 2022.

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 ("FHLB"). In addition, while we had no borrowings from the Federal Reserve Bank of New York ("FRB") at June 30, 2022 and December 31, 2021, we would use securities as collateral to borrow from the FRB. As of June 30, 2022 and December 31, 2021, the Bank did not have any securities pledged with the FHLB and the FRB. However, the securities held by the FHLB and the FRB as custodian totaled $16.54 billion and $1.95 billion, respectively, at June 30, 2022 and $10.38 billion and $1.76 billion, respectively, at December 31, 2021. 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, 2022	December 31, 2021
Mortgage loans:		
Multi-family residential property	$ 17,299,611	16,113,590
Commercial property	11,071,975	10,682,276
Acquisition, development and construction loans	1,498,581	1,514,011
1-4 family residential property	391,965	450,782
Home equity lines of credit	63,234	69,156
Total mortgage loans	30,325,366	28,829,815
Commercial & industrial loans:		
Fund banking	31,072,902	26,300,495
Specialty finance	5,976,258	5,276,337
Other commercial and industrial	4,413,465	3,689,486
PPP loans	273,946	835,743
Consumer	6,498	7,509
Total other loans	41,743,069	36,109,570
Net deferred fees and costs and other unearned income	(67,246)	(76,587)
ACLLL	(445,965)	(474,389)
Net loans	$ 71,555,224	64,388,409

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 certain of 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, 2022:

(in thousands)	2022	2021	2020	2019	2018 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
June 30, 2022								
Commercial loans secured by real estate:								
Multi-family residential property								
Pass (Rating 1-6)	$3,369,432	4,465,142	3,709,776	1,154,388	3,478,414	52,917	—	16,230,069
Special Mention (Rating 7)	—	183,733	290,749	22,322	116,405	550	—	613,759
Substandard (Rating 8)	35,599	220,279	157,533	1,869	40,503	—	—	455,783
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total multi-family residential property	$3,405,031	4,869,154	4,158,058	1,178,579	3,635,322	53,467	—	17,299,611
Commercial property								
Pass (Rating 1-6)	$1,923,883	2,572,830	1,763,925	855,116	2,564,214	8,194	—	9,688,162
Special Mention (Rating 7)	9,064	174,229	86,342	81,280	100,086	—	—	451,001
Substandard (Rating 8)	47,258	487,948	282,892	47,987	66,727	—	—	932,812
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total commercial property	$1,980,205	3,235,007	2,133,159	984,383	2,731,027	8,194	—	11,071,975
1-4 family residential property								
Pass (Rating 1-6)	$ 29,607	61,031	56,531	48,408	129,888	5,552	—	331,017
Special Mention (Rating 7)	—	5,046	7,576	—	—	—	—	12,622
Substandard (Rating 8)	—	—	5,469	—	—	—	—	5,469
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total 1-4 family residential property	$ 29,607	66,077	69,576	48,408	129,888	5,552	—	349,108
Acquisition, development and construction								
Pass (Rating 1-6)	$ 287,410	583,078	257,260	99,021	29,339	142,684	—	1,398,792
Special Mention (Rating 7)	2,000	34,002	32,550	—	1,966	—	—	70,518
Substandard (Rating 8)	—	19,972	4,119	—	5,180	—	—	29,271
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total acquisition, development and construction	$ 289,410	637,052	293,929	99,021	36,485	142,684	—	1,498,581
Total commercial loans secured by real estate	$5,704,253	8,807,290	6,654,722	2,310,391	6,532,722	209,897	—	30,219,275
Commercial loans secured by real estate:								
Current period gross charge-offs (1)	$ —	—	(20,137)	—	—	—	—	(20,137)
Current period recoveries (1)	—	—	—	—	—	—	—	—
Current period net charge-offs (1)	$ —	—	(20,137)	—	—	—	—	(20,137)

(1) Excludes amounts related to loans that had a zero outstanding balance as of June 30, 2022.

The following table summarizes our C&I loan portfolio by risk rating and year of origination as of June 30, 2022:

(in thousands)	2022	2021	2020	2019	2018 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
June 30, 2022								
Commercial & industrial loans:								
Specialty finance								
Pass (Rating 1-6)	$ 1,543,891	1,684,769	1,138,466	747,504	734,538	—	—	5,849,168
Special Mention (Rating 7)	1,801	895	10,550	17,834	27,318	—	—	58,398
Substandard (Rating 8)	—	2,404	9,822	39,193	17,273	—	—	68,692
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total specialty finance	$ 1,545,692	1,688,068	1,158,838	804,531	779,129	—	—	5,976,258
Fund banking								
Pass (Rating 1-6)	$ —	—	—	—	—	31,072,816	—	31,072,816
Special Mention (Rating 7)	—	—	—	—	—	—	—	—
Substandard (Rating 8)	—	—	—	—	—	—	—	—
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Non-rated	86	—	—	—	—	—	—	86
Total fund banking	$ 86	—	—	—	—	31,072,816	—	31,072,902
Other commercial and industrial								
Pass (Rating 1-6)	$ 553,118	471,197	282,576	141,846	576,503	2,240,398	4,330	4,269,968
Special Mention (Rating 7)	—	166	10,543	—	15,418	10,336	—	36,463
Substandard (Rating 8)	3,395	1,242	12,205	12,616	18,696	13,617	—	61,771
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Non-rated	42,012	644	1,189	201	245	972	—	45,263
Total other commercial and industrial	$ 598,525	473,249	306,513	154,663	610,862	2,265,323	4,330	4,413,465
Paycheck Protection Program (1)								
Pass (Rating 1)	$ —	199,468	74,478	—	—	—	—	273,946
Special Mention (Rating 7)	—	—	—	—	—	—	—	—
Substandard (Rating 8)	—	—	—	—	—	—	—	—
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total Paycheck Protection Program	$ —	199,468	74,478	—	—	—	—	273,946
Total commercial & industrial loans	$ 2,144,303	2,360,785	1,539,829	959,194	1,389,991	33,338,139	4,330	41,736,571
Commercial & industrial loans:								
Current period gross charge-offs (2)	$ —	—	(83)	(558)	—	—	—	(641)
Current period recoveries (2)	6	—	—	—	—	—	—	6
Current period net charge-offs (2)	$ 6	—	(83)	(558)	—	—	—	(635)

(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, 2022.

The following table summarizes our CRE loan portfolio by risk rating and year of origination as of December 31, 2021:

(in thousands)	2021	2020	2019	2018	2017 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
December 31, 2021								
Commercial loans secured by real estate:								
Multi-family residential property								
Pass (Rating 1-6)	$4,340,321	4,027,501	1,435,758	1,545,913	2,828,768	55,581	—	14,233,842
Special Mention (Rating 7)	417,157	697,718	27,121	96,960	183,840	—	—	1,422,796
Substandard (Rating 8)	226,327	127,963	57,002	—	45,660	—	—	456,952
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total multi-family residential property	$4,983,805	4,853,182	1,519,881	1,642,873	3,058,268	55,581	—	16,113,590
Commercial property								
Pass (Rating 1-6)	$2,507,729	1,942,716	918,711	1,123,202	2,445,067	9,573	—	8,946,998
Special Mention (Rating 7)	313,317	293,925	85,020	24,485	88,268	—	—	805,015
Substandard (Rating 8)	486,710	304,932	56,361	39,038	43,222	—	—	930,263
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total commercial property	$3,307,756	2,541,573	1,060,092	1,186,725	2,576,557	9,573	—	10,682,276
1-4 family residential property								
Pass (Rating 1-6)	$ 61,096	69,565	41,907	44,550	146,739	8,799	—	372,656
Special Mention (Rating 7)	10,236	8,102	—	—	3,507	—	—	21,845
Substandard (Rating 8)	—	—	—	—	—	—	—	—
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total 1-4 family residential property	$ 71,332	77,667	41,907	44,550	150,246	8,799	—	394,501
Acquisition, development and construction								
Pass (Rating 1-6)	$ 733,880	326,202	109,202	29,081	64,825	140,978	—	1,404,168
Special Mention (Rating 7)	54,711	25,526	—	—	2,064	—	—	82,301
Substandard (Rating 8)	19,207	4,119	—	—	4,216	—	—	27,542
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total acquisition, development and construction	$ 807,798	355,847	109,202	29,081	71,105	140,978	—	1,514,011
Total commercial loans secured by real estate	$9,170,691	7,828,269	2,731,082	2,903,229	5,856,176	214,931	—	28,704,378
Commercial loans secured by real estate:								
Current period gross charge-offs (1)	$ —	(24,430)	—	—	—	—	—	(24,430)
Current period recoveries (1)	—	—	—	—	—	—	—	—
Current period net charge-offs (1)	$ —	(24,430)	—	—	—	—	—	(24,430)

(1) Excludes amounts related to loans that had a zero outstanding balance as of December 31, 2021.

The following table summarizes our C&I loan portfolio by risk rating and year of origination as of December 31, 2021:

(in thousands)	2021	2020	2019	2018	2017 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
December 31, 2021								
Commercial & industrial loans:								
Specialty finance								
Pass (Rating 1-6)	$1,939,413	1,313,636	931,541	454,434	467,102	—	—	5,106,126
Special Mention (Rating 7)	329	5,142	6,988	6,175	5,021	—	—	23,655
Substandard (Rating 8)	5,604	23,444	52,228	25,159	40,121	—	—	146,556
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total specialty finance	$1,945,346	1,342,222	990,757	485,768	512,244	—	—	5,276,337
Fund banking								
Pass (Rating 1-6)	$ 109,158	—	—	—	—	26,191,337	—	26,300,495
Special Mention (Rating 7)	—	—	—	—	—	—	—	—
Substandard (Rating 8)	—	—	—	—	—	—	—	—
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total fund banking	$ 109,158	—	—	—	—	26,191,337	—	26,300,495
Other commercial and industrial:								
Pass (Rating 1-6)	$ 724,559	371,170	184,072	262,911	474,296	1,499,062	3,873	3,519,943
Special Mention (Rating 7)	18,558	10,623	6,000	5,684	15,558	5,495	—	61,918
Substandard (Rating 8)	1,518	12,239	8,002	64	17,723	26,470	—	66,016
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Non-rated	38,255	1,472	336	221	125	1,200	—	41,609
Total other commercial and industrial	$ 782,890	395,504	198,410	268,880	507,702	1,532,227	3,873	3,689,486
Paycheck Protection Program (1)								
Pass (Rating 1)	$ 587,166	248,577	—	—	—	—	—	835,743
Special Mention (Rating 7)	—	—	—	—	—	—	—	—
Substandard (Rating 8)	—	—	—	—	—	—	—	—
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total Paycheck Protection Program	$ 587,166	248,577	—	—	—	—	—	835,743
Total commercial & industrial loans	$3,424,560	1,986,303	1,189,167	754,648	1,019,946	27,723,564	3,873	36,102,061
Commercial & industrial loans:								
Current period gross charge-offs (2)	$ (300)	(14)	(1,198)	(240)	—	—	—	(1,752)
Current period recoveries (2)	—	—	—	—	—	—	—	—
Current period net charge-offs (2)	$ (300)	(14)	(1,198)	(240)	—	—	—	(1,752)

(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, 2021.

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 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 (1)	Past Due 90+ Days (1)	Total Past Due (1)	Current	Total Loans	Loans Past Due 90+ Days & Accruing	Non-accruing Loans
June 30, 2022							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 40,005	99	40,104	17,259,507	17,299,611	99	9,326
Commercial property	35,805	53,690	89,495	10,982,480	11,071,975	35,333	133,091
1-4 family residential property	5,856	—	5,856	343,252	349,108	—	—
Acquisition, development and construction loans	47,964	6,467	54,431	1,444,150	1,498,581	6,467	—
Commercial & industrial loans:							
Specialty finance	5,470	2,853	8,323	5,967,935	5,976,258	20	7,593
Fund banking	392	—	392	31,072,510	31,072,902	—	—
Commercial and industrial	14,994	6,592	21,586	4,665,825	4,687,411	167	11,617
Consumer loans							
Residential mortgages	—	2,428	2,428	40,429	42,857	180	2,681
Home equity lines of credit	1,540	—	1,540	61,694	63,234	—	3,581
Consumer loans	654	—	654	5,844	6,498	—	—
Total	$ 152,680	72,129	224,809	71,843,626	72,068,435	42,266	167,889
December 31, 2021							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 8,865	30,151	39,016	16,074,574	16,113,590	105	30,046
Commercial property	26,217	15,272	41,489	10,640,787	10,682,276	—	160,017
1-4 family residential property	—	—	—	394,501	394,501	—	—
Acquisition, development and construction loans	20,280	2,300	22,580	1,491,431	1,514,011	2,300	—
Commercial & industrial loans:							
Specialty finance	5,730	3,836	9,566	5,266,771	5,276,337	—	14,721
Fund banking	30,386	—	30,386	26,270,109	26,300,495	—	—
Commercial and industrial	8,264	5,490	13,754	4,511,475	4,525,229	673	6,590
Consumer loans							
Residential mortgages	1,565	66	1,631	54,650	56,281	—	3,347
Home equity lines of credit	—	—	—	69,156	69,156	—	3,574
Consumer loans	841	—	841	6,668	7,509	—	—
Total	$ 102,148	57,115	159,263	64,780,122	64,939,385	3,078	218,295

(1) Includes nonaccrual loans.

Nonaccrual loans at June 30, 2022 and December 31, 2021 totaled $167.9 million and $218.3 million, respectively. The decrease in nonaccrual loans was primarily attributable to the charge-off of two retail commercial property loans totaling $40.3 million, and the sale of three multi-family loans totaling $30.0 million. The decrease was also attributable to certain commercial property and Specialty Finance loans returning to accrual status totaling $15.8 million and $5.4 million, respectively. The decrease in nonaccrual loans was partially offset by the addition of four commercial property loans totaling $31.2 million, two multi-family loans totaling $9.3 million, and four commercial and industrial loans totaling $6.3 million.

There were no commitments at June 30, 2022 to lend additional funds on nonaccrual loans, except for a $7.5 million letter of credit that was issued in 2018 to a borrower that has a loan that was newly designated as nonaccrual during the current quarter. For further discussion, see Allowance for Credit Losses footnote to our Consolidated Financial Statements.

As of June 30, 2022, our 30-89 day past due and accruing loans increased by $54.9 million, or 56% to $152.4 million, when compared to December 31, 2021. The increase was primarily caused by administrative processing delays and $91.8 million of the 30-89 day past due loans that were no longer past due as of July 15, 2022. After considering this processing delay, adjusted 30-89 day past due loans were $60.6 million.

As of June 30, 2022, loans past due 90 days or more and still accruing totaled $42.3 million, including one commercial property loan of $19.7 million and one acquisition, development and construction ("ADC") loan in the amount of $4.2 million that were in the process of being extended as of quarter end, as well as two ADC loans totaling $2.3 million that were well secured and in process of collection. As of July 15, 2022, two commercial property loans totaling $15.6 million were no longer past due.

As of June 30, 2022 and December 31, 2021, the Bank held residential consumer mortgage loans in the process of foreclosure of $5.0 million and $4.5 million, respectively. The COVID-19 foreclosure suspension was lifted on January 15, 2022 and we resumed our outstanding foreclosure processes beginning the first quarter of 2022. The Bank did not hold any foreclosed residential real estate at June 30, 2022 or December 31, 2021.

Other repossessed assets that principally consist of taxi medallions totaled $3.4 million and $5.7 million as of June 30, 2022 and December 31, 2021, respectively.

As of June 30, 2022 and December 31, 2021, the Bank had pledged $9.68 billion and $8.13 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 $3.62 billion and $3.92 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, 2022	December 31, 2021
ACL related to loans and leases	$	445,965	474,389
ACL related to unfunded commitments		6,185	8,014
ACL related to accrued interest receivable (1)		508	2,558
ACL related to HTM debt securities (2)		25	56
Total ACL	$	452,683	485,017

(1) Included in Accrued interest and dividends receivable in the consolidated statements of financial condition. See below for further discussion.

(2) Amount represents ACL related to investment securities. See Securities footnote for further discussion.

The tables below present a summary by loan portfolio segment of our ACL for loans and leases (ACLLL), loan loss experience, and provision for credit losses for the periods indicated:

		Credit-rated loans			Non-rated loans			
(in thousands)		Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
Three months ended June 30, 2022								
Beginning balance - ACLLL	$	349,729	6,629	97,083	3,876	3,290	668	461,275
Provision (Release)		1,779	(578)	3,171	337	(339)	(16)	4,354
Charge-offs		(20,135)	—	(1,105)	(3)	—	(14)	(21,257)
Recoveries		—	—	1,536	39	14	4	1,593
Ending balance - ACLLL	$	331,373	6,051	100,685	4,249	2,965	642	445,965
Three months ended June 30, 2021								
Beginning balance - ACLLL	$	434,722	9,687	68,463	3,821	4,457	611	521,761
Provision (Release)		(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

		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, 2022								
Beginning balance - ACLLL	$	369,763	6,300	90,002	3,932	3,595	797	474,389
Provision (Release)		(739)	(249)	10,051	217	(84)	(172)	9,024
Charge-offs		(40,263)	—	(1,622)	(30)	(640)	(21)	(42,576)
Recoveries		2,612	—	2,254	130	94	38	5,128
Ending balance - ACLLL	$	331,373	6,051	100,685	4,249	2,965	642	445,965
Six months ended June 30, 2021								
Beginning balance - ACLLL	$	407,956	13,137	77,186	4,785	4,557	678	508,299
Provision (Release)		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

For the three months ended June 30, 2022, the ACLLL decreased $15.3 million, or 3.3% which was primarily attributable to a release of individually assessed reserves covering the charge-off of a retail commercial property totaling $20.1 million during the current quarter. This reduction was furthered by continued improvement in the NYC multi-family sector, which is apparent in the forecast assumptions, as well as increasing post-pandemic rent levels resulting in a larger degree of improving debt service coverage ratios. The decrease was partially offset by reserve increases related to certain commercial real estate loans primarily due to updated and declined net operating income metrics on these loans, as well as modest deterioration in the sector's macroeconomic environment.

For the six months ended June 30, 2022, the ACLLL decreased $28.4 million, or 6.0%. The decrease was predominantly due to the release of specific reserves covering charge-offs related to certain retail commercial property loans totaling $40.3 million. The decline is further attributable to the continued recovery in the NYC multi-family sector, as we continued to experience improving debt service coverage ratios within this portfolio thus far in 2022. Partially offsetting these declines are reserve increases in the commercial property sector due to updated and declined net operating income metrics. Further, the growth of the Specialty Finance portfolio, as well as the impact of the modest deterioration in the overall macroeconomic forecast resulted in reserve increases further offsetting the aforementioned declines.

Our current forecast as of June 30, 2022 exhibits stabilized levels of unemployment through 2024 at approximately 3.5%, while the Gross Domestic Product (“GDP”) growth forecast is generally more pessimistic for the reasonable and supportable period, as compared to the first quarter of 2022. The slower GDP forecast is largely attributable to inflation pressure, accelerated rising interest environment, the potential impact of the Russian and Ukraine conflict, as well as concerns of a potential recession. Specifically, except for the 3.75% GDP growth rate that is forecasted for the third quarter of 2022, GDP is projected to be between 1% to 1.4% in 2023 and maintaining at approximately 2.5% in the first three quarters of 2024. The forecast also incorporates several additional anticipated interest rate hikes by the Federal Reserve during the remainder of 2022. The multi-family price index forecast includes the expectation for continued recovery and positive performance in 2022 and 2023. Whereas, the commercial property price index forecast, which remains relatively unchanged compared to the first quarter of 2022, indicates pressure in the asset class will continue through the remainder of 2022 and 2023 before recovery begins. Any changes in the forecast for the multifamily and commercial property price index, interest rates, unemployment, GDP, the Russian and Ukraine conflict or any changes in our borrowers’ debt service coverage ratios, could have a significant impact on our provision levels in the future.

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

	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, 2022							
ACLLL:							
Individually evaluated for impairment (2)	$ 22,210	—	9,925	—	1,431	—	33,566
Collectively evaluated for impairment	309,163	6,051	90,760	4,249	1,534	642	412,399
Recorded investment in loans:							
Individually evaluated for impairment (2)	475,909	—	48,997	—	6,262	—	531,168
Collectively evaluated for impairment	$29,394,258	349,108	41,642,310	45,264	99,829	6,498	71,537,267
As of December 31, 2021							
ACLLL:							
Individually evaluated for impairment (2)	$ 55,703	—	11,763	5	1,741	—	69,212
Collectively evaluated for impairment	314,060	6,300	78,239	3,927	1,854	797	405,177
Recorded investment in loans:							
Individually evaluated for impairment (2)	480,372	—	54,410	27	6,921	—	541,730
Collectively evaluated for impairment	$27,829,504	394,501	36,006,043	41,581	118,517	7,509	64,397,655

(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 for individual assessment 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 during the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act provided relief from TDR accounting in 2020 and 2021. The reliefs included that loans modified as a result of COVID-19 that were current as of December 31, 2019 were 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 were not TDRs. For past due status, the CARES Act also provided relief for lenders to continue to report loans in the same delinquency status they were in at the time of modification. The aforementioned reliefs provided under the CARES Act guidance and banking regulatory agencies were applied from March 1, 2020 through December 31, 2021 when they expired on January 1, 2022.

From early 2020 through December 31, 2021, we received payment relief requests and provided certain borrowers with full payment deferral, whereas others who were initially provided a three to six month deferral 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, 2022, the Bank had zero outstanding non-payment deferrals, compared with non-payment deferrals of $8.3 million, or 0.01% of total loans, at December 31, 2021. Additionally, as of June 30, 2022, $684.3 million, or 0.95% of total loans, is comprised of modified principal and interest payments, predominantly interest-only structures. This compares to the modified principal and interest payments of $1.88 billion, or 2.9% of total loans at December 31, 2021.

Generally, we elect 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, due to the uncertainty of the ongoing impact of the pandemic, we reserved $508,000 primarily on outstanding COVID-19 deferred AIR of $8.7 million as of June 30, 2022 and $2.6 million on outstanding COVID-19 deferred AIR of $77.1 million as of December 31, 2021.

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

	June 30, 2022				*June 30, 2021*			
(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	$ 115,936	75,377	—	72,963	48,361	37,168	—	23,613
Commercial and industrial loans	18,540	4,915	—	5,752	23,324	11,451	—	9,402
With an allowance recorded:								
Commercial loans secured by real estate:								
Commercial property	119,728	57,714	11,833	73,757	76,370	63,826	10,824	70,565
Multi-family residential property	9,326	9,326	1,296	9,395	—	—	—	—
Commercial and industrial loans	16,391	14,295	2,859	12,749	18,156	16,935	8,512	17,865
Residential mortgages	2,739	2,681	536	2,904	3,170	2,852	1,428	1,932
Home equity lines of credit	3,587	3,581	895	3,578	3,909	3,867	1,160	3,548
Total:								
Commercial loans secured by real estate	244,990	142,417	13,129	156,115	124,731	100,994	10,824	94,178
Commercial and industrial loans	34,931	19,210	2,859	18,501	41,480	28,386	8,512	27,267
Residential mortgages	2,739	2,681	536	2,904	3,170	2,852	1,428	1,932
Home equity lines of credit	3,587	3,581	895	3,578	3,909	3,867	1,160	3,548
Total nonaccrual loans (1)	$ 286,247	167,889	17,419	181,098	173,290	136,099	21,924	126,925

(1) There were no nonaccrual loans accounted for on cash basis for the six months ended June 30, 2022 and 2021. 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 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 provided relief from TDR accounting for modifications and borrowers that met certain conditions. We applied this guidance from March 1, 2020 through December 31, 2021 and discontinued it when the CARES Act guidance expired on January 1, 2022.

For the three and six months ended June 30, 2022, no loans were classified as TDRs except for three multi-family loans totaling $32.3 million that were designated as reasonably expected TDRs during the second quarter. The following table presents loans that were classified as TDRs, excluding reasonably expected TDRs, during the three and six months ended June 30, 2021. The pre-modification balances represent the recorded investment immediately prior to modification, and the post-modification balances represent the recorded investment as of the date indicated:

	Three months ended June 30, 2021				*Six months ended June 30, 2021*			
(dollars in thousands)	**Number of Loans**		**Pre-Modification Balance**	**Post-Modification Balance**	**Number of Loans**		**Pre-Modification Balance**	**Post-Modification Balance**
Commercial loans secured by real estate:								
Commercial property	—	$	—	—	5	$	28,280	27,975
Commercial and industrial loans	1		449	449	5		6,115	5,971
Total	1	$	449	449	10	$	34,395	33,946

During the first three and six months ended June 30, 2022, no loans were classified as TDRs except for three multi-family loans totaling $32.3 million that were designated as reasonably expected TDRs during the second quarter. The following table summarizes how TDR loans, excluding reasonably expected TDRs, recorded during the three and six months ended June 30, 2021 were modified:

(in thousands)		**Term Extension**	**Term Extension with Other Concession (1)**	**Deferred Principal Amortization**	**Principal Amortization with Other Concession (1)**	**Total**
Three months ended June 30, 2021						
Commercial and industrial loans	$	—	—	449	—	449
Total	$	—	—	449	—	449
Six months ended June 30, 2021						
Commercial loans secured by real estate:						
Commercial property	$	—	—	27,975	—	27,975
Commercial and industrial loans		—	—	5,668	303	5,971
Total	$	—	—	33,643	303	33,946

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

As of June 30, 2022 and December 31, 2021, our ACLLL for TDRs (including reasonably expected TDRs) totaled $23.3 million and $65.9 million, respectively. There were two commercial and industrial loans totaling $730,000 that were modified as a TDR within the previous 12 months that subsequently defaulted on payments as of June 30, 2022. There were two commercial and industrial loans totaling $849,000 that were modified as a TDR within the previous 12 months that subsequently defaulted on payments as of December 31, 2021.

As of June 30, 2022, we have provided certain borrowers with principal and interest, or interest-only, payment deferrals due to the impact of COVID-19. In accordance with the guidance from the CARES Act and interagency guidance issued by banking regulatory agencies, loans modified between March 1, 2020 and December 31, 2021 and meeting the applicable criteria had not been classified as TDRs. For past due status, the CARES Act also provided relief for lenders to continue to report loans in the same delinquency status they were in at the time of modification. This guidance was applied to from March 1, 2020 through December 31, 2021 and discontinued when the CARES Act guidance expired on January 1, 2022. Due to the expiration of the CARES Act, we reported loans based on their actual delinquency status as of June 30, 2022 regardless of its delinquency status at the time of modification.

7. Deposits

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

(in thousands)		June 30, 2022	December 31, 2021
Non-interest-bearing demand	$	41,388,311	44,065,003
NOW and interest-bearing demand		20,990,467	17,147,840
Money market		38,642,869	42,142,651
Time deposits		1,205,704	1,532,321
Brokered deposits (1)		1,891,695	1,244,979
Total deposits	$	104,119,046	106,132,794

(1) Includes non-interest bearing deposits of $20.5 million and $298.2 million as of June 30, 2022 and December 31, 2021, respectively.

8. Repurchase Agreements

As of June 30, 2022 and December 31, 2021, we had repurchase agreements with brokers accounted for as secured borrowings totaling $150.0 million, among which $100.0 million was expected to mature in August 2025 and the remaining $50.0 million was expected to mature in August 2026, 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, 2022, 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 depositary 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, 2022, 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, commencing on March 30, 2021. During the three months ended June 30, 2022 and 2021, the Bank paid a quarterly cash dividend of $9.1 million, or $12.50 per share to preferred shareholders. For the six months ended June 30, 2022, the Bank paid a cash dividend of $18.3 million, or $25.00 per share to preferred shareholders. For the six months ended June 30, 2021, we paid a cash dividend of $19.6 million, or $26.90 per share, to preferred shareholders, including the dividend period from the issuance date through the second quarter of 2021.

The Bank also declared a cash dividend of $12.50 per share payable on or after September 30, 2022 to preferred shareholders of record at the close of business on September 16, 2022.

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, 2022 is summarized as follows:

	Three months ended June 30, 2022	*Six months ended June 30, 2022*
Shares available for future awards at beginning of period (1)	1,799,312	1,901,948
Restricted stock		
Granted	(6,640)	(243,185)
Forfeited	7,283	8,384
Shares sold to cover minimum tax withholding upon vesting	—	132,808
Shares available for future awards at end of period	1,799,955	1,799,955

(1) Includes the additional 1,225,000 shares approved by the Bank's shareholders at the 2021 Annual Shareholders' Meeting.

Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the three and six months ended June 30, 2022:

	Three months ended June 30, 2022		*Six months ended June 30, 2022*	
	Shares	**Weighted Average Grant Price**	**Shares**	**Weighted Average Grant Price**
Outstanding at beginning of period	624,739	$ 214.58	726,752	$ 141.44
Granted	6,640	239.31	243,185	317.96
Vested	—	—	(337,457)	129.87
Forfeited	(7,283)	168.81	(8,384)	168.78
Outstanding at end of period	624,096	215.38	624,096	215.38

As of June 30, 2022, our total unrecognized compensation cost related to unvested restricted shares was $111.8 million which is expected to be recognized over a weighted-average period of 1.77 years. During the three and six months ended June 30, 2022, we recognized compensation expense of $15.0 million and $28.6 million, respectively for restricted shares. The total fair value of restricted shares that vested during the three and six months ended June 30, 2022 was zero and $108.4 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, 2022 and 2021:

(in thousands)		*Three months ended June 30, 2022*	*Three months ended June 30, 2021*	
Details About AOCL		**Amount Reclassified Out of AOCL**	**Amount Reclassified Out of AOCL**	**Affected Line Item in the Consolidated Statement of Income**
Net unrealized gains (losses) on derivatives (cash flow hedges)				
Reclassifications, before tax	$	(6,120)	(9,796)	Interest expense - FHLB borrowings
Reclassifications, before tax		1,843	—	Interest income - loans and leases
		1,206	2,899	Income tax (expense)/benefit
Total reclassifications, net of tax	$	(3,071)	(6,897)	

(in thousands)		*Six months ended June 30, 2022*	*Six months ended June 30, 2021*	
Details About AOCL		**Amount Reclassified Out of AOCL**	**Amount Reclassified Out of AOCL**	**Affected Line Item in the Consolidated Statement of Income**
Net unrealized losses on AFS securities				
Total reclassifications, before tax	$	(816)	—	Net losses on sales of securities
		233	—	Income tax benefit
Total reclassifications, net of tax	$	(583)	—	
Net unrealized gains (losses) on derivatives (cash flow hedges)				
Reclassifications, before tax	$	(15,436)	(19,362)	Interest expense - FHLB borrowings
Reclassifications, before tax		12,006	—	Interest income - loans and leases
		968	5,738	Income tax (expense)/benefit
Total reclassifications, net of tax	$	(2,462)	(13,624)	

The following table presents changes in AOCL, net of tax, for the three and six months ended June 30, 2022 and 2021:

(in thousands)		**AFS Securities**	**HTM Securities Transferred from AFS**	**Cash Flow Hedges**	**Total**
Three months ended June 30, 2022					
Balance at March 31, 2022	$	(775,266)	(4,028)	(149,952)	(929,246)
Net change in unrealized gain (loss)		(423,726)	—	(30,847)	(454,573)
Amortization of net unrealized loss on securities transferred to HTM		—	122	—	122
Amounts reclassified out of AOCL		—	—	3,071	3,071
Net current period other comprehensive income (loss)		(423,726)	122	(27,776)	(451,380)
Balance at June 30, 2022	$	(1,198,992)	(3,906)	(177,728)	(1,380,626)
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)

(in thousands)		AFS Securities	HTM Securities Transferred from AFS	Cash Flow Hedges	Total
Six months ended June 30, 2022					
Balance at December 31, 2021	$	(170,552)	(4,146)	(47,634)	(222,332)
Net change in unrealized gain (loss)		(1,029,023)	—	(132,556)	(1,161,579)
Amortization of net unrealized loss on securities transferred to HTM		—	240	—	240
Amounts reclassified out of AOCL		583	—	2,462	3,045
Net current period other comprehensive income (loss)		(1,028,440)	240	(130,094)	(1,158,294)
Balance at June 30, 2022	$	(1,198,992)	(3,906)	(177,728)	(1,380,626)
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)

The related tax effects allocated to debt securities and cash flow hedges in AOCL for the six months ended June 30, 2022 and 2021 are as follows:

(in thousands)		Gross Amount	Tax Component	Net of Tax
June 30, 2022				
Unrealized loss on AFS and HTM securities (1)	$	(1,698,126)	495,228	(1,202,898)
Unrealized loss on cash flow hedges		(248,672)	70,944	(177,728)
Balance at June 30, 2022	$	(1,946,798)	566,172	(1,380,626)
June 30, 2021				
Unrealized gain 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)

(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/floating 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 income/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/payment of variable amounts from a counterparty in exchange for the Company making/receiving 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 earnings in the same period during which the hedged transaction affects earnings and is presented in the same Consolidated Statements of Income line item as the earnings effect of the hedged item.

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 $1.25 billion as of June 30, 2022. In addition, during 2021 and 2022, the Company entered into receive-fixed interest rate swaps to hedge against the risk of variability in the cash flows on its certain variable-rate loans. The total notional amount associated with these cash flow hedges was $6.25 billion as of June 30, 2022. 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, 2022 and 2021:

	At or for the three months ended June 30,		At or for the six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Amount of loss reclassified from accumulated other comprehensive loss to interest expense	$ 6,120	9,796	15,436	19,362
Amount of (gain) reclassified from accumulated other comprehensive loss to interest income	(1,843)	—	(12,006)	—
Amount of gain (loss) recognized in other comprehensive (loss) income	(43,142)	(670)	(184,705)	6,801

Total 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, 2022 were $4.3 million and $3.4 million, respectively, compared to $9.8 million and $19.4 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/income as interest payments are made/received on the Company's variable-rate liabilities/assets. Based upon current market conditions and interest rate environment, the Company estimates an additional $8.4 million and $135.5 million will be reclassified as a decrease to interest expense and a decrease to interest income, respectively, over 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 and 2021, $200.0 million and $250.0 million of these interest rate swaps matured, respectively. During 2022, the remaining notional amount of $200.0 million matured. Prior to the maturity of the remaining fair value hedge transaction in the first quarter of 2022, 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, net was reduced by zero and $1.1 million for the three and six months ended June 30, 2022, respectively.

As of June 30, 2022, no outstanding fair value hedge transactions remain. As of December 31, 2021, the following amounts were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges.

(in thousands)	December 31, 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)	$ 198,906	1,094

(1) These amounts include the amortized cost basis of closed portfolios of loans and leases used in designated hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. At December 31, 2021, the amortized cost basis of the closed portfolios used in these hedging relationships was $309.7 million; the cumulative basis adjustments associated with these hedging relationships was $1.1 million; and the amount of the designated hedged items was $198.9 million.

As of June 30, 2022, the remaining fair value hedge transaction had fully matured. 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 were as follows:

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

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, 2022 and December 31, 2021, respectively:

	Fair Values of Derivative Instruments					
	Asset Derivatives			Liability Derivatives		
(in thousands)	Balance Sheet Location		Fair Value	Balance Sheet Location		Fair Value
June 30, 2022						
Derivatives designated as hedging instruments						
Interest Rate Contracts	Other Assets	$	1,493	Other Liabilities (2)	$	262,800
Total derivatives designated as hedging instruments		$	1,493		$	262,800
Derivatives not designated as hedging instruments						
Interest Rate Contracts	Other Assets	$	8,075	Other Liabilities	$	125,823
Other Contracts (1)	Other Assets		18,335	Other Liabilities		629
Total derivatives not designated as hedging instruments		$	26,410		$	126,452
December 31, 2021						
Derivatives designated as hedging instruments						
Interest Rate Contracts	Other Assets	$	—	Other Liabilities (2)	$	19,870
Total derivatives designated as hedging instruments		$	—		$	19,870
Derivatives not designated as hedging instruments						
Interest Rate Contracts	Other Assets	$	14,639	Other Liabilities	$	22,330
Other Contracts (1)	Other Assets		4,378	Other Liabilities		6,672
Total derivatives not designated as hedging instruments		$	19,017		$	29,002

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

(2) Relates to cash flow hedges of interest rate risk with certain variable-rate loans that were executed in over-the-counter markets. As of June 30, 2022 and December 31, 2021, we had $318.7 million and $27.0 million in collateral pledged against these transactions, respectively.

We centrally clear our derivatives, except for certain interest rate contracts executed in over-the-counter ("OTC") markets, 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, 2022. Derivative contracts executed in OTC markets represent contracts executed bilaterally with counterparties not settled through an organized exchange or directly cleared through a central clearing house. We manage the credit risk related to OTC derivatives by entering into transactions with creditworthy counterparties and by maintaining collateral arrangements.

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, 2022 and 2021:

			Three months ended June 30,		*Six months ended June 30,*	
(in thousands)			**2022**	**2021**	**2022**	**2021**
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)	$	3,416	(2,084)	5,935	1,336
Other Contracts (1)	Other income / (expense)		20,361	(180)	29,469	(1,506)
Total		$	23,777	(2,264)	35,404	(170)

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

The gain related to other contracts was $20.4 million and $29.5 million for the three and six months ended June 30, 2022, respectively and the loss related to other contracts was $180,000 and $1.5 million for the three and six ended June 30, 2021, respectively. These gains (losses) principally relate to income recognized on foreign currency swaps used to economically hedge our foreign currency loans. The increases in both periods were primarily driven by the appreciation of US dollar in relation to other currencies when compared to the same periods last year. When considering the related foreign currency loan revaluation, there was a net gain of $1.0 million and $246,000 for the three and six months ended June 30, 2022, respectively and there was a net gain of $151,000 and $234,000 for three and six months ended June 30, 2021, 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, 2022, 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 have an early termination option 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 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)		**2022**	**2021**	**2022**	**2021**
Operating lease cost	$	9,761	8,932	19,027	17,813
Total lease cost	$	9,761	8,932	19,027	17,813
Other Information					
Cash paid for amounts included in the measurement of operating lease liabilities	$	9,089	8,402	18,337	16,425
Right-of-use assets obtained in exchange for new operating lease liabilities	$	35,810	1,122	49,326	12,124

	June 30, 2022	**June 30, 2021**
Weighted-average remaining lease-term Operating leases - (in years)	10	10
Weighted-average discount rate - operating leases	3.08 %	3.03 %

The following table presents the remaining maturity of lease liabilities as of June 30, 2022, 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,		
2022 (excluding the six months ended June 30, 2022) (1)	$	3,159
2023		40,251
2024		37,333
2025		35,104
2026		32,163
Thereafter		196,430
Total undiscounted operating lease payments		344,440
Less: present value adjustment		55,162
Operating lease liabilities	$	289,278

(1) Net of $16.7 million of landlord provided lease incentives that are expected to be received in 2022.

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, 2022, 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, 2022 and 2021:

		Three months ended June 30,		*Six months ended June 30,*	
(in thousands)		**2022**	**2021**	**2022**	**2021**
Interest income on lease receivables	$	10,594	10,494	20,935	21,364
Interest income from accretion of unguaranteed residual assets		1,141	1,155	2,126	2,223
Total lease income (1)	$	11,735	11,649	23,061	23,587

(1) Included in Interest income - Loans and leases 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, 2022	December 31, 2021
Net investment in the lease - lease payment receivable (1)	$	1,104,134	1,023,082
Net investment in the lease - unguaranteed residual assets		155,139	145,284
Total net investments in leases	$	1,259,273	1,168,366

(1) Includes the guaranteed residual assets value of $29.9 million and $31.5 million as of June 30, 2022 and December 31, 2021, respectively.

The following table presents the remaining maturity analysis of the undiscounted lease receivables as of June 30, 2022, 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,		
2022 (excluding the six months ended June 30, 2022)	$	189,379
2023		329,679
2024		253,477
2025		174,190
2026		106,926
Thereafter		76,992
Total undiscounted lease payments		1,130,643
Less: present value adjustment		56,359
Lease receivables recognized	$	1,074,284

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 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.

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 (inter-segment assets have not been eliminated):

	At or for the three months ended June 30,		*At or for the six months ended June 30,*	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Commercial Banking				
Interest income	$ 736,113	499,238	1,340,323	955,579
Interest expense	125,473	79,589	194,078	164,624
Provision for (recovery of) credit losses	(154)	(1,062)	(3,871)	32,212
Non-interest income	36,042	22,331	68,998	52,704
Non-interest expense	198,652	157,446	381,575	311,433
Income before income taxes	$ 448,184	285,596	837,539	500,014
Total assets	$ 115,808,666	96,923,188	115,808,666	96,923,188
Specialty Finance				
Interest income	$ 51,317	49,962	99,797	98,627
Interest expense	12,851	12,390	23,376	25,855
Provision for credit losses	4,403	9,370	10,815	6,968
Non-interest income	1,648	1,060	3,080	3,522
Non-interest expense	11,421	14,596	21,863	27,134
Income before income taxes	$ 24,290	14,666	46,823	42,192
Total assets	$ 6,255,264	5,361,858	6,255,264	5,361,858

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)		**2022**	**2021**	**2022**	**2021**
Net interest income:					
Commercial Banking	$	610,640	419,649	1,146,245	790,955
Specialty Finance		38,466	37,572	76,421	72,772
Consolidated	$	649,106	457,221	1,222,666	863,727
Provision for (recovery of) credit losses:					
Commercial Banking	$	(154)	(1,062)	(3,871)	32,212
Specialty Finance		4,403	9,370	10,815	6,968
Consolidated	$	4,249	8,308	6,944	39,180
Non-interest income:					
Commercial Banking	$	36,042	22,331	68,998	52,704
Specialty Finance		1,648	1,060	3,080	3,522
Eliminations (1)		(28)	(23)	(12)	(157)
Consolidated	$	37,662	23,368	72,066	56,069
Non-interest expense:					
Commercial Banking	$	198,652	157,446	381,575	311,433
Specialty Finance		11,421	14,596	21,863	27,134
Eliminations (1)		(28)	(23)	(12)	(157)
Consolidated	$	210,045	172,019	403,426	338,410
Income before income taxes:					
Commercial Banking	$	448,184	285,596	837,539	500,014
Specialty Finance		24,290	14,666	46,823	42,192
Consolidated	$	472,474	300,262	884,362	542,206
Total assets:					
Commercial Banking	$	115,808,666	96,923,188	115,808,666	96,923,188
Specialty Finance		6,255,264	5,361,858	6,255,264	5,361,858
Eliminations (1)		(6,097,127)	(5,397,245)	(6,097,127)	(5,397,245)
Consolidated	$	115,966,803	96,887,801	115,966,803	96,887,801

(1) Eliminations related to intercompany funding.

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

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

This Quarterly Report on Form 10-Q and oral statements made from time-to-time by our representatives contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. You should not place undue reliance on such statements because they are subject to numerous risks and uncertainties relating to our operations and the business environment in which we operate, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy, expectations, beliefs, projections, anticipated events or trends, growth prospects, financial performance, and the impact of the COVID-19 pandemic and the conflict in Ukraine on each of the foregoing and on our business overall, as well as similar expressions concerning matters that are not historical facts. These 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 Federal Reserve;
- 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 ("FDIC") 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 and the conflict in Ukraine, which are having impacts on all aspects of our operations, the financial services industry and the economy as a whole. Additional risks are described in our quarterly and annual reports filed with the FDIC. 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 replacement 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, as well as financial technology companies and other non-bank entities that presently are not subject to extensive regulation and oversight;
- 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, 2021, as well as the same section later in this report.

You should keep in mind that any forward-looking statement made by us in this document or elsewhere 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 in this document after the date on which they are made, except as required under the U.S. federal securities laws. 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 38 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

Team Expansion

In the 2022 second quarter, the Bank launched the Healthcare Banking and Finance team and on-boarded eleven private client banking teams, including five teams in New York and six teams on the West Coast during the quarter. After considering these recent additions, our overall West Coast presence now consists of 32 private banking teams. Our pipeline for additional teams this year remains strong and we expect to continue to see further opportunity to add teams on both coasts.

Healthcare Banking and Finance business

During the 2022 second quarter, the Bank added the Healthcare Banking and Finance business, with the onboarding of 10 colleagues to provide lending services and garner deposits to clients within the healthcare arena. The Healthcare Banking and Finance team is focused on serving for-profit and non-profit companies which provide a range of healthcare services, as well as senior housing owners and operators, hospitals, large physician practices, ambulatory surgery centers, drug and rehabilitations facilities, skilled nursing homes and facilities offering independent living, assisted living and memory care and continuing care retirement communities. The Healthcare Banking and Finance team began operations during the second quarter and originated $80.0 million in loans in their inaugural quarter.

Corporate Mortgage Finance business

In 2021, the Bank added the Corporate Mortgage Finance business which primarily provides mortgage warehouse lines of credit to licensed mortgage lenders. These are short-term lines of credit secured by mortgage loans originated or purchased by the mortgage lender with the intent to sell or securitize within the secondary market to institutional investors. The warehouse line funding and advance repayment cycle typically occurs within an 18 to 30 day period dependent on the timing of the mortgage loan closing by our client, and their subsequent sale of the loan to the institutional investor. The individual mortgage loans are typically eligible for sale to U.S. Government agencies and government-sponsored enterprises. As of June 30, 2022, mortgage warehouse line of credit related outstandings totaled $239.5 million.

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 business banking relationships with many institutional participants that make up the digital asset ecosystem, including stablecoin issuers, exchanges, custodians, digital miners, institutional traders, and more. Since 2018, the team has seen significant growth in digital asset related deposits due our client's increasing adoption of and investments in cryptocurrencies and stablecoins. The Bank does not onboard stablecoin issuers with algorithmic backing, or those that do not hold a 1:1 reserve of USD or USD equivalents to coin outstanding.

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 digital asset ecosystem was the first adopter of the Signet platform. In 2022, the Bank launched the addition of a new feature allowing its clients to initiate real-time Fedwire transactions through Signet, directly through its Application Programming Interface (API). The addition of this Fedwire feature enables Signet clients to execute both Signet blockchain and traditional Fedwire payments through one API, providing our clients with greater flexibility in automating treasury management workflows via our integrated payments service.

Additionally, the Bank does not hold any cryptocurrencies, either through this platform or otherwise. Instead, the Bank provides our digital asset clients this payment platform to hold their US dollar (USD) deposits. These USD deposits can be transferred to other clients on a real-time basis on the Signet platform in order to settle the USD portion of a client's cryptocurrecy transaction.

The Bank also offers a loan product collateralized by certain cryptocurrencies which currently include Bitcoin. In addition to being collateralized by cryptocurrency, these loans are full recourse and underwritten to the client's financial statements. The product is only offered to select institutional clients within the digital asset ecosystem and we continue to be diligent and prudent in the rollout, as we evaluate the related risks and rewards. As of June 30, 2022, there are no outstanding loan exposures as our single $100.0 million loan collateralized by digital assets was fully paid off during the second quarter.

Common Stock Issuance

On January 20, 2022, the Bank completed a public offering of 2,100,000 shares of our common stock and the net proceeds from this offering were approximately $731.7 million. The net proceeds from this offering were used for general corporate purposes and to facilitate our continued growth.

Common Stock Dividend

The Bank declared a cash dividend of $0.56 per share, or a total of $35.3 million payable on or after August 12, 2022 to common shareholders of record at the close of business on July 29, 2022. During the quarter, the Bank also declared and paid a cash dividend of $0.56 per share, or a total of $35.3 million, for the first quarter of 2022.

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.

Preferred Stock Dividend

On June 30, 2022, the Bank paid a cash dividend of $12.50 per share to preferred shareholders of record at the close of business on June 17, 2022. The Bank also declared a cash dividend of $12.50 per share payable on September 30, 2022 to preferred shareholders of record at the close of business on September 16, 2022. See the Preferred Stock footnote to our Consolidated Financial Statements for additional information

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. Throughout the pandemic, we successfully implemented our contingency plans, which included remote working arrangements, modified hours in our private client offices, and phased return to work schedules. By 2021, the spread of COVID-19 had, in many geographies through the United States, decreased substantially due to the availability and incidence of successful vaccine and the widespread adoption of public health measures designed to prevent the spread of infection. However, rates of infection have recently increased throughout the country due to the presence of several virus variants, which has raised new 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. We continue to closely monitor the developments and uncertainties related to the pandemic.

Social Impact

Signature Bank's theme of 'Looking Forward. Giving Back.' is part of our permanent purpose and ongoing mission. With our continuous focus on social impact, including practices relating to human capital, diversity, equity and inclusion, along with strategies to support and cultivate community engagement and our approach to sustainability efforts as individuals and as an institution, the Bank continues to expand and dedicate its corporate governance and ethical progress in these areas and incorporates related considerations in the priorities of our Board of Directors, as well as executive and senior management. Namely, the Bank:

- Hired our Chief Social Impact Officer;
- Founded our Social Impact Board Committee comprised of our three founders and three of our independent directors to provide oversight and guidance with respect to social impact;
- Created a Social Impact purpose statement to clearly communicate our mission to colleagues, clients, communities and shareholders to ensure commitment is incorporated throughout our organization and all we do.
- Formed our Social Impact Management Committee to drive the development, implementation, effectiveness and communication of our social impact initiatives, programs, policies and strategies;

- Appointed our Talent Diversity Program Manager to drive talent acquisition diversity initiatives;
- Conducts diversity awareness events for employees related to Black History Month, Asian Pacific American Heritage Month, Pride Month, Hispanic Heritage Month, and National Women's History Month;
- Continues to provide charitable grants to education, health, community services, the arts, social and other related initiatives; and
- Offers products focused on climate change and sustainability, including our:
  - Green lending product, which assists our clients in reducing their negative impact on the environment through the financing of energy-efficient equipment and other sustainable solutions;
  - Impact Certificate of Deposit where clients can deposit funds with the goal to deploy in sustainable initiatives such as clean energy, organic food, and non-profit institutions; and
  - Sustainability related equipment financing for commercial enterprises and municipal entities with initiatives related to solar energy and/or other energy saving projects, as well as financing recycling, water treatment and environmental remediation equipment.

The above includes certain highlights from our social impact initiatives. Additionally, our annual Social Impact Report, which is aligned with Sustainability Accounting Standards Board (“SASB”) commercial bank disclosure topics, details our Environmental, Social, and Governance ("ESG") efforts and programs. Subsequent to June 30, 2022, the Bank issued its 2021 Social Impact Report in July 2022.

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.

The allowance for credit losses ("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 credit 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 contractual 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, 2022, 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 99.8% of our total loan portfolio, excluding loans held for sale, as of June 30, 2022.

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 fund banking, specialty finance, 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 the ACLLL for our credit-rated CRE loans utilizing a loan-level probability of default (“PD”) and loss given default (“LGD”) model. PD represents the likelihood of default over the loan’s expected life. The attribute most significant to calculating the PD is the net operating income (NOI) from the underlying collateral, which in turn, determines the debt service coverage ratio (“DSCR”). The loss given default is an estimate of the severity of loss should a default occur, which is estimated using an updated Loan to Value (“LTV”) ratio as of each reporting date. The related ACLLL 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. Specifically, the allowance for our specialty finance, traditional C&I and owner-occupied real estate 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 ACLLL model multiplies each loan's derived macroeconomic adjusted loss rate 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 factors 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 ACLLL 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 outlook 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(s) 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 DSCR 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 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 credit 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 post 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 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 subsequent to 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.

In 2020 and 2021, the CARES Act and banking regulatory agencies provided relief related to TDR accounting as a result of the COVID-19 pandemic. The reliefs included that loans modified as a result of COVID-19 that were current as of December 31, 2019 were 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 were not TDRs. For past due status, the CARES Act also provided relief for lenders to continue to report loans in the same delinquency status they were in at the time of modification. The aforementioned reliefs provided under the CARES Act guidance and banking regulatory agencies were applied from March 1, 2020 through December 31, 2021 when they expired on January 1, 2022.

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.

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 entities 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 entities 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.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures*. This ASU addresses areas identified by the FASB as part of its post-implementation review of the credit losses standard in ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("CECL")*. ASU 2022-02 eliminates the accounting guidance for TDRs by creditors that have adopted the current CECL credit losses standard. Specifically, rather than applying the recognition and measurement guidance for TDRs, this ASU requires entities to evaluate receivable modifications, consistent with the accounting for other loan modifications, to determine whether a modification made to a borrower results in a new loan or a continuation of the existing loan. In addition, under the new ASU, entities are no longer required to use a discounted cash flow ("DCF") method to measure the ACL as a result of a modification or restructuring with a borrower experiencing financial difficulty. If a DCF method is used, the post modification-derived effective interest rate is to be used, instead of the original interest rate as stipulated under the current GAAP. This ASU also enhances the disclosure requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. This ASU amends the guidance on “vintage disclosures” to require disclosure of current-period gross write-offs by year of origination. We have adopted ASU 2016-13 on January 1, 2020 and therefore ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently assessing the impact of this ASU to its Consolidated Financial Statements.

(ii) Recently Adopted

In March 2022, the FASB issued ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method*. This ASU expands entities' ability to hedge the benchmark interest rate risk of portfolios of financial assets (or beneficial interests) in a fair value hedge. The ASU also expands the use of the portfolio layer method, previously referred to as the last-of-layer method, to allow multiple hedges of a single closed portfolio of assets using spot starting, forward starting, and amortizing-notional swaps. The guidance also permits both prepayable and non prepayable financial assets to be included in the closed portfolio of assets hedged in a portfolio layer hedge. The ASU further requires that basis adjustments not be allocated to individual assets for active portfolio layer method hedges, but rather be maintained on the closed portfolio of assets as a whole. For public entities, the guidance is effective for fiscal years beginning after December 15, 2022 and early adoption is permitted. We adopted this ASU on January 1, 2022 and its impact to the Company's Consolidated Financial Statements was not material.

On January 7, 2021, the FASB issued ASU 2021-01, an update to ASU 2020-04, which clarified the scope of the optional relief for reference rate reform provided by ASC Topic 848. The ASU permitted 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 could be applied to derivative instruments impacted by the discounting transition even if such instruments did not reference a rate that was expected to be discontinued. The ASU was effective immediately and an entity may elect to apply the amendments as of any date from the beginning of an interim period that included or was subsequent to March 12, 2020 or on a prospective basis to new modifications from any date within an interim period that included or was subsequent to January 7, 2021, up to the date that financial statements were 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 provided 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 impacted 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 was effective for fiscal years beginning after December 15, 2020 and early adoption was 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 amended the accounting for the measurement of certain options and forward contracts used to acquire equity securities. In addition, it required 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 was 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 eliminated 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 clarified and simplified other aspects of the accounting for income taxes. The guidance was 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.

RESULTS OF OPERATIONS

FINANCIAL SUMMARY

(in thousands, except ratios and per share amounts)	*Three months ended June 30,* 2022	*Three months ended June 30,* 2021	*Six months ended June 30,* 2022	*Six months ended June 30,* 2021
PER COMMON SHARE				
Earnings per common share - basic	$ 5.28	$ 3.59	$ 10.62	$ 6.87
Earnings per common share - diluted	$ 5.26	$ 3.57	$ 10.54	$ 6.80
Weighted average common shares outstanding - basic	62,440	57,128	62,057	56,069
Weighted average common shares outstanding - diluted	62,692	57,527	62,502	56,614
Book value per common share	$ 116.38	$ 106.24	$ 116.38	$ 106.24
SELECTED FINANCIAL DATA				
Return on average total assets	1.14 %	0.94 %	1.15 %	0.95 %
Return on average common shareholders' equity	17.94 %	13.61 %	17.69 %	13.33 %
Efficiency ratio (1)	30.58 %	35.79 %	31.16 %	36.79 %
Yield on interest-earning assets	2.66 %	2.37 %	2.43 %	2.44 %
Yield on interest-earning assets, tax-equivalent basis (2)	2.66 %	2.37 %	2.44 %	2.45 %
Cost of deposits and borrowings	0.46 %	0.38 %	0.36 %	0.42 %
Net interest margin	2.23 %	2.02 %	2.10 %	2.05 %
Net interest margin, tax-equivalent basis (2)(3)	2.23 %	2.02 %	2.11 %	2.06 %

(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 Margin Analysis" for related calculation.

CAPITAL RATIOS

	June 30, 2022	March 31, 2022	December 31, 2021	June 30, 2021
Tangible common equity (4)	6.31 %	6.12 %	6.02 %	6.31 %
Tier 1 leverage	7.92 %	7.74 %	7.27 %	7.86 %
Common equity Tier 1 risk-based	9.99 %	10.49 %	9.60 %	10.07 %
Tier 1 risk-based	10.79 %	11.37 %	10.51 %	11.20 %
Total risk-based	11.88 %	12.58 %	11.76 %	12.77 %

(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 2022 was $339.2 million or $5.26 diluted earnings per share, compared to $214.5 million, or $3.57 diluted earnings per share, for the second quarter of 2021. The increase in net income in the second quarter of 2022, versus the comparable quarter last year, was primarily the result of an increase of $191.9 million in net interest income, fueled by strong average deposit, loan and securities growth, as well as the increase in interest rates and utilization of our excess cash. Non-interest income increased by $14.3 million, primarily driven by a $8.2 million increase in fees and service charges due to the continued growth of our business, primarily Fund Banking, as well as a $6.7 million increase in other income, including foreign currency activity and mark-to-market gains related to our non-hedging derivatives. These increases were partially offset by a $38.0 million increase in non-interest expenses predominantly due to a $20.0 million increase in salaries and benefits from the significant hiring related to our national banking practices, private client banking teams, and operational personnel, as well as a $4.8 million increase in professional fees related to various new projects initiated to support the growing needs of the Bank.

Net income for the six months ended June 30, 2022 was $677.7 million, or $10.54 diluted earnings per share, compared to $405.0 million or $6.80 diluted earnings per share, for the six months ended June 30, 2021. The increase in net income in the first two quarters of 2022, versus the comparable period last year, was primarily due to an increase of $358.9 million in net interest income, fueled by strong growth in average interest-earning assets, higher prevailing market interest rates, utilization of excess cash, as well as a decrease of $32.2 million in the provision for credit losses predominantly attributable to improved macroeconomic conditions specifically related to our multi-family commercial real estate portfolio. These increases were offset by an increase of $65.0 million in non-interest expense primarily due to a rise of $41.0 million in salaries and benefits from the significant hiring for the new national banking practices, coupled with the addition of 11 private client banking teams in New York and on the West Coast, as well as the launch of the Healthcare Banking and Finance business team in 2022. The increase also related to a rise of $9.1 million in professional fees related to various new projects initiated to support the growing needs of our clients.

Returns on average common shareholders' equity and average total assets for the second quarter of 2022 were 17.94% and 1.14%, respectively, compared to 13.61% and 0.94% for the second quarter last year. Returns on average common shareholders' equity and average total assets for the six months ended June 30, 2022 were 17.69% and 1.15%, respectively, compared to 13.33% and 0.95%, 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, 2022 and 2021:

	Three months ended June 30, 2022			*Three months ended June 30, 2021*		
(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	$ 20,863,980	42,867	0.82 %	23,729,151	6,763	0.11 %
Investment securities	26,838,274	127,243	1.90 %	14,511,607	62,301	1.72 %
Commercial loans, mortgages and leases	68,542,338	602,531	3.53 %	52,324,060	467,188	3.58 %
Residential mortgages and consumer loans	126,409	1,005	3.19 %	151,401	1,286	3.41 %
Loans held for sale	622,114	2,743	1.77 %	271,611	998	1.47 %
Total interest-earning assets (1)	116,993,115	776,389	2.66 %	90,987,830	538,536	2.37 %
Non-interest-earning assets	1,854,512			868,338		
Total assets	$ 118,847,627			91,856,168		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 22,117,228	51,429	0.93 %	18,488,233	19,551	0.42 %
Money market	40,943,635	52,938	0.52 %	34,895,844	31,288	0.36 %
Time deposits	1,309,546	1,937	0.59 %	1,842,956	4,109	0.89 %
Non-interest-bearing demand deposits	42,313,080	—	— %	25,511,558	—	— %
Total deposits	106,683,489	106,304	0.40 %	80,738,591	54,948	0.27 %
Subordinated debt	570,697	6,122	4.29 %	620,709	6,932	4.47 %
Other borrowings	2,161,605	13,047	2.42 %	2,914,245	17,709	2.44 %
Total deposits and borrowings	109,415,791	125,473	0.46 %	84,273,545	79,589	0.38 %
Other non-interest-bearing liabilities	1,343,525			819,989		
Preferred equity	708,173			708,071		
Common equity	7,380,138			6,054,563		
Total liabilities and shareholders' equity	$ 118,847,627			91,856,168		
OTHER DATA						
Net interest income / interest rate spread (1)		$ 650,916	2.20 %		458,947	1.99 %
Tax-equivalent adjustment		(1,810)			(1,726)	
Net interest income, as reported		$ 649,106			457,221	
Net interest margin			2.23 %			2.02 %
Tax-equivalent effect			— %			— %
Net interest margin on a tax-equivalent basis (1)			2.23 %			2.02 %
Ratio of average interest-earning assets to average interest-bearing liabilities			106.93 %			107.97 %

(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, 2022 and 2021:

	Six months ended June 30, 2022			*Six months ended June 30, 2021*		
(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	$ 24,720,614	56,487	0.46 %	20,437,320	11,779	0.12 %
Investment securities	25,228,371	222,360	1.76 %	13,336,026	119,266	1.79 %
Commercial loans, mortgages and leases	66,681,061	1,135,194	3.43 %	50,772,133	896,523	3.56 %
Residential mortgages and consumer loans	129,406	2,061	3.21 %	154,335	2,620	3.42 %
Loans held for sale	462,797	4,177	1.82 %	202,237	1,577	1.57 %
Total interest-earning assets (1)	117,222,249	1,420,279	2.44 %	84,902,051	1,031,765	2.45 %
Non-interest-earning assets	1,494,219			919,686		
Total assets	$ 118,716,468			85,821,737		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 19,780,632	67,167	0.68 %	17,286,749	39,499	0.46 %
Money market	41,536,660	81,117	0.39 %	32,608,177	63,974	0.40 %
Time deposits	1,361,190	4,060	0.60 %	1,815,886	8,979	1.00 %
Non-interest-bearing demand deposits	43,598,843	—	— %	23,095,758	—	— %
Total deposits	106,277,325	152,344	0.29 %	74,806,570	112,452	0.30 %
Subordinated debt	570,523	12,281	4.31 %	724,167	16,733	4.62 %
Other borrowings	2,437,363	29,453	2.44 %	2,948,223	35,439	2.42 %
Total deposits and borrowings	109,285,211	194,078	0.36 %	78,478,960	164,624	0.42 %
Other non-interest-bearing liabilities	1,203,293			802,551		
Preferred equity	708,173			708,045		
Common equity	7,519,791			5,832,181		
Total liabilities and shareholders' equity	$ 118,716,468			85,821,737		
OTHER DATA						
Net interest income / interest rate spread (1)		$ 1,226,201	2.08 %		867,141	2.03 %
Tax-equivalent adjustment		(3,535)			(3,414)	
Net interest income, as reported		$ 1,222,666			863,727	
Net interest margin			2.10 %			2.05 %
Tax-equivalent effect			0.01 %			0.01 %
Net interest margin on a tax-equivalent basis (1)			2.11 %			2.06 %
Ratio of average interest-earning assets to average interest-bearing liabilities			107.26 %			108.18 %

(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, 2022 vs. 2021			*Six months ended June 30, 2022 vs. 2021*		
(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	$ 36,921	(817)	36,104	42,239	2,469	44,708
Investment securities	12,021	52,921	64,942	(3,261)	106,355	103,094
Commercial loans, mortgages and leases (1)	(9,466)	144,809	135,343	(42,245)	280,916	238,671
Residential mortgages and consumer loans	(69)	(212)	(281)	(136)	(423)	(559)
Loans held for sale	457	1,288	1,745	568	2,032	2,600
Total interest income	39,864	197,989	237,853	(2,835)	391,349	388,514
INTEREST EXPENSE						
Interest-bearing deposits						
NOW and interest-bearing demand	28,040	3,838	31,878	21,970	5,698	27,668
Money market	16,227	5,423	21,650	(374)	17,517	17,143
Time deposits	(983)	(1,189)	(2,172)	(2,671)	(2,248)	(4,919)
Total interest-bearing deposits	43,284	8,072	51,356	18,925	20,967	39,892
Subordinated debt	(251)	(559)	(810)	(902)	(3,550)	(4,452)
Other borrowings	(88)	(4,574)	(4,662)	155	(6,141)	(5,986)
Total interest expense	42,945	2,939	45,884	18,178	11,276	29,454
Net interest income	$ (3,081)	195,050	191,969	(21,013)	380,073	359,060

(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 2022 was $649.1 million, an increase of $191.9 million, or 42.0%, compared to $457.2 million for the second quarter last year. The increase in net interest income for the second quarter of 2022 was largely driven by a $26.01 billion increase in average interest-earning assets and a 29 basis point increase in yield on interest-earning assets to 2.66% due to higher prevailing market interest rates, as well as the deployment of cash into higher yielding assets, when compared to the same period of last year. The increase was partially offset by an eight basis point increase in the average cost of funds to 0.46% due to higher interest rate environment in the second quarter of 2022 and a $25.94 billion increase in average total deposits compared to the second quarter of 2021. The 21 basis point increase in net interest margin on a tax-equivalent basis to 2.23% for the second quarter of 2022 compared to 2.02% for the same period last year, is primarily due to our continuous emphasis on cash deployment into securities and loans and higher prevailing market interest rates. During the second quarter of 2022, the increase in interest-earning asset yields far outpaced the rise in our cost of funds, which resulted in significant margin expansion when compared to the second quarter of 2021.

Net interest income for the six months ended June 30, 2022 was $1.22 billion, an increase of $358.9 million, or 41.6%, compared to $863.7 million for the same period in 2021. The increase in net interest income for the six months ended June 30, 2022 was largely driven by a $32.32 billion increase in average interest-earning assets, partially offset by a one basis point decrease in yield on interest-earning assets to 2.44%, when compared to the same period last year. Further contributing to this increase was a six basis point decrease in average cost of funds to 0.36% for the first two quarters of 2022, partially offset by a $31.47 billion increase in average total deposits compared to the same period last year. These same factors contributed to the five basis point increase in net interest margin on a tax-equivalent basis to 2.11% for the six months ended June 30, 2022, compared to 2.06% for the same period last year.

Total investment securities averaged $26.84 billion for the quarter ended June 30, 2022, compared to $14.51 billion for the second quarter of 2021. The overall yield on the securities portfolio in the current quarter was 1.90%, an increase of 18 basis points when compared to 1.72% for the second quarter last year due to current higher replacement rates and slower conditional prepayment rate speeds. 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. At June 30, 2022, the baseline average duration of our investment securities portfolio increased to approximately 4.43 years, compared to 2.92 years at June 30, 2021 due to the higher interest rate environment in 2022.

Total commercial loans, mortgages and leases averaged $68.67 billion in the second quarter of 2022, an increase of $16.19 billion, or 30.9%, when compared to the second quarter of 2021. The average yield on this portfolio decreased 5 basis points to 3.53% from the second quarter last year, primarily driven by the growth in lower yielding, very well-secured capital call lines, and the impact of our significant excess cash balance on yields in early 2022. Prepayment penalty income was $8.7 million and $13.6 million for three and six month periods ended June 30, 2022, respectively, compared to $6.8 million and $13.6 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 2022 were $42.31 billion, an increase of $16.80 billion, or 65.9%, when compared to the second quarter of 2021. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, 39.8% of all deposits at June 30, 2022. Additionally, average NOW and interest-bearing demand and money market accounts totaled $63.06 billion for the second quarter of 2022, an increase of $9.68 billion, or 18.1%, when compared to the second quarter of 2021. Core deposits have provided us with a source of stable and relatively low cost funding, which has positively affected our net interest margin and income. As a result of the current higher market interest rate environment, our funding cost for NOW and interest-bearing demand accounts increased to 0.93% for the second quarter of 2022 compared to 0.42% for the second quarter of 2021. Our funding cost for money market accounts increased to 0.52% for the quarter ended June 30, 2022 compared to 0.36% for the second quarter of 2021.

For the second quarter of 2022, average total borrowings decreased $802.7 million, or 22.7% to $2.73 billion compared to $3.53 billion for the second quarter of 2021. The decrease in average total borrowings, when compared to the second quarter of 2021, was primarily attributable to our continued ability to fund our loan and security growth with deposits. The average cost of total borrowings remained stable at 2.81% and 2.80% for the second quarter of 2022 and 2021, respectively.

Provision for Credit Losses

Our provision for credit losses was $4.2 million for the quarter ended June 30, 2022, compared to $8.3 million for the second quarter last year, a decrease of $4.1 million. For the six months ended June 30, 2022, our provision for credit losses was $6.9 million, compared to $39.2 million for the same period last year, a decrease of $32.2 million. The decrease in the Bank’s provision for credit losses for the three and six months ended June 30, 2022 was predominantly attributable to improved macroeconomic conditions in our NYC multi-family commercial real estate portfolio, as compared to the same periods last year.

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

Non-Interest Income

		Three months ended June 30,		Six months ended June 30,	
(in thousands)		**2022**	**2021**	**2022**	**2021**
Fees and service charges:					
Lending fees	$	13,494	8,565	26,346	18,133
Deposit / Treasury management		5,341	3,354	9,956	6,136
Trade finance fees		2,501	2,152	4,794	4,389
Other fees		3,454	2,534	6,384	4,877
Total Fees and service charges		24,790	16,605	47,480	33,535
Commissions		4,267	3,899	8,508	7,902
Net losses on sales of securities		—	—	(816)	—
Net gains on sale of loans		2,454	3,393	6,296	10,454
Other income:					
Foreign currency exchange		5,352	2,308	10,389	4,352
Non-hedging derivatives		3,420	(2,373)	5,185	735
Low income housing tax credit investment amortization (1)		(1,497)	(963)	(2,734)	(2,271)
Equity investments		(1,307)	917	(2,897)	1,214
Other income		183	(418)	655	148
Total non-interest income	$	37,662	23,368	72,066	56,069

(1) Relates to low income housing tax credit (LIHTC) investments not accounted under the proportional amortization method. The amortization expense for our LIHTC investments accounted under the proportional amortization method are recorded as an income tax expense.

For the quarter ended June 30, 2022, non-interest income was $37.7 million, an increase of $14.3 million, or 61.2%, when compared to the second quarter of last year. The increase was primarily attributable to a $8.2 million increase in fees and service charges primarily related to fees associated with our Fund Banking loan portfolio, a $3.0 million increase in foreign currency spot activity, and a $5.8 million increase in unrealized mark-to-market gains (from a prior year loss) related to our non-hedging derivatives. These increases were partially offset by a $0.9 million decrease in net gains on sale of loans and a $2.2 million decrease in other income principally related to our equity method investments, when compared to the same period last year.

For the six months ended June 30, 2022, non-interest income was $72.1 million, an increase of $16.0 million, or 28.5%, when compared to the same period last year. The increase was primarily attributable to a $13.9 million increase in fees and service charges primarily related to fees associated with our Fund Banking loan portfolio, a $6.0 million increase in foreign currency spot activity, and a $4.5 million increase in unrealized mark-to-market gains related to our non-hedging derivatives. These increases were partially offset by a $4.2 million decrease in net gains on sale of loans and a $4.1 million decrease in other income principally related to our equity method investments, when compared to the same period last year.

Non-Interest Expense

For the quarter ended June 30, 2022, non-interest expense was $210.0 million, an increase of $38.0 million, or 22.1%, when compared to the same period last year. The increase was predominantly due to an increase of $20.0 million in salaries and benefits from the significant hiring of private client banking teams, as well as the launch of a national banking practice, the Healthcare Banking and Finance business team, in 2022, along with increased compensation costs associated with the hiring of operational support to meet the Bank's growing needs. Further contributing to the increase was a $3.4 million increase in FDIC assessment fees due to deposit balance increases, and a $4.8 million increase in professional fees and a $4.2 million increase in information technology expenses related to the continued growth of our business and various new projects initiated to support the growing needs of our clients.

For the six months ended June 30, 2022, non-interest expense was $403.4 million, an increase of $65.0 million, or 19.2%, when compared to the same period last year. The increase was primarily driven by an increase of $41.0 million in salaries and benefits mostly attributable to the addition of 11 private client banking teams in New York and on the West Coast, as well as the aforementioned Healthcare Banking and Finance team during the first two quarters of 2022, along with increased compensation costs associated with the hiring of operational support to meet the Bank's growing needs. Further contributing to the increase was an increase of $5.7 million in FDIC assessment fees due to deposit balance increases, an increase of $9.1

million in professional fees and an increase of $7.3 million in information technology expenses related to the continued growth of our business and various new projects initiated to support the growing needs of our clients.

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, 2022, our total unrecognized compensation cost related to unvested restricted shares was $111.8 million, which is expected to be recognized over a weighted-average period of 1.77 years. During the three and six months ended June 30, 2022, we recognized compensation expense of $15.0 million and $28.6 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the three and six months ended June 30, 2022 was zero and $108.4 million, respectively.

Income Taxes

Income tax expense for the quarter ended June 30, 2022 was $133.3 million reflecting an effective tax rate of 28.2%, compared to income tax expense of $85.8 million for the quarter ended June 30, 2021, reflecting an effective tax rate of 28.6%. The decrease in the effective tax rate is primarily a result of an increase in solar investment tax credits, offset by a less significant effect of our tax benefits due to higher pre-tax income.

For the six months ended June 30, 2022, the provision for income taxes was $206.6 million reflecting an effective tax rate of 23.4%, compared to $137.2 million for the six months ended June 30, 2021 reflecting an effective tax rate of 25.3%. The decrease in the effective tax rate is primarily due to one-time tax benefits totaling $42.5 million, mostly related to the 2022 vesting of employee stock based compensation awards at a price significantly higher than the fair market value at the time of grant.

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, commercial and industrial lending, 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, 2022					
Net interest income	$	610,640	38,466	—	649,106
Provision for (recovery of) credit losses		(154)	4,403	—	4,249
Total non-interest income		36,042	1,648	(28)	37,662
Total non-interest expense		198,652	11,421	(28)	210,045
Income before income taxes		448,184	24,290	—	472,474
Total assets	$	115,808,666	6,255,264	(6,097,127)	115,966,803
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

(1) Eliminations related to intercompany funding.

(in thousands)		Commercial Banking	Specialty Finance	Eliminations (1)	Consolidated
Six months ended June 30, 2022					
Net interest income	$	1,146,245	76,421	—	1,222,666
Provision for (recovery of) credit losses		(3,871)	10,815	—	6,944
Total non-interest income		68,998	3,080	(12)	72,066
Total non-interest expense		381,575	21,863	(12)	403,426
Income before income taxes		837,539	46,823	—	884,362
Total assets	$	115,808,666	6,255,264	(6,097,127)	115,966,803
Six months ended June 30, 2021					
Net interest income	$	790,955	72,772	—	863,727
Provision for 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

(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)	**2022**	**2021**	**2022**	**2021**
Net interest income	$ 610,640	419,649	1,146,245	790,955
Provision for (recovery of) credit losses	(154)	(1,062)	(3,871)	32,212
Total non-interest income	36,042	22,331	68,998	52,704
Total non-interest expense	198,652	157,446	381,575	311,433
Income before income taxes	448,184	285,596	837,539	500,014
Total assets	$ 115,808,666	96,923,188	115,808,666	96,923,188

Commercial Banking net interest income for the three months ended June 30, 2022 increased $191.0 million, or 45.5%, to $610.6 million, when compared to $419.6 million for the same period last year. Commercial Banking net interest income for the six months ended June 30, 2022 increased $355.3 million, or 44.9%, to $1.15 billion, when compared to $791.0 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 an increase in yield on these assets, due to higher prevailing market interest rates as well as the deployment of cash into higher yielding assets, partially offset by an increase in average cost of funds compared with the same periods last year.

The reserve release decreased $908,000, or 85.5%, to $154,000 for the quarter ended June 30, 2022, compared to $1.1 million for the same period prior year. The decrease in reserve release or increase in the Bank’s provision for credit losses for the quarter ended June 30, 2022 was primarily attributable to increased reserves on certain commercial real estate loans primarily due to updated and declined net operating income metrics on these loans. This was largely offset by continued improvement in the NYC multi-family sector when compared with the same period last year. For the six months ended June 30, 2022, the provision for credit losses decreased $36.1 million, or over 100%, to a $3.9 million reserve release, compared to a $32.2 million reserve build for the same period last year. The decrease in the Bank’s provision for credit losses for the six months ended June 30, 2022 was predominantly attributable to improved macroeconomic conditions compared with the same period last year, primarily related to the improvement in the NYC multi-family price index, as well as increasing post-pandemic rent levels in the sector. This was partially offset by updated and declining debt service coverage ratios on certain commercial property credits, as well as modest deterioration in the sector's macroeconomic environment. 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 Allowance for Credit Losses footnote to our Consolidated Financial Statements.

Non-interest expense was $198.7 million for the quarter ended June 30, 2022, an increase of $41.2 million, or 26.2%, when compared to $157.4 million for the quarter ended June 30, 2021. For the six months ended June 30, 2022, non-interest expense was $381.6 million, an increase of $70.1 million, or 22.5%, when compared to the same period last year. The increases were predominantly due to an increase in salaries and benefits from the significant hiring of private client banking teams, national banking practices and operational personnel. Further contributing is an increase in consulting and professional fees and information technology expenses related to various new projects initiated to support the growing needs of our clients as well as an increase in FDIC assessment fees which were attributable to the continued growth of our business.

The increase of $18.89 billion in total assets, or 19.5%, from $96.92 billion as of June 30, 2021 to $115.81 billion as of June 30, 2022, was primarily attributable to continued growth in our commercial and industrial portfolios, primarily fund banking, as well as a significant increase in our investment portfolio due to continued strong deposit growth.

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)	**2022**	**2021**	**2022**	**2021**
Net interest income	$ 38,466	37,572	76,421	72,772
Provision for (recovery of) credit losses	4,403	9,370	10,815	6,968
Total non-interest income	1,648	1,060	3,080	3,522
Total non-interest expense	11,421	14,596	21,863	27,134
Income before income taxes	24,290	14,666	46,823	42,192
Total assets	$ 6,255,264	5,361,858	6,255,264	5,361,858

Specialty Finance net interest income was $38.5 million for the quarter ended June 30, 2022, an increase of $0.9 million, or 2.4%, when compared to $37.6 million for the same period last year. Net interest income was $76.4 million for the six months ended June 30, 2022, an increase of $3.6 million, or 5.0% when compared to the same period last year. The increase in both periods was primarily attributable to the continued loan growth in our equipment lending portfolios.

The provision for credit losses decreased $5.0 million, or 53.0%, from $9.4 million for the quarter ended June 30, 2021 to $4.4 million for the quarter ended June 30, 2022. The decrease was primarily attributable to improved macroeconomic conditions during the three months ended June 30, 2022, compared to the same period last year. For the six months ended June 30, 2022, the provision for credit losses increased $3.8 million, or 55.2%, to $10.8 million. The increase was primarily attributable to continued loan growth when compared to the same period last year. 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 Allowance for Credit Losses footnote to our Consolidated Financial Statements.

Non-interest expense was $11.4 million for the quarter ended June 30, 2022, a decrease of $3.2 million or 21.8%, when compared to $14.6 million for the same period last year. For the six months ended June 30, 2022, non-interest expense was $21.9 million, a decrease of $5.3 million, or 19.4%, when compared to $27.1 million for the same period last year. The decrease in both period was primarily attributable to a decrease in taxi medallion repossessed assets valuation expense when compared to the same periods last year.

The increase of $893.4 million in total assets, or 16.7%, from $5.36 billion as of June 30, 2021 to $6.26 billion as of June 30, 2022, 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 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 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, 2022. 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, 2022, our total securities portfolio was $26.32 billion and primarily consisted of mortgage-backed securities (“MBSs”) and collateralized mortgage obligations (“CMOs”) issued by U.S. Government agencies ($1.65 billion), government-sponsored enterprises ($20.77 billion), and private issuers ($979.4 million). As of June 30, 2022, 82.8% of our securities portfolio had a AAA credit rating, 96.7% had a credit rating of A or better, and 99.7% were rated investment grade or better. Overall, our securities portfolio had a weighted average duration of 4.43 years and a weighted average life of 5.97 years as of June 30, 2022. For further discussion of our investment securities and the related determination of fair value, see Fair Value Measurements and Securities footnotes 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, 2022, the net unrealized loss on securities, net of tax effect, was $1.20 billion as reflected in accumulated other comprehensive loss, compared to a net unrealized loss of $174.7 million at December 31, 2021. The increase in unrealized losses is due to the prevailing higher 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, 2022		December 31, 2021	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Mortgage loans:				
Multi-family residential property	$ 17,299,611	23.76%	16,113,590	24.68%
Commercial property	11,071,975	15.21%	10,682,276	16.36%
Acquisition, development and construction loans	1,498,581	2.06%	1,514,011	2.32%
1-4 family residential property	391,965	0.54%	450,782	0.69%
Home equity lines of credit	63,234	0.09%	69,156	0.11%
Other loans:				
Fund banking	31,072,902	42.68%	26,300,495	40.29%
Specialty finance	5,976,258	8.21%	5,276,337	8.08%
Other commercial and industrial	4,413,465	6.06%	3,689,486	5.66%
PPP loans	273,946	0.38%	835,743	1.28%
SBA guaranteed portion	730,367	1.00%	341,604	0.52%
Consumer	6,498	0.01%	7,509	0.01%
Sub-total / Total	72,798,802	100.00%	65,280,989	100.00%
Premiums, deferred fees and costs	17,774		(31,426)	
Total	$ 72,816,576		65,249,563	

Total loans increased by $7.57 billion to $72.82 billion at June 30, 2022 from $65.25 billion at December 31, 2021, primarily as a result of growth in Fund Banking, Commercial Real Estate, Commercial Mortgage Finance, Specialty Finance, Venture Banking, Asset Based Lending, West Coast C&I teams and our new Healthcare Banking and Finance Team, who all contributed to growth during the first two quarters of 2022, exhibiting our overall business diversification. Our total loan-to-deposit ratio, excluding loans held for sale, increased to 69.2% as of June 30, 2022 when compared to 61.1% at December 31, 2021, primarily as a result of continued strong loan growth during the first two quarters of 2022.

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 Loans and Leases, Net footnote to our Consolidated Financial Statements for the summary of our portfolio of commercial loans by credit rating as of June 30, 2022 and December 31, 2021.

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, 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. 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, 2022	March 31, 2022	December 31, 2021	June 30, 2021
Nonaccrual assets:				
Loans	$ 109,753	98,632	103,560	74,717
Troubled debt restructured loans	58,136	79,129	114,735	61,382
Investment securities, at fair value	—	—	700	500
Other repossessed assets	4,173	4,749	5,658	21,233
Total nonperforming assets	$ 172,062	182,510	224,653	157,832
Accruing troubled debt restructured loans (1)	$ 363,279	335,027	323,435	294,397
Accruing loans past due 90 days or more (2):				
Loans	$ 49,076	2,954	3,078	643
Loans held for sale (3)	$ 6,810	7,860	12,112	1,687
Asset Quality Ratios:				
Total nonaccrual loans to total loans	0.23 %	0.27 %	0.34 %	0.25 %
Total nonperforming assets to total assets	0.15 %	0.15 %	0.19 %	0.14 %
ACLLL to nonaccrual loans	265.63 %	259.49 %	217.32 %	378.25 %

(1) Includes reasonably expected TDRs.

(2) See Loans and Leases, Net footnote 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, 2022 primarily consisted of 16 commercial property loans, predominantly retail commercial property loans, totaling $133.1 million, six commercial and industrial relationships, comprised of 11 loans, totaling $15.9 million, as well as two multi-family loans totaling $9.3 million. Each nonaccrual loan is being actively managed by the Bank, and the ACL includes a specific allocation for each individual loan, when appropriate.

Nonaccrual investment securities at June 30, 2022 and December 31, 2021 were zero and $700,000, respectively. At December 31, 2021, the nonaccrual investment security consisted of one bank-collateralized pooled trust preferred AFS security which was sold during 2022.

As of June 30, 2022, accruing loans past due 30 to 89 days were $152.4 million, including $91.8 million of loans past due primarily as a result of administrative processing delays, compared to $97.5 million as of December 31, 2021. Subsequent to quarter end and as of July 15, 2022, $91.8 million of accruing loans past due 30 to 89 days were brought current after resolving the administrative delays, reducing the total accruing loans past due 30 to 89 days to $60.6 million.

As of June 30, 2022, loans past due 90 days or more and still accruing totaled $42.3 million, including one commercial property loan of $19.7 million and one acquisition, development and construction ("ADC") loan in the amount of $4.2 million that were in the process of being extended as of quarter end, as well as two ADC loans totaling $2.3 million that were well secured and in process of collection. As of July 15, 2022, two commercial property loans totaling $15.6 million were no longer past due. At December 31, 2021, loans past due 90 days or more and accruing primarily consisted of $12.1 million of government-guaranteed SBA loans and two acquisition, development and construction loans totaling $2.3 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 Allowance for Credit Losses footnote to our Consolidated Financial Statements.

Our repossessed assets as of June 30, 2022 and December 31, 2021 totaled $4.2 million and $5.7 million, respectively. The decrease is primarily driven by the sale of approximately $2.2 million of repossessed equipment during the first two quarters of 2022. This decrease was offset by the repossession of the underlying collateral related to equipment loans totaling $770,000.

COVID-19 Related Loan Modifications

As of June 30, 2022, the Bank had zero outstanding non-payment deferrals, compared with $8.3 million, or 0.01% of total loans, at December 31, 2021. Additionally, as of June 30, 2022, $684.3 million, or 0.95% of total loans, is comprised of modified principal and interest payments, predominantly interest-only structures. This compares to the modified principal and interest payments of $1.88 billion, or 2.9% of total loans at December 31, 2021. The positive trend is the result of the continued economic recovery coming out of the lows of the COVID-19 pandemic

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, 2022 and December 31, 2021, our ACLLL totaled $446.0 million and $474.4 million, respectively, which represents 0.62% and 0.73% 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 ACL for loan and leases at a level consistent with management's assessment of the loan portfolio in light of past events, current economic conditions and the macroeconomic forecast during the RNS period. For the three and six months ended June 30, 2022, we recorded a provision of $4.2 million and $6.9 million, respectively, as compared to $8.3 million and $39.2 million for the comparative periods in the prior year, respectively. The decrease in our provision for credit losses for both the three and six months ended June 30, 2022 was predominantly attributable to improved overall macroeconomic conditions compared with the same period last year including improvements in NYC multi-family price index. Not only is the improvement in multi-family sector apparent in the forecast assumptions, but also with increasing post-pandemic rent levels resulting in a larger degree of improving debt service coverage ratios in the current quarter compared with the same period last year. This was partially offset by updated and declining debt service coverage ratios on certain commercial property credits, as well as modest deterioration in the sector's macroeconomic environment, which resulted in additional provisions and charge-offs in the current year. In recent years, 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 also further contributed 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 Allowance for Credit Losses footnote for additional information regarding the period over period provision for credit losses fluctuations.

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

	June 30, 2022			December 31, 2021		
(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	$ 17,299,611	57,303	0.33 %	16,113,590	80,633	0.50 %
Commercial property	11,071,975	192,912	1.74 %	10,682,276	221,631	2.07 %
Acquisition, development and construction loans	1,498,581	81,157	5.42 %	1,514,011	67,498	4.46 %
1-4 family residential property	391,965	6,954	1.77 %	450,782	7,350	1.63 %
Home equity lines of credit	63,234	2,062	3.26 %	69,156	2,545	3.68 %
Other commercial loans:						
Fund banking	31,072,902	3,768	0.01 %	26,300,495	4,334	0.02 %
Specialty finance	5,976,258	71,147	1.19 %	5,276,337	62,119	1.18 %
Commercial and industrial	4,413,465	30,020	0.68 %	3,689,486	27,482	0.74 %
PPP loans (1)	273,946	—	— %	835,743	—	— %
Other loans:						
Consumer	6,498	642	9.88 %	7,509	797	10.61 %
Total	$ 72,068,435	445,965	0.62 %	64,939,385	474,389	0.73 %

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

(2) Loss rate decline from December 31. 2021 to June 30, 2022 was primarily attributable to $40.3 million charge-offs on two retail commercial property loans, which were fully reserved for and the reserves were released to cover the charge-offs of their respective individually assessed reserves. See Allowance for Credit Losses for Loans from the Asset Quality section above for detailed discussions.

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:

(dollars in thousands)	At or for the three months ended June 30, 2022	2021	At or for the six months ended June 30, 2022	2021
Beginning balance - ACLLL	$ 461,275	521,761	474,389	508,299
Charge-offs:				
Credit-rated commercial loans	(21,240)	(17,369)	(41,885)	(35,901)
Non-rated commercial loans	(3)	(125)	(30)	(270)
Residential mortgages	—	—	(640)	—
Consumer loans	(14)	—	(21)	(20)
Total charge-offs	(21,257)	(17,494)	(42,576)	(36,191)
Recoveries:				
Credit-rated commercial loans	1,536	2,063	4,866	2,824
Non-rated commercial loans	39	77	130	132
Residential mortgages	14	2	94	5
Consumer loans	4	17	38	32
Total recoveries	1,593	2,159	5,128	2,993
Net charge-offs	(19,664)	(15,335)	(37,448)	(33,198)
Provision	4,354	8,368	9,024	39,693
Ending balance - ACLLL	$ 445,965	514,794	445,965	514,794
Ratio:				
ACLLL to total loans	0.62%	0.94%	0.62%	0.94%

The following table presents the ratio of net charge-offs by loan portfolio categories to average loans outstanding for the periods indicated:

	Three months ended June 30,				Six months ended June 30,			
	2022		2021		2022		2021	
(in thousands)	Net Charge-offs (recoveries)	Ratio (2)	Net Charge-offs (recoveries)	Ratio (2)	Net Charge-offs (recoveries)	Ratio (2)	Net Charge-offs (recoveries)	Ratio (2)
Mortgage loans:								
Multi-family residential property	$ —	— %	543	— %	(2,611)	(0.01)%	540	— %
Commercial property	20,135	0.11 %	14,302	0.11 %	40,262	0.12 %	23,966	0.10 %
Acquisition, development and construction loans	—	— %	(54)	— %	—	— %	375	— %
1-4 family residential property	(14)	— %	858	0.01 %	623	— %	856	— %
Home equity lines of credit	—	— %	—	— %	(77)	— %	—	— %
Commercial & industrial loans (1):	—	— %	—	— %	—	— %	—	— %
Fund banking	—	— %	—	— %	—	— %	—	— %
Specialty finance	(178)	— %	(1,365)	(0.01)%	(539)	— %	2,694	0.01 %
Other commercial and industrial	(289)	— %	1,068	0.01 %	(193)	— %	4,779	0.02 %
Consumer	10	— %	(17)	— %	(17)	— %	(12)	— %
Total net charge-offs	$ 19,664	0.11 %	15,335	0.12 %	37,448	0.11 %	33,198	0.13 %
Average loans outstanding	$ 68,668,747		52,475,461		66,810,467		50,926,468	

(1) Excludes PPP loans.

(2) Ratios are annualized.

For the quarter ended June 30, 2022, net charge-offs were $19.7 million, compared to $15.3 million for the same period last year. Significant charge-offs during the quarter ended June 30, 2022 primarily consisted of $20.1 million related to one retail commercial property loan and two commercial and industrial loans totaling $864,000. Net charge-offs were $37.4 million for the six months ended June 30, 2022, when compared to $33.2 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. Beginning in 2019, we expanded our deposit gathering efforts to the West Coast with the opening of our first full-service private client banking office in San Francisco, and further, with the addition of the Specialized Mortgage Banking Solutions team. Since then, we on-boarded 32 private client banking teams in the Greater Los Angeles, San Francisco and Central California markets. Additionally, in the second quarter of 2022, the Bank on-boarded five private client banking teams in New York. In the 2022 second quarter, the Bank launched a new national banking practice, the Healthcare Banking and Finance Team, to provide lending services and garner deposits in this space. 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 through ATMs, and/or via our mobile banking app. Given our business model, our depositor base is more heavily weighted to larger uninsured deposits than many other banks. As of June 30, 2022, approximately 91.4% of our total deposits of $95.17 billion were not FDIC-insured.

Core deposits, which exclude time deposits and brokered deposits, decreased $2.33 billion to $101.02 billion as of June 30, 2022, from $103.36 billion as of December 31, 2021. This decline year-to-date was primarily due to outflows related to client balances in New York Banking Teams, which decreased $2.6 billion and the Digital Asset Banking Team, which declined $2.2 billion. Included in the New York Banking Teams decline are four large escrow outflows totaling $1.6 billion, which were not related to interest rates. These decreases were partially offset by additional deposits garnered by the new and existing private client banking teams on the east and west coast as well as the Specialized Mortgage Banking Solutions and Healthcare Banking and Finance Teams.

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

	June 30, 2022		*December 31, 2021*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts (1)	$ 1,967,976	1.89%	1,996,840	1.88%
Business demand deposit accounts (1)	39,420,335	37.87%	42,068,163	39.64%
Brokered demand deposit accounts (1)	20,493	0.02%	298,212	0.28%
Personal NOW	35,631	0.03%	49,687	0.05%
Business NOW	20,954,836	20.13%	17,098,153	16.11%
Brokered NOW	1,002,995	0.96%	22,137	0.02%
Rent security	356,274	0.34%	333,914	0.31%
Personal money market accounts	4,562,417	4.38%	4,581,407	4.32%
Business money market accounts	33,724,178	32.39%	37,227,330	35.08%
Brokered money market accounts	491,817	0.47%	913,838	0.86%
Personal time deposits	283,612	0.27%	361,630	0.34%
Business time deposits	922,092	0.89%	1,170,691	1.10%
Brokered time deposits	376,390	0.36%	10,792	0.01%
Total	$ 104,119,046	100.00%	106,132,794	100.00%
Demand deposit accounts (1)	$ 41,388,311	39.75%	44,065,003	41.52%
NOW	20,990,467	20.16%	17,147,840	16.16%
Money market accounts	38,642,869	37.11%	42,142,651	39.71%
Time deposits	1,205,704	1.16%	1,532,321	1.44%
Brokered deposits (2)	1,891,695	1.82%	1,244,979	1.17%
Total	$ 104,119,046	100.00%	106,132,794	100.00%
Personal	$ 6,849,636	6.58%	6,989,564	6.59%
Business	95,377,715	91.60%	97,898,251	92.24%
Brokered deposits (2)	1,891,695	1.82%	1,244,979	1.17%
Total	$ 104,119,046	100.00%	106,132,794	100.00%

(1) Non-interest bearing.

(2) Includes non-interest bearing deposits of $20.5 million and $298.2 million as of June 30, 2022 and December 31, 2021, respectively.

Borrowings

At June 30, 2022, our borrowings were $2.30 billion, or 2.2% of our funding liabilities, compared to $3.36 billion, or 3.1% of our funding liabilities, at December 31, 2021. The decrease in our borrowings, primarily reflects a $1.06 billion decrease in the use of FHLB borrowings during the first two quarters of 2022, primarily due to prepayment of borrowings as a result of the significant excess cash balances and inflow of deposits reducing the need for external funding. In addition, we have the ability to borrow from the discount window of the Federal Reserve Bank of New York ("FRB"). At June 30, 2022 and December 31, 2021, the Bank had no borrowings from the FRB. 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 $131.2 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, 2022. Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines, our FHLB line and our FRB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $32.57 billion at June 30, 2022.

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 accrued 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 was scheduled to accrue at a floating rate of LIBOR plus 3.92%. 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.

As of June 30, 2022, subordinated debt is reported in the Consolidated Statements of Financial Condition net of deferred issuance costs of $4.1 million related to the corresponding debt offerings.

The following table presents the maturity or re-pricing of our borrowings as of June 30, 2022:

(in thousands)

3 months or less	3 - 12 months	1 - 3 years	Over 3 years	Total (1)
$ 1,369,780	121,000	83,738	725,000	2,299,518

(1) Excludes $4.1 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the Consolidated Statements of Financial Condition.

Off-Balance Sheet Arrangements

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

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

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

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

(in thousands)		June 30, 2022	December 31, 2021
Unused commitments to extend credit	$	25,625,229	22,717,603
Financial standby letters of credit		769,682	701,208
Commercial and similar letters of credit		17,868	19,376
Total	$	26,412,779	23,438,187

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, 2022 and December 31, 2021, our ACL on total unfunded commitments to extend credit totaled $6.2 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, 2022 and December 31, 2021, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amount of $2.1 million and $2.0 million, respectively. As of June 30, 2022 and December 31, 2021, we had commitments to sell loans totaling $6.2 million and $3.0 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 were 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 the requirement of Section 939A of the Dodd-Frank Act to remove any references to our requirements of reliance upon credit ratings; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the “advance approaches rules.” Based on our current capital composition and levels, we believe that we are in compliance with the requirements as set forth in the final rules as they are presently in effect.

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 June 30, 2022, the Bank's capital ratios exceeded the minimum ratios established for a “well capitalized” institution.

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

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

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

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

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

The capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” as of June 30, 2022:

	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)	$10,415,092	11.88 %	7,012,889	8.00 %	8,766,111	10.00 %
Tier 1 capital (to risk-weighted assets)	9,461,117	10.79 %	5,259,667	6.00 %	7,012,889	8.00 %
Common equity Tier 1 capital (to risk-weighted assets)	8,752,944	9.99 %	3,944,750	4.50 %	5,697,972	6.50 %
Tier 1 leverage capital (to average assets)	9,461,117	7.92 %	4,779,974	4.00 %	5,974,968	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 continued to pay a quarterly common stock cash dividend of $0.56 per share, or a total of $35.3 million, for the first quarter of 2022. The Bank declared a cash dividend of $0.56 per share, or a total of $35.3 million payable on or after August 12, 2022 to common stockholders of record at the close of business on July 29, 2022. While our common stock repurchase program is active, the Bank has not repurchased common stock since March 2020 - see Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds* for more information.

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, in January 2022, July 2021 and February 2021, the Bank raised $731.7 million, $654.8 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.

We also declare and pay a quarterly cash dividend to preferred shareholders and preferred stock dividend payment dates will be the 30th day of March, June, September and December of each year, commencing on March 30, 2021. On June 30, 2022, the Bank paid a cash dividend of $12.50 per share to preferred shareholders of record at the close of business on June 17, 2022. The Bank also declared a cash dividend of $12.50 per share payable on September 30, 2022 to preferred shareholders of record at the close of business on September 16, 2022.

The capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” as of December 31, 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)	$ 9,088,403	11.76 %	6,184,619	8.00 %	7,730,774	10.00 %
Tier 1 capital (to risk-weighted assets)	8,127,884	10.51 %	4,638,465	6.00 %	6,184,619	8.00 %
Common equity Tier 1 capital (to risk-weighted assets)	7,419,711	9.60 %	3,478,848	4.50 %	5,025,003	6.50 %
Tier 1 leverage capital (to average assets)	8,127,884	7.27 %	4,472,491	4.00 %	5,590,614	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. No common stock has been repurchased since March 2020 – see Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds* 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 $250 billion for insured depository institutions and bank holding companies and made the requirement “periodic” rather than “annual.” On October 15, 2019, the FDIC adopted a final rule implementing portions of the Economic Growth Act which, among other things, raised the minimum asset threshold for covered banks to conduct stress tests from $10 billion to $250 billion in total consolidated assets. As a result of this final rule, Signature Bank is no longer subject to the stress testing requirements established by the Dodd-Frank Act until it accumulates $250 billion in total consolidated assets. 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 other economic impacting events such as the COVID-19 pandemic.

Resolution Plan

On January 19, 2021, the FDIC issued a statement announcing the continuation of the requirement for insured depository institutions with $100 billion or more in total assets to submit resolution plans that will facilitate the FDIC’s resolution of the institution under the Federal Deposit Insurance Act in the event of the institution’s failure. On June 25, 2021, the FDIC issued a statement describing the modified approach that it plans to take in implementing certain aspects of its resolution plan rule with respect to insured depository institutions with $100 billion or more in total assets. The Bank surpassed the $100 billion total asset mark in the third quarter of 2021 and will be required to submit a resolution plan when it has $100 billion or more in total assets as determined based upon the average of its four most recent Federal Financial Institutions Examination Council Consolidated Reports of Condition and Income Form 031 ("Call Reports"). Submissions are on a three-year cycle, and we were notified by the FDIC in March 2022 that we are required to submit our initial resolution plan on or before June 30, 2023. We are actively working towards completion of our initial resolution plan and fully expect to submit our plan to the FDIC by the required date.

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, 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, the FRB 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 January 2022, July 2021 and February 2021, the Bank raised $731.7 million, $654.8 million and $707.8 million of common stock, respectively, in public offerings.

Credit availability at the FHLB and FRB is based on our financial condition, our asset size and the amount of collateral we hold at each institution. At June 30, 2022, our FHLB borrowings totaled $1.57 billion with an average rate of 1.75% that mature by February 2025. We had no securities sold under repurchase agreements to the FHLB as of June 30, 2022. While not pledged, the FHLB held $16.54 billion of securities as custodian as of the quarter end. These securities can be pledged towards future borrowings, as necessary. At June 30, 2022 and December 31, 2021, the Bank had no borrowings with the FRB. While not pledged, the FRB held $7.77 billion of commercial real estate loans and $1.95 billion of securities as custodian as of the quarter end. These assets can be pledged towards future borrowings, as necessary.

We also have repurchase agreement lines with several leading financial institutions totaling $2.03 billion. At June 30, 2022, we had $150.0 million of securities sold under repurchase agreements to one of these institutions. These borrowings have an average rate of 1.57% 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, our FHLB line and our FRB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $32.57 billion as of June 30, 2022.

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 $35.3 million each quarter since the third quarter of 2018. The Bank declared a cash dividend of $0.56 per share, or a total of $35.3 million payable on or after August 12, 2022 to common stockholders of record at the close of business on July 29, 2022. During the quarter, the Bank also declared and paid a cash dividend of $0.56 per share, or a total of $35.3 million for the first quarter of 2022.

On June 30, 2022, the Bank paid a cash dividend of $12.50 per share to preferred shareholders of record at the close of business on June 17, 2022. The Bank also declared a cash dividend of $12.50 per share payable on September 30, 2022 to preferred shareholders of record at the close of business on September 16, 2022. See Preferred Stock footnote 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 and on an annual basis.

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. No common stock has been repurchased by the Bank since the first quarter of 2020. During the third quarter of 2021, we received regulatory approval to extend the repurchase of the $170.8 million remaining under the original authorization to September 30, 2022. We will seek separate regulatory approval for the additional $279.1 million approved under the amended authorization. To date the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million, and the amount remaining under the amended authorization was $450.0 million at June 30, 2022. On April 27, 2022, the 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 portfolio 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, 2022, 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 and decreased by 100 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 and decreased by 100 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, 2022:

(dollars in thousands)	Adjusted Net Interest Income	Change from Base
Ramp scenario:		
Base	$ 2,958,861	— %
Down to 100 basis points	2,886,902	(2.4)%
Up to 100 basis points	3,037,046	2.6 %
Up to 200 basis points	3,155,734	6.7 %
Up to 300 basis points	3,273,688	10.6 %
Up to 400 basis points	3,389,964	14.6 %
Shock scenario:		
Base	$ 2,958,861	— %
Down to 100 basis points	2,797,957	(5.4)%
Up to 100 basis points	3,130,934	5.8 %
Up to 200 basis points	3,342,088	13.0 %
Up to 300 basis points	3,551,669	20.0 %
Up to 400 basis points	3,753,713	26.9 %

We also use a simulation model to measure the impact that hypothetical market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. As of June 30, 2022, 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 and decreased by 100 basis points.

The following table indicates the sensitivity of market value of equity at June 30, 2022 to the interest rate movements described above (base case market value of equity is $17.35 billion):

(dollars in thousands)		**Sensitivity**	**Change from Base**
Down to 100 basis points	$	(1,010,652)	(5.8)%
Up to 100 basis points		857,654	4.9 %
Up to 200 basis points		1,837,956	10.6 %
Up to 300 basis points		2,536,487	14.6 %
Up to 400 basis points		3,081,926	17.8 %

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 rules and forms applicable to the Bank pursuant to the Exchange Act 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, 2021. 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, 2021, except for the following update:

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

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

Additionally, economic conditions throughout the world remain uncertain. On February 24, 2022, Russian forces launched a military invasion of Ukraine. In response, the United States, the European Union ("EU"), United Kingdom and other governments have imposed significant economic sanctions on Russia, and Russia has responded with counter-sanctions. The war in Ukraine has disrupted international commerce and the global economy. The uncertain future development of this conflict could materially and adversely affect commerce, financial markets, including interest rates and credit spreads and economic conditions generally, around the world and in geographic regions where we and our customers operate. Other concerns about the EU, including Britain's departure from the EU ("Brexit") and the stability of the EU's sovereign debt, have caused uncertainty and disruption for financial markets globally. The ultimate effects of Brexit and the EU's financial support program, as well as the impact of any anticipated and future changes in global fiscal and monetary policy, are difficult to predict and may further deteriorate economic conditions or increase volatility in financial markets. We hold corporate debt securities issued by U.S. financial institutions that have material exposure to foreign countries. As such, deterioration of the economic conditions or increase in volatility of financial markets outside of the United States could have an adverse effect on the issuers of corporate debt that we hold. If such an effect were to negatively impact the ability of such issuers to pay their debts, it could have an adverse effect on our results of operations and financial condition. Global volatility may also produce exchange rate fluctuations and currency devaluations that negatively affect our business. Furthermore, a slowdown or deterioration of economic conditions in other parts of the world may have an adverse effect on economic conditions in the United States, which could materially and adversely affect our financial condition and results of operations. We cannot predict the federal government's response to any dislocation or instability in the United States, and potential future government responses and changes in law or regulation may affect our business, results of operations and financial condition.

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

During the second quarter of 2022, we issued an aggregate of 6,640 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.

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. No common stock was repurchased by the Bank since the first quarter of 2020. During the third quarter of 2021, we received regulatory approval to extend the repurchase of the $170.8 million remaining under the original authorization to September 30, 2022. We will seek separate regulatory approval for the additional $279.1 million approved under the amended authorization. To date the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million, and the amount remaining under the amended authorization was $450.0 million at June 30, 2022. On April 27, 2022, the stockholders approved the continuation of our share repurchase plan in an aggregate amount up to $500.0 million.

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
3.1*	Amended and Restated By-laws of the Registrant
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

* Filed herewith

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, 2022	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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SIGNATURE BANK

A NEW YORK STATE-CHARTERED BANK

AMENDED AND RESTATED BY-LAWS

(As amended April 27, 2022)

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BY-LAWS
OF
SIGNATURE BANK

ARTICLE I

DEFINITIONS

As used in these By-laws, unless the context otherwise requires, the term:

"Assistant Secretary" means an Assistant Secretary of the Bank.

"Bank" means Signature Bank.

"Banking Law" means the Banking Law of the State of New York, as amended from time to time.

"Board" means the Board of Directors of the Bank.

"By-laws" means the by-laws of the Bank, as amended from time to time.

"Chairman" means the Chairman of the Board of Directors of the Bank.

"Director" means a director of the Bank.

"Entire Board" means the total number of Directors that the Bank would have if there were no vacancies.

"Office of the Bank" means the principal office of the Bank, determined in accordance with Section 1001(4) of the Banking Law.

"Officer" means an Officer of the Bank.

"Organization Certificate" means the initial organization certificate of the Bank, as amended, supplemented or restated from time to time.

"President" means the President of the Bank.

"Secretary" means the Secretary of the Bank.

"Stockholders" means Stockholders of the Bank.

"Superintendent" means the Superintendent of Banks of the State of New York.

"Treasurer" means the Treasurer of the Bank.

"Vice Chairman of the Board" means a Vice Chairman of the Board of Directors.

"Vice President" means a Vice President of the Bank.

ARTICLE II

STOCKHOLDERS

Section 2.1 *Place of Meetings*. Every meeting of Stockholders shall be held at the Office of the Bank or at such other place within or without the State of New York as shall be specified or fixed in the notice of such meeting or in the waiver of notice thereof, except that the annual meetings of Stockholders shall be held in the city in which the Office of the Bank is located.

Section 2.2 *Annual Meeting*. A meeting of Stockholders shall be held annually for the election of Directors and the transaction of other business as may be properly brought before the meeting at such hour and on such business day in March or April as may be determined by the Board and designated in the notice of meeting.

Section 2.3 *Special Meeting for Election of Directors, etc.* If the annual meeting of Stockholders for the election of Directors and the transaction of other business as may be properly brought before the meeting is not held within the months specified in Section 2.2 hereof, the Board shall call a special meeting of Stockholders for the election of Directors and the transaction of other business as may be properly brought before the meeting as soon thereafter as convenient.

Section 2.4 *Other Special Meetings*. A special meeting of Stockholders (other than a special meeting for the election of Directors), unless otherwise prescribed by statute, may be called at any time by the Board or the Chairman. At any special meeting of Stockholders, only such business may be transacted as may be properly brought before such meeting and as is related to the purpose or purposes of such meeting set forth in the notice thereof given pursuant to Section 2.6 hereof or in any waiver of notice thereof given pursuant to Section 2.7 hereof.

Section 2.5 *Fixing Record Date*. For the purpose of determining the Stockholders entitled to notice of or to vote at any meeting of Stockholders or any adjournment thereof, or to express consent to or dissent from any corporate action in writing without a meeting, or to receive payment of any dividend or other distribution or allotment of any rights, or any other lawful action, the Board may fix, in advance, a record date. Such date shall not be more than 50 nor less than 10 days before the date of such meeting, nor more than 50 days prior to any other action. If no such record date is fixed:

(1) the record date for determining Stockholders entitled to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held; and

(2) the record date for determining Stockholders for any purpose other than that specified in Section 2.5(1) shall be at the close of business on the day on which the Board adopts the resolution relating to that purpose.

When a determination of Stockholders entitled to notice of or to vote at any meeting of Stockholders has been made as provided in this Section 2.5, such determination shall apply to any adjournment thereof, unless the Board fixes a new record date for the adjourned meeting.

Section 2.6 *Notice of Meetings of Stockholders*. Except as otherwise provided in Sections 2.5 and 2.7 hereof, whenever under the provisions of any statute, the Organization Certificate or these By-laws, Stockholders are required or permitted to take any action at a meeting, written notice shall be given stating the place, date and hour of the meeting and, unless it is the annual meeting, indicating that it is being issued by or at the direction of the person or persons calling the meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called. If, at any meeting, action is proposed to be taken which would, if taken, entitle Stockholders fulfilling the requirements of Section 6022 of the Banking Law ("Section 6022") to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect and shall be accompanied by a copy of Section 6022 or an outline of its material terms. Unless otherwise provided by any statute, the Organization Certificate or these By-laws, a copy of the notice of any meeting shall be given, personally or by first class mail, not fewer than 10 nor more than 50 days before the date of the meeting, to each Stockholder entitled to notice of or to vote at such meeting; provided, however, that a copy of such notice may be given by third class mail not fewer than 21 nor more than 50 days before the date of the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, with postage prepaid, directed to the Stockholder at his or her address as it appears on the records of the Bank, or, if the Stockholder shall have filed with the Secretary a written request that notices be mailed to some other address, then directed to the Stockholder at such other address. An affidavit of the Secretary or other person giving the notice or of the transfer agent of the Bank that the notice required by this Section 2.6 has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted at the meeting as originally called. If, however, after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder of record on the new record date who is entitled to notice.

Section 2.7 *Waivers of Notice*. Notice of meeting need not be given to any Stockholder who submits a signed waiver of notice, in person or by proxy, whether before, at or after the meeting. The attendance of any Stockholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by such Stockholder.

Section 2.8 *List of Stockholders*. A list of Stockholders as of the record date, certified by the Officer of the Bank responsible for its preparation, or by a transfer agent, shall be produced at any meeting of Stockholders upon the request thereat or prior thereto of any Stockholder. If the right to vote at any meeting is challenged, the inspectors of election, or person presiding thereat, shall require such list of Stockholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be Stockholders entitled to vote thereat may vote at such meeting.

Section 2.9 *Notice of Nominees and Other Business.* Nominations of persons for election as Director and notice of Stockholder business at meetings of Stockholders shall be governed by the provisions of this Section 2.9 and, if applicable, Section 2.10.

(a) Nominations of persons for election as Director, and the proposal of business to be considered by the Stockholders may be made at an annual meeting of Stockholders only (i) pursuant to the Bank's notice of meeting pursuant to Section 2.6 of these By-Laws, (ii) by or at the direction of the Board of Directors, (iii) by any Stockholder who was a Stockholder of record at the time of giving notice provided for in this Section 2.9, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.9 or (iv) by any Eligible Stockholder (as defined below in Section 2.10) who satisfies and complies with Section 2.10.

(b) For nominations or other business to be properly brought before an annual meeting by a Stockholder pursuant to clause (iii) of the immediately preceding paragraph (a), the Stockholder must have given timely notice thereof in writing to the Secretary and such other business must otherwise be a proper matter for Stockholder action. To be timely, a Stockholder's notice shall be delivered to the Secretary at the Office of the Bank not later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 calendar days after such anniversary date, notice by the Stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting but not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting is first made by the Bank. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a Stockholder's notice as described above. Such Stockholder's notice shall set forth (1) as to each person whom the Stockholder proposes to nominate for election or reelection as a director, (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the Stockholder, such nominee or their respective "associates" (as defined in Rule 14a-1 under the Exchange Act), or others acting in concert therewith, including all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Stockholder or its affiliates or any person acting in concert therewith were the "registrant" for purposes of such rule and the person were a director or executive of such registrant; (2) as to any description of any other business desired to be brought before the meeting, the reasons for conducting such other business at the meeting and any material interest in such other business of such Stockholder and beneficial owner, if any, on whose behalf the proposal is made; and (3) as to the Stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such Stockholder, as they appear on the Bank's books, and of such beneficial owner and (ii) the class and number of shares of the Bank which are owned beneficially and of record by such Stockholder and such beneficial owner.

Notwithstanding anything in the second sentence of paragraph (b) of this Section 2.9 to the contrary, in the event that the number of Directors to be elected to the Board is increased and there is no public announcement by the Bank naming all of the nominees for director or specifying the size of the increased Board at least 100 days prior to the first anniversary of the preceding year's annual meeting, a Stockholder's notice required by this Section 2.9 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the Office of the Bank not later than the close of business on the 10th day following the day on which such public announcement is first made by the Bank.

(c) Special Meetings of Stockholders. Nominations of persons for election as Director may be made at a special meeting of Stockholders at which directors are to be elected pursuant to the Bank's notice of meeting (i) by or at the direction of the Board or (ii) provided that the Board has determined that Directors shall be elected at such meeting, by any Stockholder who is a Stockholder of record at the time of giving of notice provided for in this Section 2.9, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.9. In the event the

Bank calls a special meeting of Stockholders for the purpose of electing one or more directors to the Board of Directors, any such Stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Bank's notice of meeting, if the Stockholder's notice required by paragraph (b) of this Section 2.9 shall be delivered to the Secretary at the principal executive offices of the company not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a Stockholder's notice as described above.

(d) Only such persons who are nominated by the Board or in accordance with the procedures set forth in Section 2.9, 2.10 or 3.4 shall be eligible to serve as Directors and only such business shall be conducted at a meeting of Stockholders as shall have been brought before the meeting in accordance with the procedures set forth in Section 2.9 or 2.10. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.9 or 2.10 and, if any proposed nomination or business is not in compliance with this Section 2.9 or 2.10, to declare that such defective proposal or nomination shall be disregarded.

(e) For purposes of this Section 2.9 and Section 2.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Bank pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(f) Notwithstanding the foregoing provisions of this Section 2.9, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.9. Nothing in this By-Law shall be deemed to affect any rights (i) of Stockholders to request inclusion of proposals in the company's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

Section 2.10 *Proxy Access for Director Nominations*.

(a) Subject to the provisions of this Section 2.10, for an annual meeting of Stockholders, the Bank shall include in its proxy statement and in its form of proxy for such annual meeting, in addition to any persons nominated for election by or at the direction of the Board (or any committee thereof), the name and the Required Information (as defined in Section 2.10(b)) of any person nominated for election to the Board who satisfies the eligibility requirements in this Section 2.10 (a "Proxy Access Nominee") and who is identified in a proper written notice (the "Proxy Access Notice") that complies with, and is timely delivered pursuant to, this Section 2.10 by an Eligible Stockholder (as defined in Section 2.10(c)), in each case as determined by the Board. Notwithstanding anything to the contrary contained in this Section 2.10, the Bank may omit from its proxy materials any information or Supporting Statement (as defined in

Section 2.10(c)) (or portions thereof) that it, in good faith, believes (i) would violate any applicable law or regulation or (ii) directly or indirectly impugns the character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to any person or entity.

(b) For the purposes of this Section 2.10, the "Required Information" that the Bank shall include in its proxy statement is (i) the information concerning the Proxy Access Nominee and the Eligible Stockholder that the Bank determines is required to be disclosed in the Bank's proxy statement by the applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder and (ii) if the Eligible Stockholder so elects, a Supporting Statement. Nothing in this Section 2.10 shall limit the Bank's ability to solicit against or for, and include in its proxy materials its own statements relating to, any Eligible Stockholder or Proxy Access Nominee.

(c) For each of its Proxy Access Nominees, the Eligible Stockholder may, at its option, provide to the Secretary, at the time the Proxy Access Notice is provided, one written statement, not to exceed 500 words, in support of such Proxy Access Nominee's candidacy (a "Supporting Statement"). Only one Supporting Statement may be submitted by an Eligible Stockholder (including any group of persons together constituting an Eligible Stockholder) for each Proxy Access Nominee.

(d) For the purposes of this Section 2.10, an "Eligible Stockholder" is one or more persons who:

(i) own and have owned (in each case, as defined in Section 2.10(f)) continuously for at least three years prior to the date the Proxy Access Notice is received at the Office of the Bank (the "Minimum Holding Period") a number of shares of stock of the Bank that represents at least 3% of the voting power of all shares of stock of the Bank issued and outstanding and entitled to vote in the election of Directors as of the most recent date for which such amount is set forth in any Public Disclosure made by the Bank prior to the date the Proxy Access Notice is received at the Office of the Bank (the "Required Shares");

(ii) continues to own the Required Shares through the date of the annual meeting of Stockholders; and

satisfies all other requirements of, and complies with all applicable procedures set forth in, this Section 2.10; provided, that the aggregate number of record Stockholders and beneficial owners whose stock ownership is counted for the purposes of satisfying the foregoing ownership requirement shall not exceed 20. Two or more funds that are part of the same Qualifying Fund Group (as defined in Section 2.10(e)) shall be treated as one record Stockholder or beneficial owner for purposes of determining the aggregate number of record Stockholders and beneficial owners in this paragraph and shall be treated as one person for the purpose of determining "ownership" as defined in Section 2.10(f). No record Stockholder (other than a Custodian Holder (as defined below)) or beneficial owner may be a member of more than one group constituting an Eligible Stockholder with respect to any annual meeting of Stockholders, and no shares may be attributed to more than one Eligible Stockholder or group constituting an Eligible Stockholder. If any person (other than a Custodian Holder) purports to be a member of more than one group constituting an Eligible Stockholder, such person shall only be deemed to be a member of the group that has the largest ownership position (as reflected in the applicable Proxy

Access Notice). "Custodian Holder," with respect to any Eligible Stockholder, means any broker, bank or custodian (or similar nominee) who (1) is acting solely as a nominee on behalf of a beneficial owner and (2) does not own (as defined in Section 2.10(f)) any of the shares comprising the Required Shares of the Eligible Stockholder. For the avoidance of doubt, Required Shares will qualify as such if and only if the beneficial owner of such shares as of the date of the Proxy Access Notice has itself beneficially owned such shares continuously for the Minimum Holding Period and through the date of the annual meeting of Stockholders (in addition to the other applicable requirements being met).

Whenever the Eligible Stockholder consists of a group of persons (including a group of funds that are part of the same Qualifying Fund Group), each provision in this Section 2.10 that requires the Eligible Stockholder to provide any written statements, representations, undertakings, agreements or other instruments or to meet any other conditions shall be deemed to require each such person (including each individual fund) that is a member of such group (other than a Custodian Holder) to provide such statements, representations, undertakings, agreements or other instruments and to meet such other conditions (except that the members of such group may aggregate the shares that each member has owned continuously for the Minimum Holding Period in order to meet the 3% ownership requirement of the "Required Shares" definition).

(e) For the purposes of this Section 2.10, a "Qualifying Fund Group" means two or more funds that are (i) under common management and investment control, (ii) under common management and funded primarily by the same employer or (iii) a "group of investment companies," as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended.

(f) For the purposes of this Section 2.10, a person shall be deemed to "own" only those outstanding shares of stock of the Bank as to which the person possesses both

(i) the full voting and investment rights pertaining to such shares, and

(ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares;

provided that the number of shares calculated in accordance with the foregoing clauses (i) and (ii) shall not include any shares:

(1) sold by such person or any of its affiliates in any transaction that has not been settled or closed;

(2) borrowed by such person or any of its affiliates for any purpose or purchased by such person or any of its affiliates pursuant to an agreement to resell; or

(3) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such person or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of the Bank, in any such case which instrument or agreement has, or is intended to have, or if exercised would have, the purpose or effect of:

(A) reducing in any manner, to any extent or at any time in the future, such person's or any of its affiliates' full right to vote or direct the voting of any such shares; or

(B) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such person or any of its affiliates.

A person shall "own" shares held in the name of a nominee (including a Custodian Holder) or other intermediary so long as the person retains the right to instruct how the shares are voted with respect to the election of Directors and the right to direct the disposition thereof and possesses the full economic interest in the shares. A person's ownership of shares shall be deemed to continue during any period in which the person has:

(iii) delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement that is revocable at any time by the person without condition; or

(iv) loaned such shares; provided that the person has the power to recall such loaned shares on not more than five business days' notice.

The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. For the purposes of this Section 2.10, "affiliate" shall have the meaning ascribed thereto in the rules and regulations promulgated under the Exchange Act. Whether outstanding shares of common stock of the Bank are "owned" for these purposes shall be determined by the Board.

(g) To be timely under this Section 2.10, the Proxy Access Notice must be received by the Secretary at the Office of the Bank not later than the close of business on the 120th calendar day nor earlier than the close of business on the 150th day prior to the first anniversary of the filing date of the Bank's definitive proxy statement for the preceding year's annual meeting of Stockholders; provided, however, that in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 days after such anniversary date, or if no annual meeting was held in the preceding year, then, for the Proxy Access Notice to be timely, it must be received by the Secretary at the Office of the Bank (i) no earlier than the close of business on the 120th calendar day prior to such annual meeting but not later than the close of business on the later of the 90th calendar day prior to such annual meeting and the 10th calendar day following the calendar day on which the notice of such annual meeting was first made by mail or public announcement. In no event shall an adjournment, postponement or deferral, or public announcement of an adjournment, postponement or deferral, of an annual meeting of Stockholders commence a new time period (or extend any time period) for the giving of the Proxy Access Notice pursuant to this Section 2.10.

(h) To be in proper written form, the Proxy Access Notice must include or be accompanied by the following:

(i) a written statement by the Eligible Stockholder certifying as to the number of shares it owns and has owned continuously for the Minimum Holding Period, and the Eligible Stockholder's agreement to provide (1) within five business days following the later of the record date for the annual meeting of Stockholders or the date on which notice of the record date is first publicly disclosed, a written statement by the Eligible Stockholder certifying as to the number of shares it owns and has owned continuously through the record date and (2) prompt notice if the Eligible Stockholder ceases to own a number of shares at least equal to the Required Shares prior to the date of the annual meeting;

(ii) if the Eligible Stockholder is not a record Stockholder of the Required Shares, proof that the Eligible Stockholder owns, and has owned continuously for the Minimum Holding Period, the Required Shares, in a form that would be deemed by the Bank to be acceptable pursuant to Rule 14a-8(b)(2) under the Exchange Act (or any successor rule) for purposes of a shareholder proposal;

(iii) a copy of the Schedule 14N that has been or is concurrently being filed as required by Rule 14a-18 under the Exchange Act;

(iv) as to the Eligible Stockholder and each Proxy Access Nominee, the information required by Section 2.9(b) (except that the references to the "Stockholder" in such clauses shall instead refer, respectively, to the "Eligible Stockholder" for purposes of this paragraph);

(v) as to each Proxy Access Nominee:

(1) a completed and signed written questionnaire with respect to the background and qualification of such person (which questionnaire shall be provided by the Secretary upon written request);

(2) information and representations as necessary to permit the Board to determine if the Proxy Access Nominee satisfies the requirements and conditions set forth in Section 2.10(j)(i)-(viii);

(3) an executed agreement, in a form deemed satisfactory by the Board or its designee (which form shall be provided by the Bank reasonably promptly upon written request therefor), pursuant to which such Proxy Access Nominee agrees not to be named in any other person's proxy statement or form of proxy and represents that

he or she currently intends to serve as a Director for the full term for which he or she is standing for election;

(4) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the Eligible Stockholder, such Proxy Access Nominee or their respective "associates" (as defined in Rule 14a-1 under the Exchange Act), or others acting in concert therewith, including all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Eligible Stockholder or its affiliates or any person acting in concert therewith were the "registrant" for purposes of such rule and the person were a director or executive of such registrant; and

(5) any other information relating to the Proxy Access Nominee that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder;

(vi) an executed agreement, in a form deemed satisfactory by the Board or its designee (which form shall be provided by the Bank reasonably promptly upon written request therefor), pursuant to which the Eligible Stockholder:

(1) represents that it intends to continue to hold the Required Shares through the date of, and to vote the Required Shares at, the annual meeting of Stockholders;

(2) represents that it acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control of the Bank, and does not presently have such intent;

(3) represents and agrees that it has not nominated and will not nominate for election to the Board at the annual meeting of Stockholders any person other than the Proxy Access Nominee(s) it is nominating pursuant to this Section 2.10;

(4) represents and agrees that it is not currently engaged as of the date of the agreement, and will not engage, in, and is not currently as of the date of the agreement, and will not be, a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting other than its Proxy Access Nominee(s) or a nominee of the Board;

(5) represents and agrees that it has not distributed and will not distribute to any Stockholder any form of proxy for the annual meeting other than the form distributed by the Bank;

(6) represents and agrees that it is currently in compliance as of the date of the agreement, and will comply, with all laws and regulations (including, without limitation, Rule 14a-9(a) under the Exchange Act) applicable to solicitations and the use, if any, of soliciting material in connection with the annual meeting;

(7) agrees to assume all liability stemming from any legal or regulatory violation arising out of the Eligible Stockholder's communications with the Stockholders or out of the information that the Eligible Stockholder provided to the Bank,

in each case, in connection with the nomination or election of Proxy Access Nominee(s) at the annual meeting;

(8) agrees to indemnify and hold harmless the Bank and each of its directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including attorney's fees) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Bank or any of its directors, officers or employees arising out of any legal or regulatory violation referenced in clause (g) above or any failure or alleged failure of the Eligible Stockholder or its Proxy Access Nominee(s) to comply with, or any breach or alleged breach by the Eligible Stockholder or its Proxy Access Nominee(s) of, the requirements of this Section 2.10; and

(9) agrees to file with the Federal Deposit Insurance Corporation any solicitation of the Stockholders relating to the meeting at which its Proxy Access Nominee(s) will be nominated, regardless of whether any such filing is required under Regulation 14A of the Exchange Act or whether any exemption from filing is available for such solicitation under Regulation 14A of the Exchange Act;

(vii) in the case of a nomination by a group of persons together constituting an Eligible Stockholder, the designation by all group members of one member of the group that is authorized to receive communications, notices and inquiries from the Bank and to act on behalf of all members of the group with respect to all matters relating to the nomination under this Section 2.10 (including withdrawal of the nomination); and

(viii) in the case of a nomination by a group of persons together constituting an Eligible Stockholder in which two or more funds that are part of the same Qualifying Fund Group are counted as one record Stockholder or beneficial owner for purposes of qualifying as an Eligible Stockholder, documentation reasonably satisfactory to the Bank that demonstrates that the funds are part of the same Qualifying Fund Group.

(i) In addition to the information required pursuant to Section 2.10(h) or any other provision of these By-laws, (1) the Bank may require any proposed Proxy Access Nominee to furnish any other information (a) that may reasonably be required by the Bank to determine whether the Proxy Access Nominee would be independent under the Independence Standards (as defined in Section 2.10(j)), (2) that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such Proxy Access Nominee, (3) that may reasonably be required by the Bank to determine the eligibility of such Proxy Access Nominee to serve as a Director or (4) as may otherwise be reasonably requested, and (ii) the Bank may require the Eligible Stockholder to furnish any other information that may reasonably be required by the Bank to verify the Eligible Stockholder's continuous ownership of the Required Shares for the Minimum Holding Period or other compliance with this Section 2.10.

(j) Notwithstanding anything to the contrary contained in this Section 2.10, the Bank shall not be required pursuant to this Section 2.10 to include a Proxy Access Nominee in its proxy materials for any annual meeting of Stockholders, or, if the proxy statement already has been filed, to allow the nomination of a Proxy Access Nominee, notwithstanding that proxies in respect of such vote may have been received by the Board, if the Board determines that:

(i) such Proxy Access Nominee would not:

(1) be an independent director under the applicable rules and listing standards of the principal U.S. securities exchanges upon which the stock of the Bank is listed or traded or any other regulatory body with jurisdiction over the Bank, or any publicly disclosed standards used by the Board in determining and disclosing the independence of the Directors;

(2) satisfy the audit, compensation or other board committee independence requirements under the applicable rules and listing standards of the principal U.S. securities exchanges upon which the stock of the Bank is listed or traded or any other regulatory body with jurisdiction over the Bank, or any publicly disclosed standards used by the Board in determining and disclosing the independence of the Bank's committee members; or

(3) be a "non-employee director" under Exchange Act Rule 16b-3 or an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (or any successor provision) (the matters referred to in the foregoing clauses (a) to (c) collectively, the "Independence Standards");

(ii) the election of such Proxy Access Nominee as a member of the Board would cause the Bank to be in violation of its Organization Certificate, these By-laws, the rules or listing standards of the principal U.S. securities exchanges upon which the stock of the Bank is listed or traded, or any applicable law, rule or regulation;

(iii) such Proxy Access Nominee is, or has been within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914;

(iv) such Proxy Access Nominee is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past ten years;

(v) such Proxy Access Nominee is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended;

(vi) such Proxy Access Nominee otherwise becomes ineligible for inclusion in the Bank's proxy materials pursuant to this Section 2.10 or otherwise becomes ineligible, not qualified or unavailable for election at the annual meeting of Stockholders, in each case as determined by the Board, or the person presiding over the annual meeting;

(vii) such Proxy Access Nominee or the applicable Eligible Stockholder (or any member of any group of persons that together is such Eligible Stockholder) provided information to the Bank in connection with such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make any statement made, in light of the circumstances under which it was made, not misleading;

(viii) such Proxy Access Nominee or the applicable Eligible Stockholder (or any member of any group of persons that together is such Eligible Stockholder) otherwise breaches or fails to comply with its representations, undertakings or obligations pursuant to these By-laws, including, without limitation, this Section 2.10; or

(ix) the Eligible Stockholder ceases to be an Eligible Stockholder for any reason, including but not limited to not owning the Required Shares through the date of the applicable annual meeting.

For the purpose of this subsection (j), the occurrence of clauses (i) through (vi) and, to the extent related to a breach or failure by the Proxy Access Nominee, clauses (vii) and (viii) will result in the exclusion from the proxy materials pursuant to this Section 2.10 of the specific Proxy Access Nominee to whom the ineligibility applies and any related Supporting Statement or, if the proxy statement for the applicable annual meeting of Stockholders already has been filed, will result in such Proxy Access Nominee not being eligible or qualified for election at such annual meeting of Stockholders, and, in either case, no other nominee may be substituted by the Eligible Stockholder that nominated such Proxy Access Nominee. The occurrence of clause (ix) and, to the extent related to a breach or failure by an Eligible Stockholder (or any member of any group of persons that together is such Eligible Stockholder), clauses (vii) and (viii) will result in the shares owned by such Eligible Stockholder (or such member of any group of persons that together is such Eligible Stockholder) being excluded from the Required Shares and, if as a result the persons who together nominated the Proxy Access Nominee shall no longer constitute an Eligible Stockholder, will result in the exclusion from the proxy materials pursuant to this Section 2.10 of all of such persons' Proxy Access Nominees and any related Supporting Statements or, if the proxy statement for the applicable annual meeting of Stockholders already has been filed, will result in such Proxy Access Nominees not being eligible or qualified for election at such annual meeting of Stockholders.

(k) (i) The maximum number of Proxy Access Nominees nominated by all Eligible Stockholders that will appear in the Bank's proxy materials with respect to an annual meeting of Stockholders shall not exceed the greater of (1) two or (2) 25% of the number of Directors in office and subject to election by the holders of Common Stock as of the last day on which a Proxy Access Notice may be delivered pursuant to this Section 2.10 with respect to the annual meeting, or if the number of Directors calculated in this clause is not a whole number, the closest whole number below 25% (such number, determined pursuant to clause (1) or clause (2), as applicable, the "Permitted Number"); provided, however, that if one or more vacancies on the Board for any reason occur after the deadline in Section 2.10(g) for delivery of the Proxy Access Notice and before the date of the applicable annual meeting of Stockholders and the Board resolves to reduce the size of the Board in connection therewith such that the number of Directors subject to election by the holders of Common Stock is reduced, the Permitted Number shall be calculated based on the number of Directors in office as so reduced. The Permitted Number shall also be reduced by (1) the number of Director candidates who will be included in the Bank's proxy materials with respect to such annual meeting of Stockholders as nominees unopposed (by the Bank) or recommended by the Board pursuant to an agreement, arrangement or other understanding with a Stockholder or group of Stockholders (other than any such agreement, arrangement or understanding entered into in connection with an acquisition of stock from the Bank by such Stockholder or group of Stockholders), other than any such Director candidate who at the time of the annual meeting shall have served as a Director continuously as a nominee of the Board for at least two annual terms immediately preceding the applicable annual meeting of Stockholders, provided that the Permited Number after such reduction with respect to this clause (1) will in no event be less than one, (2) the number of incumbent Director candidates who were previously elected to the Board as Proxy Access Nominees at any of the preceding two annual meetings of Stockholders pursuant to this Section 2.10 and who remain members of the Board as of the deadline in Section 2.10(g) for delivery of the Proxy Access Notice and (3) the number of Director candidates whose names were submitted for inclusion in the Bank's proxy materials pursuant to this Section 2.10 for the upcoming annual meeting of Stockholders, but who were thereafter nominated for election at such meeting by the Board.

(ii) If the number of Proxy Access Nominees submitted by Eligible Stockholders pursuant to this Section 2.10 exceeds the Permitted Number, each Eligible Stockholder will select one Proxy Access Nominee for inclusion in the Bank's proxy materials until the Permitted Number is reached, going in order of the amount (largest to smallest) of shares of Common Stock of the Bank each Eligible Stockholder disclosed as owned in its respective Proxy Access Notice submitted to the Bank. If the Permitted Number is not reached after each Eligible Stockholder has selected one Proxy Access Nominee, this selection process will continue as many times as necessary, following the same order each time, until the Permitted Number is reached. After reaching the Permitted Number of Proxy Access Nominees, if any Proxy Access Nominee who satisfies the eligibility requirements in this Section 2.10 thereafter (1) is nominated by the Board for election at the upcoming annual meeting of Stockholders, (2) is not submitted for Director election for any reason (including the failure to comply with or satisfy the eligibility requirements in this Section 2.10) other than due to a failure by the Bank to include such Proxy Access Nominee in the Bank's proxy materials in violation of this Section 2.10, (3) withdraws his or her nomination (or his or her nomination is withdrawn by the applicable Eligible Stockholder) or (4) becomes unwilling to serve on the Board, then, in each such case, no other nominee or nominees shall be included in the Bank's proxy materials or otherwise submitted for Director election pursuant to this Section 2.10 in substitution for such Proxy Access Nominee with respect to the annual meeting of Stockholders.

(iii) The number of director candidates for which the Bank shall have received one or more notices that a stockholder intends to nominate director candidates at such applicable annual meeting of stockholders pursuant to clause Section 2.9(a)(iii) shall reduce the Permitted Number, <u>provided</u> that the Permitted Number after such reduction with respect to this clause (iii) will in no event be less than one.

(l) Notwithstanding the foregoing provisions of this Section 2.10, unless otherwise required by law or otherwise determined by the person presiding over the meeting, if none of (i) the Eligible Stockholder or (ii) a Qualified Representative (as defined below) of the Eligible Stockholder appears at the annual meeting of Stockholders to present such Eligible Stockholder's Proxy Access Nominee(s), such nomination or nominations shall be disregarded and conclusively deemed withdrawn, notwithstanding that proxies in respect of the election of the Proxy Access Nominee(s) may have been received by the Bank. A "Qualified Representative" of an Eligible Stockholder means a person that is a duly authorized officer, manager or partner of such Eligible Stockholder or is authorized by a writing (i) executed by such Eligible Stockholder, (ii) delivered (or a reliable reproduction or electronic transmission of the writing is delivered) by such Eligible Stockholder to the Bank prior to the taking of the action taken by such person on behalf of such Eligible Stockholder and (iii) stating that such person is authorized to act for such Eligible Stockholder with respect to the action to be taken.

(m) Any Proxy Access Nominee who is included in the Bank's proxy materials for a particular annual meeting of Stockholders but either (i) withdraws (or is deemed to have withdrawn pursuant to this Section 2.10) from or becomes ineligible or unavailable for election at that annual meeting, or (ii) does not receive a number of votes cast in favor of his or her election at least equal to 25% of the votes present in person or represented by proxy and entitled to vote in the election of Directors, will be ineligible to be a Proxy Access Nominee pursuant to this Section 2.10 for the next two annual meetings of Stockholders.

(n) Any information required by this Section 2.10 to be provided to the Bank must be updated and supplemented by the Eligible Stockholder or Proxy Access Nominee, as applicable, by delivery to the Secretary (i) no later than 10 days after the record date for determining the Stockholders entitled to vote at the annual meeting of Stockholders, of such information as of such record date and (ii) no later than five days before the annual meeting of Stockholders, of such information as of the date that is 10 days before the annual meeting of Stockholders. Further, in the event that any information or communications provided (pursuant to this Section 2.10 or otherwise) by the Eligible Stockholder or the Proxy Access Nominee to the Bank or its Stockholders ceases to be true and correct in any respect or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Stockholder or Proxy Access Nominee, as the case may be, shall promptly notify the Secretary of any such inaccuracy or omission in such previously provided information and of the information that is required to make such information or communication true and correct. For the avoidance of doubt, the requirement to update, supplement and correct such information shall not permit any Eligible Stockholder or other person to change or add any proposed Proxy Access Nominee or be deemed to cure any defects or limit the remedies (including without limitation under these By-laws) available to the Bank relating to any defect (including any inaccuracy or omission).

(o) This Section 2.10 shall be the exclusive method for Stockholders to include nominees for Director election in the Bank's proxy materials.

Section 2.11 *Quorum of Stockholders; Adjournment*. Except as otherwise provided by any statute, the Organization Certificate or these By-laws, the holders of a majority of shares issued, outstanding and entitled to vote at any meeting of Stockholders, present in person or represented by proxy, shall constitute a quorum for the transaction of any business at such meeting, provided that when a specified item of business is required to be voted on by a class or series (if the Bank shall then have outstanding shares of more than one class or series) voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum (as to such class or series) for the transaction of such item of business. When a quorum is once present to organize a meeting of Stockholders, it is not broken by the subsequent withdrawal of any Stockholders. The holders of a majority of the shares present in person or represented by proxy at any meeting of Stockholders, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place.

Section 2.12 *Voting; Proxies*. Unless otherwise provided in the Organization Certificate, every Stockholder of record shall be entitled at every meeting of Stockholders to one vote for each share standing in his or her name on the record of Stockholders determined in accordance with Section 2.5 hereof. If the Organization

Certificate provides for more or less than one vote for any share on any matter, each reference in these By-laws, the Banking Law or any other applicable law or regulation to a majority or other proportion of shares shall refer to such majority or other proportion of the votes of such shares. The provisions of Section 6012 of the Banking Law regarding the qualifications of persons entitled to vote shall apply in determining whether any shares may be voted and the persons, if any, entitled to vote such shares, but the Bank shall be protected in assuming that the persons in whose names shares stand on the share ledger of the Bank are entitled to vote such shares. At any meeting of Stockholders (at which a quorum was present to organize the meeting), all matters, except as otherwise provided by statute or by the Organization Certificate or by these By-laws, shall be decided by a majority of the votes cast at such meeting by the holders of shares present in person or represented by proxy and entitled to vote thereon, whether or not a quorum is present when the vote is taken. In voting on any question on which a vote by ballot is required by law or is demanded by any Stockholder entitled to vote, the voting shall be by ballot. Each ballot shall be signed by the Stockholder voting or the Stockholder's proxy and shall state the number of shares voted. On all other questions, the voting may be viva voce. Each Stockholder entitled to vote at a meeting of Stockholders or to express consent or dissent without a meeting may authorize another person or persons to act for such Stockholder by proxy. The validity and enforceability of any proxy shall be determined in accordance with Section 6009 of the Banking Law. Every proxy shall be revocable at the pleasure of the Stockholder executing it, except as otherwise provided by Section 6009 of the Banking Law. No Director, Officer, clerk, teller or bookkeeper of the Bank shall act as proxy at any meeting of the Stockholders.

Section 2.13 *Voting Procedures and Inspectors of Election at Meetings of Stockholders*. The Board, in advance of any meeting of Stockholders, may appoint one or more inspectors to act at the meeting or any adjournment thereof. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed by the Board or is able to act at a meeting, the person presiding at the meeting may appoint, and on the request of any Stockholder entitled to vote thereat shall appoint, one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. No Director or Officer shall be eligible to act as an inspector of an election of Directors. The inspector or inspectors shall determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum and the validity and effect of proxies and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and shall do such acts as are proper to conduct the election or vote with fairness to all Stockholders. On request of the person presiding at the meeting or any Stockholder entitled to vote thereat, such inspector or inspectors shall make a report in writing of any challenge, question or matter determined by the inspector or inspectors and execute a certificate of any fact found by such inspector or inspectors. Any report or certificate made by the inspector or inspectors shall be prima facie evidence of the facts stated and of the vote as certified by such inspector or inspectors. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Unless otherwise provided by the Board, the date and time of the opening and the closing of the polls for each matter upon which the Stockholders will vote at a meeting shall be determined by the person presiding at the meeting and shall be announced at the meeting. No ballot, proxies or votes, or any revocation thereof or change thereto, shall be accepted by the inspectors after the closing of the polls unless the courts of the State of New York upon application by a Stockholder shall determine otherwise.

Section 2.14 *Organization.* At each meeting of Stockholders, the Chairman, or in the absence of the Chairman the President, or in the absence of the President, a Vice Chairman, or in the absence of a Vice Chairman, a Vice President, and in case more than one Vice President shall be present, that Vice President designated by the Board (or in the absence of any such designation, the most senior Vice President, based on age, present), shall act as chairman of the meeting. The Secretary, or in his or her absence one of the Assistant Secretaries, shall act as secretary of the meeting. In case none of the Officers above designated to act as chairman or secretary of the meeting, respectively, shall be present, a chairman or a secretary of the meeting, as the case may be, shall be chosen by a majority of the votes cast at such meeting by the holders of shares present in person or represented by proxy and entitled to vote at the meeting.

Section 2.15 *Order of Business*. The order of business at all meetings of Stockholders shall be as determined by the chairman of the meeting.

Section 2.16 *Action without Meeting.* Whenever the Stockholders are required or permitted to take any action by vote, such action may be taken, without a meeting, on written consent, setting forth the action to be taken, signed by all outstanding shares entitled to vote thereon.

ARTICLE III

DIRECTORS

Section 3.1 *General Powers*. Except as otherwise provided in the Organization Certificate, the business and affairs of the Bank shall be managed by or under the discretion of the Board. The Board may adopt such rules and regulations, not inconsistent with the Organization Certificate or these By-laws or applicable laws, as it may deem proper for the conduct of its meetings and the management of the Bank. In addition to the powers expressly conferred by these By-laws, the Board may exercise all powers and perform all acts that are not required, by these By-laws or the Organization Certificate or by statute, to be exercised and performed by the Stockholders.

Section 3.2 *Number; Qualification; Term of Office*. The number of Directors constituting the Board shall be no less than seven or more than 30 members. Subject to the provisions of the preceding sentence and of Section 7002(2) of the Banking Law, the number of Directors shall be nine initially and may thereafter be changed from time to time by action of a majority of the Entire Board. Each Director shall be at least 18 years of age. At least one-half of the Directors shall be citizens of the United States at the time of their election and during their continuation in office in accordance with Section 7001(2)(a) of the Banking Law. No more than one-third of the Directors shall be active Officers or employees of the Bank in accordance with Section 7001(4) of the Banking Law. Directors need not be Stockholders. The directors shall be divided into three classes designated Class I, Class II and Class III until the Bank's annual meeting of Stockholders to be held in 2024. Class I Directors shall serve out the remainder of their current three-year terms, and they and any successors shall stand for re-election at the annual meeting of Stockholders to be held in 2024 for one-year terms ending at the annual meeting of Stockholders to be held in 2025; Class II Directors shall serve out the remainder of their current three-year terms, and they and any successors shall stand for re-election at the annual meeting of Stockholders to be held in 2022 for one-year terms ending at the annual meeting of Stockholders to be held in 2023; and Class III directors shall serve out the remainder of their current three-year terms, and they and any successors shall stand for re-election at the annual meeting of Stockholders to be held in 2023 for one-year terms ending at the annual meeting of Stockholders to be held in 2024. Following the annual meeting of Stockholders to be held in 2024, each Director shall be elected to serve for a one-year term ending at the annual meeting of Stockholders following the annual meeting of Stockholders at which that Director was elected and, the foregoing notwithstanding, shall serve until his or her successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal. For so long as the Board is classified, if the number of Directors is changed, any increase or decrease shall be apportioned among the classes in such a manner as the Board shall determine so as to maintain the number of Directors in each class as nearly as equal as possible.

Section 3.3 *Election*. Directors shall, except as otherwise required by statute or by the Organization Certificate, be elected by a plurality of the votes cast at a meeting of the Stockholders by the holders of the shares entitled to vote in the election.

Section 3.4 *Newly Created Directorships and Vacancies*. All vacancies in the office of Director, including newly created directorships resulting from an increase in the number of Directors, shall be filled by election by the Stockholders except as hereinafter provided in this Section 3.4. Vacancies not exceeding one-third of the Entire Board may be filled by the affirmative vote of a majority of the Directors then in office, and the Directors so elected shall hold office for the balance of the unexpired term. The Bank shall report any vacancy on the Board or election by the Board to fill any such vacancy together with the name, address and occupation of the person so elected to the Superintendent with ten days following the occurrence of any such vacancy or election in accordance with Section 7005(1)(c) of the Banking Law.

Section 3.5 *Resignation*. A director may resign at any time by delivering written notice to the Board, the Chairman or to the Bank. Such resignation shall be effective when the notice is delivered unless the notice specifies a later effective date. Unless otherwise specified in such resignation, the acceptance of such resignation shall not be necessary to make it effective.

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

Section 3.7 *Compensation*. The Board shall fix the compensation, if any, of each Director, including fees and reimbursement of expenses, and additional compensation if any, for service on a committee of the Board or as chairman thereof. Nothing contained in this Section 3.7 shall preclude any Director from serving the Bank or its subsidiaries in any other capacity and receiving proper compensation therefor.

Section 3.8 *Times and Places of Meetings*. The Board shall hold at least 10 regular meetings during each fiscal year at a time and place designated by the Board or such other number of meetings as permitted by Section 7010 of the Banking Law and the rules and regulations thereunder. The times and places for holding meetings of the Board may be fixed from time to time by resolution of the Board or (unless contrary to a resolution of the Board) in the notice of the meeting.

Section 3.9 *Annual Meeting*. On the day when and at the place where the annual meeting of Stockholders for the election of Directors is held, or as soon as practicable thereafter, the Board may hold its annual meeting, without notice of such meeting, for the purposes of organization, the election of Officers and the transaction of other business. The annual meeting of the Board may be held at any other time and place specified in a notice given as provided in Section 3.14 for special meetings of the Board or in a waiver of notice thereof.

Section 3.10 *Regular Meetings*. Regular meetings of the Board may be held without notice and at such times and at such places as shall from time to time be determined by the Board.

Section 3.11 *Special Meetings*. Special meetings of the Board may be called by the Chairman or by any two or more Directors then serving on at least one day's notice to each Director given by one of the means specified in Section 3.14 hereof other than by mail, or on at least three days' notice if given by mail.

Section 3.12 *Telephone Meetings*. Directors or members of any committee designated by the Board may participate in a meeting of the Board or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.12 shall constitute presence in person at such meeting.

Section 3.13 *Adjourned Meetings*. A majority of the Directors present at any meeting of the Board, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place. At least one day's notice of any adjourned meeting of the Board shall be given to each Director whether or not present at the time of the adjournment, if such notice shall be given by one of the means specified in Section 3.14 hereof other than by mail, or at least three days' notice if by mail. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally called.

Section 3.14 *Notice Procedure*. Subject to Sections 3.11 and 3.17 hereof, whenever, under the provisions of any statute, the Organization Certificate or these By-laws, notice is required to be given to any Director, such notice shall be deemed given effectively if given in person or by telephone, by mail addressed to such Director at such Director's address as it appears on the records of the Bank, with postage thereon prepaid, or by telegram, telex, e-mail, telecopy or similar means addressed as aforesaid. Notwithstanding Sections 3.9, 3.10 and 3.11, notice must be provided to all Directors at least fourteen days prior to any meeting of the Directors at which the Directors consider or approve (i) any issuance of shares of common or preferred stock, (ii) any increase in the number of Directors on the Board, or (iii) the filling of any vacancies on the Board of Directors.

Section 3.15 *Waiver of Notice*. Whenever the giving of any notice is required by statute, the Organization Certificate or these By-laws, a waiver thereof, in writing, signed by the person or persons entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance by a person at a meeting shall constitute a waiver of notice of such meeting except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Directors or a committee of Directors need be specified in any written waiver of notice unless so required by statute, the Organization Certificate or these By-laws, except that written waiver of notice of any meeting at which (i) an issuance of shares of common or preferred stock, (ii) an increase in the number of Directors on the Board, or (iii) the filling of any vacancies on the Board of Directors is considered or approved must state the fact that such business is to be or was considered or approved.

Section 3.16 *Organization*. At each meeting of the Board, the Chairman, or in the absence of the Chairman, a Vice Chairman, or in the absence of a Vice Chairman, the President, or in the absence of the President a chairman chosen by a majority of the Directors present, shall preside. The Secretary shall act as secretary at each meeting of the Board. In case the Secretary shall be absent from any meeting of the Board, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and all Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

Section 3.17 *Quorum of Directors*. The presence in person of a majority of the Entire Board shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

Section 3.18 *Action by Majority Vote*. Except as otherwise expressly required by statute, the Organization Certificate or these By-laws, the vote of a majority of the Directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board.

Section 3.19 *Action Without Meeting*. Unless otherwise restricted by the Organization Certificate, these By-laws, statute or the regulations of the Superintendent, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all Directors or members of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 3.20 *Honorary or Advisory Members*. Honorary or advisory members of the Board, without voting power or power of final decision in matters concerning the business of the Bank, may be appointed or removed by resolution of a majority of the Board or by action of the Stockholders. Honorary or advisory directors shall not be counted to determine the number of directors of the Bank or the presence of a quorum for any Board action, and shall not be required to own qualifying shares.

ARTICLE IV

COMMITTEES OF THE BOARD

Section 4.1 *Committees*. The Board, by resolution adopted by a majority of the Entire Board, may appoint an executive committee of at least five directors and other committees each consisting of at least three directors (except that any nominating committee may consist of two directors, acting unanimously), from time to time, from its own members, for such purposes and with such powers as the Board may determine.

However, a committee may not:

(1) Submit to Stockholders any action that needs Stockholders' approval under the Banking Law.

(2) Fill vacancies on the Board of Directors or any of its committees.

(3) Fix compensation of Directors for serving on the Board of Directors or any committee.

(4) Amend or repeal these By-laws, or adopt new By-laws.

(5) Amend or repeal any resolution of the Board of Directors which by its terms shall not be so amenable or repealable.

(6) Take any action which is expressly required by the Banking Law to be taken at a meeting of the Board of Directors or by a specified proportion of the Directors.

Section 4.2 *Examining Committee*. There shall be an examining committee composed of no less than three directors, exclusive of any active Officers, appointed by the Board at least annually or more often at the Board's discretion. The duty of that committee shall be to examine at least once during each calendar year and within 15 months of the last examination the affairs of the Bank or cause suitable examinations to be made by auditors responsible only to the Board and to report the result of such examination in writing to the Board at the next regular meeting thereafter. Such report shall state whether the Bank is in a sound condition, and whether adequate internal controls and procedures are being maintained and shall recommend to the Board such changes in the manner of conducting the affairs of the Bank as shall be deemed advisable.

Section 4.3 *Committee Procedures*. To the extent required by law, the Board will formally ratify written policies authorized by committees of the Board before they become effective. Provisions of the By-laws governing place of meetings, quorum, and voting requirements of the Board, apply to Board committees and their members as well. A Board committee is any committee designated as such by the Board. Any one or more members of any committee of the Board may participate in a meeting by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time.

ARTICLE V

OFFICERS AND EMPLOYEES

Section 5.1 *Chairman and Vice Chairmen*. The Board shall appoint one of its members to be the Chairman to serve at its pleasure. The Board may also, in its discretion, appoint from one or more of its members, a Vice Chairman or Vice Chairmen of the Board to serve at the Board's pleasure. Such persons shall preside at all meetings of the Board. The Chairman and Vice Chairman or Vice Chairmen of the Board shall supervise the carrying out of the policies adopted or approved by the Board; and shall have and may exercise such further powers and duties as from time to time may be conferred upon, or assigned by the Board. In the absence of the Chairman, a Vice Chairman of the Board shall preside at any meeting of the Board.

Section 5.2 *President*. The Board shall appoint one of its members to be the President of the Bank. The President will also be the Chief Executive Officer. The President shall have general executive powers, and shall have and may exercise any and all other powers and duties pertaining by law, regulation, or practice, to the office of President, or imposed by these By-laws. The President shall also have and may exercise such further powers and duties as from time to time may be conferred, or assigned by the Board including the power to appoint and compensate members of an advisory board or boards. A Vice Chairman of the Board shall be designated by the Board, in the absence of the President, to perform all the duties of the President.

Section 5.3 *Vice President*. The Board shall appoint one or more Vice Presidents. Each Vice President shall have such powers and duties as may be assigned by the Board.

Section 5.4 *Secretary*. The Board shall appoint a Secretary or other designated Officer who shall be Secretary of the Board and of the Bank, and shall keep accurate minutes of all meetings. The President may not serve as the Secretary. The Secretary shall attend to the giving of all notices required by these By-laws; shall be custodian of the corporate seal, records, documents, and papers of the Bank; shall provide for the keeping of proper records of all transactions of the Bank; shall have and may exercise any and all other powers and duties pertaining by law, regulation, or practice, to the office of Secretary, or imposed by these By-laws; and shall also perform such other duties as may be assigned from time to time, by the Board.

Section 5.5 *Other Officers*. The Board may appoint one or more assistant Vice Presidents, one or more Assistant Secretaries, one or more managers and assistant managers of branches and such other Officers (including, but not limited to, Treasurer, Chief Financial Officer, Chief Lending Officer and Chief Operating Officer) and attorneys in fact as from time to time may appear to the Board to be required or desirable to transact the business of the Bank. Such Officers shall respectively exercise such powers and perform such duties as pertain to their several offices, or as may be conferred upon, or assigned to, them by the Board, the Chairman, or the President.

Section 5.6 *Tenure of Office*. The Chairman, all Vice Chairmen, the President and all Vice Presidents shall hold office until the annual meeting of Stockholders next following the date of officers' appointment, unless they shall resign, become disqualified, or be removed; and any vacancy occurring in the office of President shall be filled promptly by the Board.

The Secretary and other Officers, agents and employees shall be elected to hold office during the pleasure of the Board.

Any Officer elected or appointed by the Board may be removed by the Board or have his authority suspended by the Board, with or without cause. Any such removal or suspension without cause shall be without prejudice to any contractual rights of the Officer that is being removed. The election or appointment of an Officer shall not be deemed of itself to create contractual rights.

Section 5.7 *Resignation*. An Officer may resign at any time by delivering notice to the Bank. A resignation is effective when the notice is given unless the notice specifies a later effective date. Unless otherwise specified in such resignation, the acceptance of such resignation shall not be necessary to make it effective.

ARTICLE VI

STOCK AND STOCK CERTIFICATES

Section 6.1 *Transfers*. Shares of stock shall be transferable on the books of the Bank, and a transfer book shall be kept in which all transfers of stock shall be recorded. Every person becoming a Stockholder by such transfer shall, in proportion to his or her shares, succeed to all rights of the prior holder of such shares. The Board may impose conditions upon the transfer of the stock reasonably calculated to simplify the work of the Bank for stock transfers, voting at Stockholder meetings, and related matters, and to protect it against fraudulent transfers.

Section 6.2 *Stock Certificates*. The shares of stock of the Bank shall be represented by certificates, or shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock, or a combination of both. If shares of stock are represented by certificates, such certificates of stock shall bear the signature of the Chairman of the Board, a Vice Chairman of the Board or President and the signature of the Secretary or Assistant Secretary. The signatures of the Officers on a certificate may be signed manually or by facsimile (if countersigned by a transfer agent or registered by a registrar) and the seal of the Bank may be engraved thereon. In case any Officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any certificate shall have ceased to be such Officer, transfer agent or registrar before such certificate is issued, such certificate may, unless otherwise ordered by the Board, be issued by the Bank with the same effect as if such person were such Officer, transfer agent or registrar at the date of issue. Each certificate shall recite on its face: that the Bank was formed under the laws of New York; the name of the person or persons to whom the certificate is issued; the number and class of shares; the par value and that the stock represented thereby is transferable only upon the books of the Bank properly endorsed.

The Board may adopt or use procedures for replacing lost, stolen, or destroyed stock certificates as permitted by law.

The Board may establish or adopt a procedure through which the beneficial owner of shares that are registered in the name of a nominee may be recognized as the holder of such shares. The procedure may set forth:

(1) The types of nominees to which it applies.

(2) The rights or privileges that the Bank recognizes in a beneficial owner.

(3) How the nominee may request the Bank to recognize the beneficial owner as the Stockholder.

(4) The information that must be provided when the procedure is selected.

(5) The period over which the Bank will continue to recognize the beneficial owner as the Stockholder.

(6) Other aspects of the rights and duties created.

Section 6.3 *Transfer and Registry Agents*. The Bank may from time to time maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

Section 6.4 *Lost, Destroyed, Stolen and Mutilated Certificates*. The holder of any shares of the Bank shall immediately notify the Bank of any loss, destruction, theft or mutilation of the certificate representing such shares, and the Bank may issue a new certificate to replace the certificate alleged to have been lost, destroyed, stolen or mutilated. The Board may, in its discretion, as a condition to the issue of any such new certificate, require the owner of the lost, destroyed, stolen or mutilated certificate, or his or her legal representatives, to make proof satisfactory to the Board of such loss, destruction, theft or mutilation and to advertise such fact in such manner as the Board may require, and to give the Bank and its transfer agents and registrars, or such of them as the Board may require, a bond in such form, in such sums and with such surety or sureties as the Board may direct, to indemnify the Bank and its transfer agents and registrars against any claim that may be made against any of them on account of the continued existence of any such certificate so alleged to have been lost, destroyed, stolen or mutilated and against any expense in connection with such claim.

Section 6.5 *Rules and Regulations*. The Board may make such rules and regulations as it may deem expedient, not inconsistent with these By-laws or with the Organization Certificate, concerning the issue, transfer and registration of certificates representing shares.

Section 6.6 *Restriction on Transfer of Shares*. If any two or more Stockholders or subscribers for shares of the Bank shall enter into any agreement whereby the rights of any one or more of them to sell, assign, transfer, mortgage, pledge, hypothecate, or transfer on the books of the Bank, any or all of such shares held by them shall be abridged, limited or restricted, and if a copy of such agreement shall be filed with the Bank and shall contain a provision that the certificates representing shares subject to it shall bear a reference to such agreement, then all certificates representing shares covered or affected by said agreement shall have such reference thereto endorsed thereon; and such shares shall not thereafter be transferred on the books of the Bank except in accordance with the terms and provisions of such agreement.

Section 6.7 *Dividends, Surplus, Etc.* Subject to the provisions of the Organization Certificate and of applicable statute or regulation, the Board:

(1) may declare and pay dividends or make other distributions on its outstanding shares in such amounts and at such time or times as it, in its discretion, shall deem advisable giving due consideration to the condition of the affairs of the Bank;

(2) may use and apply, in its discretion, any of the surplus of the Bank in purchasing or acquiring any shares of the Bank, or purchase warrants therefor, in accordance with law, or any of its bonds, debentures, notes, scrip or other securities or evidences of indebtedness; and

(3) may set aside from time to time out of such surplus or net profits such sum or sums as, in its discretion, it may think proper, as a reserve fund to meet contingencies, or for equalizing dividends or for the purpose of maintaining or increasing the property or business of the Bank, or for any purpose it may think conducive to the best interests of the Bank.

ARTICLE VII

CORPORATE SEAL

The President, the Secretary, any Assistant Secretary or other Officer thereunto designated by the Board, shall have authority to affix the corporate seal to any document requiring such seal and to attest the same. The corporate seal shall have inscribed thereon the name of the Bank, the year of its organization and the words "Corporate Seal, New York". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1 *Fiscal Year*. The fiscal year of the Bank shall be the calendar year, provided that the fiscal year may be changed by resolution of the Board.

Section 8.2 *Execution of Instruments*. All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, proxies and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted on behalf of the Bank by the Chairman, a Vice Chairman or the President, or any Vice President or the Secretary. Any such instruments may also be executed, acknowledged, verified, delivered or accepted on behalf of the Bank in such other manner and by such other Officers as the Board may from time to time authorize. The provisions of this Section 8.2 are supplementary to any other provision of these By-laws.

Section 8.3 *Books and Records*. There shall be kept at the Office of the Bank correct and complete records and books of account recording the financial transactions of the Bank and minutes of the proceedings of the Stockholders, the Board and any committee of the Board. The Bank shall keep at the Office of the Bank, or at the office of the transfer agent or registrar of the Bank, a record containing the names and addresses of all Stockholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof.

Section 8.4 *Form of Records*. Any records maintained by the Bank in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs, or any other information storage device, provided that the records so kept can be converted into clearly legible written form within a reasonable time. The Bank shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section 8.5 *Inspection of Books and Records*. Except as otherwise provided by law, the Board shall determine from time to time whether, and, if allowed, when and under what conditions and regulations, the accounts, books, minutes and other records of the Bank, or any of them, shall be open to the Stockholders for inspection.

Section 8.6 *Corporate Governance Procedures*. To the extent not inconsistent with applicable federal banking statutes, the corporate governance procedures of the Banking Law will be followed.

Section 8.7 *Indemnification*. The Bank may make or agree to make indemnification payments to an institution-affiliated party, as defined at 12 USC 1813(u), for an administrative proceeding or civil action initiated by any federal banking agency, that are reasonable and consistent with the requirements of 12 USC 1828(k) and its implementing regulations.

The Bank may indemnify an institution-affiliated party, as defined at 12 USC 1813(u), for damages and expenses, including the advancement of expenses and legal fees, in cases involving an administrative proceeding or civil action not initiated by a federal banking agency, in accordance with the laws of the State of New York, provided such payments are consistent with safe and sound banking practices.

Except to the extent that the following provisions are incompatible with applicable federal and state banking statutes or regulations, or bank safety and soundness:

(a) The Bank shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Bank) including an action by or in the right of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, for which any Director or Officer of the Bank served in any capacity at the request of the Bank, by reason of the fact that he or she is or was a Director or Officer of the Bank, or serves or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, penalties and amounts paid in settlement and reasonable expenses (including attorneys' fees, disbursements and other charges), actually and necessarily incurred by him or her in connection with such action, suit or proceeding or any appeal thereof, if he or she acted in good faith and in a manner he reasonably believed to be in, or in the case of service for any other corporation, partnership, joint venture, trust employee benefit plan or other enterprise, not opposed to, the best interests of the Bank and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or in the case of service for any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise or not opposed to the best interest of the Bank, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Bank shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Bank to procure a judgment in its favor by reason of the fact that he is or was a Director or Officer of the Bank or is or was serving at the request of the Bank as a director or officer of any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against amounts paid in settlement and reasonable expenses (including attorneys' fees, disbursements and other charges) actually and necessarily incurred by him in connection with the defense or settlement of such action or suit, or any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in or in the case of service for any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, not opposed to, the best interests of the Bank; except that no indemnification shall be made in respect of (a) a threatened or pending action that is settled or otherwise disposed of, or (b) any claim, issue or matter as to which such person shall have been adjudged to be liable to the Bank unless and only to the extent that the court in which such action or suit was brought, or if no action was brought, any court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(c) The Bank may indemnify any person who is or was an employee or agent of the Bank or is or was serving at the request of the Bank as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise to the extent and under the circumstances provided by paragraphs (a) and (b) of this Section 8.7 with respect to a person who is or was a Director or Officer of the Bank.

(d) A person who has been successful, on the merits or otherwise, in the defense of a civil or criminal action or proceeding under paragraph (a), (b) or (c) of this Section 8.7 shall be entitled to indemnification. Any other indemnification pursuant to paragraph (a) (b) or (c) of this Section 8.7 (unless ordered by a court) shall be made by the Bank only as authorized in the specific case upon a determination that indemnification of the Director, Officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth therein. Such determination shall be made (i) by the Board by a majority vote of a quorum (defined in Section 3.17 above) consisting of Directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (iii) by the Stockholders.

(e) Expenses (including attorneys' fees, disbursements and other charges) incurred in defending a civil or criminal action, suit or proceeding may be paid by the Bank in advance of the final disposition of such action, suit or proceeding to the extent of an undertaking by or on behalf of the Director or Officer that is eligible for indemnification to repay such amount to the extent required by Section 7022 of the New York Banking Law.

(f) The indemnification provided by this Section 8.7 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute or regulation, these By-laws, the Organization Certificate, any agreement, any vote of the Stockholders or disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, Officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) By action of the Board, notwithstanding any interest of the Directors in the action, the Bank may purchase and maintain insurance, in such amounts as the Board deems appropriate on behalf of the Bank and any person who is or was a Director, Officer of the Bank, or of any corporation a majority of the voting stock of which is owned by the Bank, or is or was serving at the request of the Bank as a director, officer of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, (1) if the Bank would have the power or would be required to indemnify him or her against such liability under the provisions of this

Section 8.7 or (2) if indemnification is not provided in this Section 8.7, to the extent that the insurance contract covering such directors and officers provides for a retention amount and co-insurance in a manner that is acceptable to the Superintendent of Insurance of New York.

In addition, no insurance provided in accordance with this Section 8.7(g) may provide for any payment, other than for the cost of defense, to or on behalf of any Director or Officer (1) if a judgment or other final adjudication adverse to the insured Director or Officer establishes that his acts of active and deliberate dishonesty were material to the cause of action so adjudicated, or that he personally gained in fact a financial profit or other advantage to which he is not legally entitled, or (2) in relation to any risk that is prohibited from being insured under the insurance law of New York.

Section 8.8 *Debt Obligations*. The Bank at any time and from time to time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the Stockholders. Obligations classified as debt, whether or not subordinated, which may be issued by the Bank without the approval of the Stockholders, do not carry voting rights on any issue, including an increase or decrease in the aggregate number of the securities, or the exchange or reclassification of all or part of securities into securities of another class or series.

Section 8.9 *Proxies and Consents*. Unless otherwise directed by the Board, the President, any Vice President, the Secretary or the Treasurer, or any one of them, may execute and deliver on behalf of the Bank proxies respecting any and all shares or interests of any other entity owned by the Bank appointing such person or persons as the Officer executing the same shall deem proper to represent and vote the shares or interests so owned at any and all meetings of holders of shares or interests, whether general or special, and/or to execute and deliver consents respecting such shares or interests; or any of the aforesaid Officers may attend any meeting of the holders of shares or interests of such other entity and thereat vote or exercise any or all other powers of the Bank as the holder of such shares or interests.

ARTICLE IX

AMENDMENTS

These By-laws may be altered, amended, or repealed and new By laws may be adopted by a vote of the holders of a majority of the shares entitled to vote in the election of Directors or by a vote of a majority of the Entire Board. Notwithstanding the preceding sentence, (x) none of the provisions of this Article IX shall be altered, amended or repealed by the Board, and no alteration, repeal or amendment of Section 3.14 that would have the effect of changing the notice requirement for meetings of the Board of Directors to approve or consider (i) the issuance of shares of common or preferred stock, (ii) an increase in the number of Directors on the Board, or (iii) the filling of any vacancies on the Board of Directors shall be made by the Board and (y) the stockholders may not alter, amend or repeal Section 2.6, Section 3.2 or this clause (y) of Article IX of these By-Laws unless such alteration, amendment or revocation is approved, at an annual meeting or any special meeting of the stockholders, by the holders of at least 66 2/3 % of the shares entitled to vote. Any By laws adopted by the Board may be altered, amended or repealed by the Stockholders entitled to vote thereon. If any By-law regulating an impending election of Directors is adopted, altered, amended, supplemented or repealed by the Board, such By law shall be set forth in the notice of the next meeting of Stockholders for election of Directors, together with a concise statement of the changes made.

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, 2022

/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, 2022

/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, 2022, 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, 2022

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

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