SIGNATURE BANK

Signature Bank

FDIC Certificate #57053

Dodd-Frank Act Stress Test Public Disclosure

Supervisory Severely Adverse Scenario Results

October 2017

Explanatory Note

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act ("DFA") and regulations issued by the Board of Governors of the Federal Reserve System ("FRB"), banks with total consolidated assets of between $10 billion and $50 billion ("covered companies"), including Signature Bank ("SBNY"), are required to conduct annual stress tests. The company-run Dodd-Frank Act Stress Test ("DFAST") is a forward-looking exercise under which SBNY must estimate the impact of hypothetical macroeconomic scenarios on its financial condition and its capital ratios over a nine-quarter planning period. The Baseline, Adverse and Severely Adverse macroeconomic scenarios are published by the FRB annually. Covered companies are required to publically disclose a summary of the company-run stress test results for the Severely Adverse scenario.

On February 10, 2017, the FRB published the three macroeconomic scenarios under the publication "2017 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule." The 2017 stress testing forecast period is January 1, 2017 through March 31, 2019.

Per the disclosure requirements mentioned above, the stress test results disclosed herein are SBNY's estimates of resources, losses and capital levels under the Supervisory Severely Adverse scenario ("scenario"). These estimates do not represent forecasts of expected results. As indicated by the FRB, the economic assumptions embedded in the Supervisory Severely Adverse scenario represent a hypothetical economic outcome that is more adverse than expected.

The Supervisory Severely Adverse scenario is characterized by a severe global recession that is accompanied by a period of heightened stress in corporate loan markets and commercial real estate markets. In the scenario, the level of U.S. real GDP begins to decline in the first quarter of 2017 and reaches a trough in the second quarter of 2018 that is about 6½ percent below the pre-recession peak. The unemployment rate increases by about 5¼ percentage points, to 10 percent, by the third quarter of 2018. Equity prices fall by 50 percent through the end of 2017, accompanied by a surge in equity market volatility, which approaches the levels attained in 2008. Housing prices and commercial real estate prices fall by 25 percent and 35 percent, respectively, through the first quarter of 2019.

Reflecting the weak economic environment, financial conditions in corporate and real estate lending markets are stressed severely. The spread between yield on investment-grade corporate bonds and 10-year Treasury yield widens to about 5½ percentage points by the end of 2017, an increase of 3½ percentage points relative to the fourth quarter of 2016. The spread between mortgage rate and 10-year Treasury yield widens to over 3½ percentage points over the same time period. Additional information on the Supervisory Severely Adverse scenario is available on the Federal Reserve's website at http://www.federalreserve.gov.

Risk Types

A critical goal of SBNY's capital adequacy process and stress testing is the identification and measurement of risks and vulnerabilities specific to SBNY. While credit risk related to loans represents SBNY's most significant inherent risk, the capital adequacy and stress testing process is designed to address a comprehensive set of risks. The types of risks considered in the stress test include, but are not limited to the following:

- Credit Risk – the potential loss from not being able to collect the principal and interest balance on a loan or other investment contract when it is due. For SBNY, most of this risk stems from the loan portfolio.
- Market Risk – the possibility that SBNY will suffer losses due to factors affecting the financial markets and other asset price indices. It includes risk of losses due to adverse movements in interest rates or market prices. The primary market risk that SBNY is exposed to is interest rate risk which is the risk of reduction of net interest income due to changes in interest rates.
- Liquidity Risk – the possibility that SBNY would be unable to meet its financial obligations to its clients (depositors and borrowers) or 3rd parties (e.g. institutional lenders) as they come due. SBNY's stress test results take into account the impact of the scenario assumptions on SBNY's funding needs and its access to liquidity.
- Operational Risk – the potential losses resulting from human error, inadequate or failed internal processes and systems, and external events. This also encompasses compliance and legal risks.

Methodology

SBNY's capital adequacy process includes a number of statistical models for estimating credit losses, pre-provision net revenue, provision expense and net income. In forecasting revenues and losses, these models consider the impact of macroeconomic conditions on new loan originations, loan charge-offs, prepayments, renewals, pay downs, net interest margin, etc. The models are designed to capture SBNY's portfolio and business characteristics.

Model results include loan loss forecasts and a projection of portfolio balances over the forecast horizon. The results are used to derive loan loss provisions needed to maintain a sufficient allowance.

In addition to model outputs, SBNY's capital adequacy process also considers qualitative components that are guided by management's review and governance regarding the stress test results and processes. These management reviews involve subject matter experts from business units and risk areas across the institution and, in some cases, result in customizations to modeled outcomes to reflect these judgments.

Changes to SBNY's capital position (and capital ratios) are determined by analyzing (1) the impact to capital from projected earnings and (2) changes in asset balances based on the aggregated results of the model outputs and qualitative components.

Risk-weighted asset projections are based on risk weightings as specified in applicable regulations pertaining to each type of asset category and projected balance sheet changes.

Summary of Stress Test Results

In the hypothetical Severely Adverse scenario, the Bank projects $1,287 million in cumulative loan losses for the nine-quarter planning period (Q1 2017 through Q1 2019). The provision for loan and lease losses, primarily driven by expected loan losses, results in reduced regulatory capital ratios over the planning period. Projected total provision expense is $2,020 million over the planning period. The significant drivers for the change in SBNY's regulatory capital ratios under the Supervisory Severely Adverse scenario include the following:

- Elevated credit-related losses, predominately in the form of net loan charge-offs and a provision for loan losses necessary to maintain an appropriate level of allowance for loan losses.
- Pre-provision net revenue, although negatively affected by the severe economic conditions of the scenario, partially offsets the negative capital impact from credit losses.
- No capital actions are projected over the forecast horizon in any scenario. All earnings are retained by the Bank.

The following tables summarize the projected capital ratios, gains or losses, revenue, net income and loan losses under the Supervisory Severely Adverse scenario. The projected capital ratios reflect no share repurchases, no common stock dividends, and no redemptions of any regulatory capital instruments:

Table 1: Projected Capital Ratios

Projected Capital Ratios	Actual	Stressed Capital Ratios		Well-Capitalized
	Q4 2016	Q1 2019	Minimum	Regulatory Minimum
CET1 ratio	11.92%	9.75%	9.58%	6.50%
Tier 1 risk-based capital ratio	11.92%	9.75%	9.58%	8.00%
Tier 1 leverage ratio	9.61%	8.06%	7.95%	5.00%
Total risk-based capital ratio	13.46%	11.65%	11.49%	10.00%

All regulatory capital ratios remain above the required minimum levels to be considered "well-capitalized" throughout the nine quarter forecast horizon.

Table 2: Cumulative Projected Revenue and Net Income for the 9 Quarter Forecast

Cumulative Projected Revenue and Net Income for the 9 Quarter Forecast	Millions ($)
Pre-provision Net Revenue[1]	2,392.5
Other Revenue	-
Provisions for Loan & Lease Losses	(2,019.9)
Realized Losses on Securities (AFS/HTM)	(27.0)
Trading and Counterparty Losses	-
Other Gains/Losses	-
Net Income	213.6

[1] *Pre-provision net revenue includes projected losses from operational risk events.*

Table 3: Cumulative Projected Loan Losses for the 9 Quarter Forecast

Cumulative Projected Loan Losses for the 9 Quarter Forecast	Millions ($)	Cumulative Loss (%)[1]
Loan Losses	1,287.0	3.87%

[1] *Average loan balances used to calculate portfolio loss rates over nine quarters*.

Forward-Looking Statements

Pursuant to the regulations issued by the FRB under the DFA, SBNY is required to conduct a forward-looking company-run stress test exercise and to publicly disclose the results of that exercise. The exercise involves projections of financial condition, results of operations, plans, objectives, future performance or business under a hypothetical Supervisory Severely Adverse scenario that incorporates a set of assumed economic and financial conditions prescribed by the FRB. The statements in this report regarding the stress test exercise and the results of the exercise constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You should not place undue reliance on those statements because they are subject to numerous risks and uncertainties relating to our operations and business environment, all of which are difficult to predict and may be beyond our control. Forward-looking statements include information concerning our future results, interest rates and the interest rate environment, loans and deposit growth, loan performance, operations, new private client team hires, banking, new office openings and business strategy. These statements often include words such as “may,” “believe,” “expect,” “anticipate,” “intend,” “potential,” “opportunity,” “could,” “ project,” “seek,” “should,” “will,” “would,” “plan,” “estimate,” or other similar expressions. As you consider forward-looking statements, you should understand that these statements are not guarantees of performance results. They involve risks, uncertainties and assumptions that could cause actual results to differ materially from those in the forward-looking statements. These factors include but are not limited to: (i) prevailing economic conditions; (ii) changes in interest rates, loan demand, real estate values and competition, any of which can materially affect origination levels and gain on sale results in our business, as well as other aspects of our financial performance, including earnings on interest-bearing assets; (iii) the level of defaults, losses and prepayments on loans made by us, whether held in portfolio or sold in the whole loan secondary markets, which can materially affect charge-off levels and required credit loss reserve levels; (iv) changes in monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System; (v) changes in the banking and other financial services regulatory environment and (vi) competition for qualified personnel and desirable office locations. As you read and consider forward-looking statements, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties, and assumptions and can change as a result of many possible events or factors, not all of which are known to us or in our control. However, actual economic and financial conditions resulting from adverse developments in future periods could differ significantly from the economic and financial conditions assumed under the hypothetical Supervisory Severely Adverse scenario. Although we believe that these forward-looking statements are based on reasonable assumptions, beliefs and experiences, if a change occurs or our beliefs, assumptions and expectations were incorrect, our business, financial condition, liquidity or results of operations may vary materially from those expressed in our forward-looking statements. Additional risks are described in our quarterly and annual reports filed with the FDIC. You should keep in mind that any forward-looking statements made by SBNY speak only as of the date on which they were made. New risks and uncertainties come up from time to time, and we cannot predict these events or how they may affect the Bank. SBNY has no duty to, and does not intend to update or revise the forward-looking statements after the date on which they were made. In light of these risks and uncertainties, you should keep in mind that any forward-looking statements made in this presentation or elsewhere might not reflect actual results.