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: September 30, 2018

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

For the transition period from ___________ to __________

FDIC Certificate Number 57053

SIGNATURE BANK

(Exact name of Company as specified in its charter)

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

(646) 822-1500

(Company's telephone number, including area code)

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

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

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

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 –November 6, 2018
$.01 Par Value per share	**53,381,800**

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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)	September 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Cash and due from banks	$ 155,791	290,078
Short-term investments	39,613	45,388
Total cash and cash equivalents	195,404	335,466
Securities available-for-sale	7,220,219	6,953,719
Securities held-to-maturity (fair value $1,829,462 at September 30, 2018 and $1,983,087 at December 31, 2017)	1,903,343	1,996,376
Federal Home Loan Bank stock	230,677	227,920
Loans held for sale	502,915	432,277
Loans and leases, net	34,906,505	32,416,580
Premises and equipment, net	69,062	61,571
Accrued interest and dividends receivable	133,527	117,070
Other assets	709,058	576,741
Total assets	$ 45,870,710	43,117,720
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	$ 12,158,738	11,353,038
Interest-bearing	23,932,487	22,086,789
Total deposits	36,091,225	33,439,827
Federal funds purchased and securities sold under agreements to repurchase	575,000	790,000
Federal Home Loan Bank borrowings	4,210,000	4,195,000
Subordinated debt	257,974	257,381
Accrued expenses and other liabilities	498,514	403,821
Total liabilities	41,632,713	39,086,029
Shareholders' equity		
Preferred stock, par value $.01 per share; 61,000,000 shares authorized; none issued at September 30, 2018 and December 31, 2017	-	-
Common stock, par value $.01 per share; 64,000,000 shares authorized; 55,384,378 shares issued and 55,383,361 outstanding at September 30, 2018; 54,979,213 shares issued and 54,977,971 outstanding at December 31, 2017	554	550
Additional paid-in capital	1,848,624	1,809,642
Retained earnings	2,601,073	2,290,537
Treasury stock, 1,017 shares at September 30, 2018; and 1,242 shares at December 31, 2017	(113)	(171)
Accumulated other comprehensive loss	(212,141)	(68,867)
Total shareholders' equity	4,237,997	4,031,691
Total liabilities and shareholders' equity	$ 45,870,710	43,117,720

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(dollars in thousands, except per share amounts)		*Three months ended September 30,* 2018	2017	*Nine months ended September 30,* 2018	2017
INTEREST AND DIVIDEND INCOME					
Loans held for sale	$	2,442	911	8,205	3,155
Loans and leases, net		351,743	301,561	1,011,765	875,028
Securities available-for-sale		58,381	49,986	165,073	150,653
Securities held-to-maturity		14,394	14,549	43,437	44,346
Other investments		7,268	3,662	19,623	10,030
Total interest income		434,228	370,669	1,248,103	1,083,212
INTEREST EXPENSE					
Deposits		79,200	46,659	199,264	121,772
Federal funds purchased and securities sold under agreements to repurchase		2,519	1,913	7,909	7,329
Federal Home Loan Bank borrowings		24,068	9,634	66,048	25,407
Subordinated debt		3,645	3,645	10,928	10,890
Total interest expense		109,432	61,851	284,149	165,398
Net interest income before provision for loan and lease losses		324,796	308,818	963,954	917,814
Provision for loan and lease losses		7,351	14,340	156,083	221,560
Net interest income after provision for loan and lease losses		317,445	294,478	807,871	696,254
NON-INTEREST INCOME					
Commissions		3,249	3,036	9,704	9,094
Fees and service charges		6,914	6,112	20,708	18,127
Net gains on sales of securities		12	735	810	3,263
Net gains on sales of loans		1,931	2,204	5,133	6,657
Other-than-temporary impairment losses on securities:					
Total impairment losses on securities		-	(361)	(2)	(634)
Portion recognized in other comprehensive income (before taxes)		-	-	(14)	32
Net impairment losses on securities recognized in earnings		-	(361)	(16)	(602)
Tax credit investment amortization		(8,369)	(4,388)	(21,654)	(11,523)
Other income		806	781	2,675	2,527
Total non-interest income		4,543	8,119	17,360	27,543
NON-INTEREST EXPENSE					
Salaries and benefits		76,140	70,112	225,023	204,856
Occupancy and equipment		8,638	8,210	25,172	24,280
Information technology		6,083	5,970	18,661	16,743
FDIC assessment fees		7,070	7,260	21,504	20,242
Professional fees		3,307	3,181	10,086	9,222
Other general and administrative		15,970	10,895	66,689	49,756
Total non-interest expense		117,208	105,628	367,135	325,099
Income before income taxes		204,780	196,969	458,096	398,698
Income tax expense		49,334	72,498	113,594	126,354
Net income	$	155,446	124,471	344,502	272,344
PER COMMON SHARE DATA					
Earnings per share – basic	$	2.84	2.30	6.32	5.05
Earnings per share – diluted	$	2.84	2.29	6.30	5.01
Dividends per common share	$	0.56	-	0.56	-

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in thousands)	*Three months ended September 30,* 2018	2017	*Nine months ended September 30,* 2018	2017
Net income	$ 155,446	124,471	344,502	272,344
Other comprehensive income, net of tax:				
Net unrealized gains (losses) on securities	(51,113)	(3,820)	(181,203)	19,490
Tax effect	3,709	1,384	36,005	(7,348)
Net of tax	(47,404)	(2,436)	(145,198)	12,142
Reclassification adjustment for net gains on sales of securities included in net income	(12)	(735)	(810)	(3,263)
Tax effect	3	283	201	1,230
Net of tax	(9)	(452)	(609)	(2,033)
Amortization of net unrealized loss on securities transferred to held-to-maturity	530	737	1,763	2,202
Tax effect	(130)	(281)	(436)	(830)
Net of tax	400	456	1,327	1,372
Other-than-temporary losses on securities related to noncredit factors	-	-	14	(32)
Tax effect	-	-	(3)	12
Net of tax	-	-	11	(20)
Reclassification adjustment for other-than-temporary impairment losses on securities related to credit factors included in net income	-	361	16	602
Tax effect	-	(136)	(4)	(227)
Net of tax	-	225	12	375
Total other comprehensive income (loss), net of tax	(47,013)	(2,207)	(144,457)	11,836
Comprehensive income, net of tax	$ 108,433	122,264	200,045	284,180

See accompanying notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

(in thousands, except per share amount)						
	Nine months ended September 30, 2018					
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock**	**Accumulated other comprehensive loss**	**Total shareholders' equity**
Balance at December 31, 2017	$ 550	1,809,642	2,290,537	(171)	(68,867)	4,031,691
Opening retained earnings adjustments (1)	-	-	(2,972)	-	1,183	(1,789)
Common stock issued	4	-	-	-	-	4
Restricted stock activity, net	-	38,869	-	171	-	39,040
Stock warrant activity, net	-	113	-	(113)	-	-
Net Income	-	-	344,502	-	-	344,502
Other comprehensive loss, net of tax	-	-	-	-	(144,457)	(144,457)
Dividends paid on common stock ($0.56 per share)	-	-	(30,994)	-	-	(30,994)
Balance at September 30, 2018	$ 554	1,848,624	2,601,073	(113)	(212,141)	4,237,997

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

(in thousands)						
	Nine months ended September 30, 2017					
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock**	**Accumulated other comprehensive loss**	**Total shareholders' equity**
Balance at December 31, 2016	$ 546	1,763,100	1,903,332	-	(54,714)	3,612,264
Common stock issued	-	-	-	-	-	-
Stock options activity, net	-	-	-	-	-	-
Restricted stock activity, net	4	35,505	-	-	-	35,509
Stock warrant activity, net	-	-	-	-	-	-
Net Income	-	-	272,344	-	-	272,344
Other comprehensive income, net of tax	-	-	-	-	11,836	11,836
Balance at September 30, 2017	$ 550	1,798,605	2,175,676	-	(42,878)	3,931,953

See accompanying notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)		*Nine months ended September 30,* 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$	344,502	272,344
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		10,657	8,819
Provision for loan and lease losses		156,083	221,560
Net impairment losses on securities recognized in earnings		16	602
Net amortization/accretion of premium/discount		88,875	86,111
Stock-based compensation expense		39,044	35,509
Net gains on sales of securities and loans		(5,943)	(9,920)
Deferred income tax (benefit) expense		(13,321)	25,980
Purchases of loans held for sale		(1,618,533)	(1,485,807)
Proceeds from sales and principal repayments of loans held for sale		1,405,496	1,556,813
Net increase in accrued interest and dividends receivable		(16,457)	(789)
Net increase in other assets		(60,368)	(131,798)
Net increase in accrued expenses and other liabilities		115,454	52,128
Net cash provided by operating activities		445,505	631,552
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities available-for-sale ("AFS")		(1,211,275)	(1,316,587)
Proceeds from sales of securities AFS		28,076	89,483
Maturities, redemptions, calls and principal repayments on securities AFS		785,431	846,902
Purchases of securities held-to-maturity ("HTM")		(80,893)	(148,239)
Maturities, redemptions, calls and principal repayments on securities HTM		164,246	171,705
Purchases of Federal Home Loan Bank stock		(914,457)	(256,835)
Proceeds from redemptions of Federal Home Loan Bank stock		911,700	235,794
Proceeds from the settlement of bank owned life insurance ("BOLI")		-	620
Net increase in loans and leases		(2,649,890)	(2,388,345)
Net purchases of premises and equipment		(18,148)	(18,146)
Net cash used in investing activities		(2,985,210)	(2,783,648)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in non-interest-bearing deposits		805,700	144,022
Net increase in interest-bearing deposits		1,845,698	1,672,585
Proceeds from the issuance of Federal Home Loan Bank borrowings		2,235,000	1,725,000
Repayment of Federal Home Loan Bank borrowings		(2,220,000)	(1,230,900)
Proceeds from the issuance of other borrowings		575,000	387,000
Repayment of other borrowings		(790,000)	(763,000)
Cash dividends paid on common stock		(30,994)	-
Payments of employee taxes withheld from stock-based compensation		(20,761)	(27,804)
Net cash provided by financing activities		2,399,643	1,906,903
Net (decrease) in cash and cash equivalents		(140,062)	(245,193)
Cash and cash equivalents at beginning of period		335,466	538,951
Cash and cash equivalents at end of period	$	195,404	293,758
Supplemental disclosures of cash flow information:			
Interest paid during the period	$	274,772	160,516
Income taxes paid during the period	$	76,427	153,666
Non-cash investing activities:			
Transfer of loans to repossessed assets, at fair value	$	56,256	32,853
Excess servicing strips from the securitization of SBA loans	$	80,988	67,991

See accompanying notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

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

1. Basis of Presentation and Consolidation

The accompanying unaudited Consolidated Financial Statements of the Bank have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and practices within the banking industry. These financial statements have been prepared to reflect all adjustments necessary to present fairly the financial condition and results of operations as of the dates and for the periods shown. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current period’s presentation. To better align with recent regulatory guidance, in 2017 the Bank began using the acquisition, development and construction loan caption. Within this document, the change only impacted the loan and lease loss provision by loan portfolio segment in Note 7.

The results of operations and other data presented for the quarter ended September 30, 2018 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2018. 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 includes the adequacy of the allowance for loan and lease losses (“ALLL” or the “allowance”). See Critical Accounting Policies later in this report for additional information.

You should read these unaudited Consolidated Financial Statements and notes thereto and the related management’s discussion and analysis together with the financial information in our 2017 Annual Report on Form 10-K, previously filed with the Federal Deposit Insurance Corporation (“FDIC”). There have not been any significant changes in the factors or methodology used in determining our accounting estimates or applied in our critical accounting policies since December 31, 2017 that are material in relation to our financial condition or results of operations.

2. Recent Accounting Pronouncements

(a) Not Yet Adopted

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU eliminates, and modifies certain disclosure requirements for fair value measurements. It also adds new disclosure requirements for Level 3 instruments, such as changes in unrealized gains and losses included in Other Comprehensive Income, the range and weighted average of significant unobservable inputs and narrative description of the measurement uncertainty. The guidance is effective for fiscal years beginning after December 15, 2019, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the existing requirements. Retrospective transition is required for most amendments while others require prospective application, e.g., the new disclosure requirements related to Level 3 fair value measurements. The Company is currently assessing the impact to its Consolidated Financial Statements; however, the impact is not expected to be material.

In June 2018, the FASB issued ASU 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The standard simplifies the accounting for shared-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. Equity-classified nonemployee awards will be measured on the grant date, rather than on the earlier of (1) the performance commitment date or (2) the date at which the nonemployee’s performance is complete. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and requires a cumulative-effect adjustment to retained earnings as of the beginning of the annual period of adoption. This ASU will impact the timing and the amount of compensation expense recognized for our restricted stock awards granted to nonemployees. The quantitative impact will depend on the share price difference between grant date and ASU adoption date.

In February 2018, the FASB issued ASU 2018-02, *Income Statement –Reporting Comprehensive Income (Topic 220)*. The standard provides entities an option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act enacted in December 2017 to retained earnings as compared to income tax expense. This ASU is effective

for fiscal years beginning after December 15, 2018 with early adoption allowed. The new standard can be applied either (1) in the period of adoption or (2) retrospectively to each period in which the effect of the change in the federal income tax rate is recognized. Management is currently assessing whether to elect to reclassify the stranded OCI to retained earnings as permitted by ASU 2018-02. Therefore, this standard had no impact on the Company's consolidated financial statements as of September 30, 2018.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The standard shortens the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. The guidance does not change the accounting for discount accretion. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, and interim periods therein. Early adoption is permitted. The Company has completed its scoping and impact analysis. Based on the assessment, the impact to its Consolidated Financial Statements is not expected to be material, as the population of the applicable securities is limited.

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

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

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

The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and requires a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption is permitted as of the fiscal years beginning after December 15, 2018. The CECL model represents a significant change from current GAAP, and may result in material changes to the Company's accounting for financial instruments and loans. The Company is currently evaluating the impact of this standard through the monitoring and governance of a Steering Committee comprised of executives from the applicable areas of the organization. The Steering Committee's focus is to evaluate the impact to the organization, monitor status, as well as to assess and mitigate risks to the implementation of the standard.

To date, the Company has completed its gap analysis and identified areas of focus for an effective adoption. In addition, we finalized our model selections in the third quarter of 2018 and expect to continue to devote a significant amount of time to the development process for the remainder of 2018. The adoption of this standard could have a material impact on the Company's Financial Statements depending on the characteristics of our loan portfolio, as well as the current and forecasted economic conditions as of the date of adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require lessees to recognize most leases on-balance sheet. Lessor accounting will remain substantially the same, but the ASU contains changes intended to align lessor accounting with the lessee accounting model. The ASU will replace most existing lease accounting guidance and require expanded quantitative and qualitative disclosures for both lessees and lessors when it becomes effective for annual and interim periods in fiscal years beginning after December 31, 2018. Early adoption is permitted immediately and the standard requires the use of the modified retrospective transition method. However, the FASB issued ASU 2018-11, *Leases – Targeted Improvements (Topic 842)* in July 2018, which provides entities a transition option to initially apply the new leases standard at the effective date, e.g. January 1, 2019 for the Company, and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without restating comparative periods presented in the financial statements. As a result, the Company will elect the transition option to initially apply the new leases standard at January 1, 2019. The Company has completed its scoping analysis of the new standard and substantially completed its review of leases and service agreements, including embedded leases. While the Company is in the process of reviewing leases as a lessor, we do not anticipate the classification of our leases to change from either a lessor or lessee perspective. However, the Company is expected to recognize, as lessee, new right-of-use ("ROU") assets and lease liabilities for its operating leases, which is estimated to be in the range of $200 million to $300 million depending on the incremental borrowing rate as of the initial application date of January 1, 2019.

(b) Recently Adopted

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This ASU aligns the requirements for capitalizing implementation costs in a Cloud Computing Arrangement service contract with the requirements for capitalizing implementation costs incurred for an internal-use software license. Implementation costs incurred by customers in a cloud computing arrangement are to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customer in a software licensing arrangement under the internal-use software guidance. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We early adopted this ASU as of September 30, 2018 with retrospective transition to capitalize implementation costs incurred for new systems, primarily related to loan operations. The impact to the Company is limited to financial statement presentation. Specifically, the capitalized asset and amortization expense in both the Consolidated Statement of Financial Condition and the Consolidated Statements of Income changed for new cloud based software. The capitalization of eligible implementation costs is recorded in the Consolidated Statement of Financial Condition in Other assets, instead of Premises and equipment, net. The associated amortization is recorded in Information technology expense instead of Other general and administrative expenses.

In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments –Overall (Topic 825).* The standard amends the new guidance issued in ASU 2016-01 on recognizing and measuring financial instruments. ASU 2018-03 clarifies that entities measuring an equity security using the measurement alternative may change its measurement approach to a fair value method in accordance with *Topic 820, Fair Value Measurement*, through an irrevocable election that would apply to that security and all identical or similar investments of the same issuer. It also clarifies that the adjustments made under the measurement alternative are intended to reflect the fair value of the security as of the date that the observable transaction for a similar security took place. In addition, the new standard clarifies that the prospective transition approach for equity securities without a readily determinable fair value in ASU 2016-01 is meant only for equity securities an entity may elect to measure using the measurement alternative. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. We adopted these amendments as of June 30, 2018 with no impact on our Consolidated Financial Statements.

In August 2017, the FASB issued ASU 2017-12**,** *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,* which changes the recognition and presentation requirements of hedge accounting, including:
eliminating the requirement to separately measure and report hedge ineffectiveness; and presenting all items that affect earnings in the same income statement line item as the hedged item. The ASU also provides new alternatives for applying hedge accounting to additional hedging strategies; measuring the hedged item in fair value hedges of interest rate risk; reducing the cost and complexity of applying hedge accounting by easing the requirements for effectiveness testing, hedge documentation and application of the critical terms match method; and reducing the risk of material error correction if a company applies the shortcut method inappropriately. This ASU is effective for public business entities, for annual and interim periods in fiscal years beginning after December 15, 2018 with early adoption including in an interim period, permitted. If adopted at other than the beginning of a fiscal year, the cumulative effect adjustments are reflected as of the beginning of the fiscal year. ASU 2017-12 requires a modified retrospective transition method in which the Company recognizes the cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial condition as of the date of the adoption. The Company early adopted this ASU on April 1, 2018. The guidance did not have an impact on our derivatives on the date of adoption and thus there was no impact to our Consolidated Financial Statements through June 30, 2018.

However, during the three months ended September 30, 2018, we entered into partial term fair value hedges to hedge certain of our fixed rate loans held for investment. These hedges are expected to be highly effective in offsetting changes in the fair value of the hedged loans. The related hedging relationship is designated as fair value hedges under the “last-of-layer” method, a new approach provided by ASU 2017-12. Gains and losses on derivatives instruments designated as fair value hedges, as well as changes in fair value on the hedged item, are recorded in Interest income for loans and leases, net in the Consolidated Statements of Income. See Note 12 to our Consolidated Financial Statements for further discussion.

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

In April 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements. Prospectively, excess tax benefits and certain tax deficiencies for share-based payments will be recorded as income tax expense or benefit within the Consolidated Statements of Income, rather than within Additional paid-in capital. Other amendments include changes to the tax rate an employer can withhold for income taxes on vested awards without triggering application of liability accounting, accounting for forfeitures and certain changes to presentation in the statement of cash flows, and changes to the earnings per share calculation related to the excess tax benefit. The amendments were effective for interim and annual periods beginning after December 15, 2016. We adopted the applicable requirements for ASU 2016-09 on

January 1, 2017 with no impact to our financial condition or results of operations. Upon adoption, the Company made an accounting policy election to account for forfeitures of restricted stock awards as they occur, as opposed to estimate forfeitures when recording compensation expense. The classification of employee taxes paid within the Consolidated Statements of Cash Flows when an employer withholds shares for tax-withholding purposes was adopted on a retrospective basis, as required by the ASU. Additionally, subsequent to the adoption of this standard and due to restricted stock vestings, tax benefits of $2.2 million and $3.3 million were recorded within Income tax expense in the Consolidated Statements of Income, respectively for the three months and nine months ended September 30, 2018, compared to zero and $6.5 million, respectively for the same periods last year.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. As it relates to the Bank, it requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, thus eliminating eligibility for the current available-for-sale category. However, Federal Reserve Bank and Federal Home Loan Bank stock are not in scope of the ASU and will continue to be presented at cost. The Company adopted ASU 2016-01 as of January 1, 2018. The initial adoption impact was limited to a $1.2 million reclassification of unrealized losses related to the in-scope equity securities from accumulated other comprehensive loss to retained earnings. Subsequent fair value changes recognized in net income associated with the in-scope equity securities for the first three and nine months ended September 30, 2018 were not material.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The amendments were effective for interim and annual periods beginning after December 15, 2017. The Company adopted ASU 2014-09 as of January 1, 2018 using the modified retrospective method, which included presenting the cumulative effect of initial adoption along with supplementary disclosures. The Company determined the majority of our revenue streams are out of scope since our primary revenue streams are accounted for in accordance with financial instrument standards. With respect to the two revenue streams that are in-scope, fees and service charges related to deposit accounts, as well as commissions, the Bank determined that there is little to no impact on the recognition of revenues due to the short duration of the related contracts with customers and the transactional nature of the related fees.

However, the standard has impacted and will continue to impact how we account for certain bank/seller financed sales of repossessed assets. Specifically, to the extent uncertainty exists related to collectability of financing payments at the time of sale consummation, the repossessed asset will remain on the balance sheet until that uncertainty is resolved. Under legacy GAAP in this situation, the Bank derecognized the repossessed asset and a nonaccrual loan was recorded on the balance sheet. In addition, if a sale is financed by the Bank and financing terms are not consistent with market terms, a transaction price adjustment may be required. Both of these factors could impact the sale of the repossessed asset in a distressed market (i.e., taxi medallions). The cumulative impact from transaction price adjustments from bank/seller financed sales of repossessed assets that were nonaccrual loans upon initial adoption on January 1, 2018 was $1.8 million. Additionally, as there is uncertainty related to the collectability of previously sold taxi medallions (i.e., nonaccrual loans upon adoption), $10.1 million of nonaccrual loans related to historical Bank-financed sales of repossessed taxi medallions were reclassed to repossessed assets (Other assets) upon adoption. In conjunction with this, $0.6 million of historical principal and interest payments related to these sold repossessed assets were reclassified from nonaccrual loans to Accrued expenses and other liabilities in accordance with the deposit method. Therefore, in total, this resulted in a $10.7 million increase in repossessed assets. Overall, the adoption did not have a material impact on the Company's Consolidated Financial Statements. Potential impact of future bank/seller financed sales of repossessed assets subsequent to the adoption could vary depending on the specific terms of the sale/financing and the collectability assessment of the financed amount.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*. This ASU amends the guidance in ASC Topic 230, Statement of Cash Flows, and is intended to reduce the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments within this ASU requires that the reconciliation of the beginning-of-period and end-of-period cash and cash equivalents amounts shown on the statement of cash flows include restricted cash and restricted cash equivalents. If restricted cash and restricted cash equivalents are presented separately from cash and cash equivalents on the balance sheet, an entity is required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. An entity is also required to disclose information regarding the nature of the restrictions. ASU 2016-18 requires retrospective application. We adopted the applicable requirements for ASU 2016-18 on January 1, 2018 with no impact to our Statement of Cash Flows. The Bank does not have any restricted cash as of September 30, 2018.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments—Statement of Cash Flows (Topic 230)*, which addresses several classification issues related to statement of cash flows presentation. The cash flow types impacted are: debt prepayment or debt extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, and beneficial interests in securitization transactions. The guidance also discusses separately identifiable cash flows and the application of the predominance principle for cash flows with multiple class types. The Company adopted ASU 2016-15 on January 1, 2018. Upon adoption, we reclassified proceeds from settlement of bank-owned life insurance policies from "Cash flows from operating activities" to "Cash flows from investing activities". In addition, we disclosed our retained beneficial interest, the

excess servicing strips resulting from the securitization of SBA loans in “Non-cash investing activities”. Retrospective disclosure is applied for each period presented in our 2018 Form 10-Q filings subsequent to the adoption date.

3. Earnings Per Share

Basic earnings per common share (“EPS”) is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Unvested stock awards with non-forfeitable rights to dividends, whether paid or unpaid, are considered participating securities and are included in the calculation of EPS using the two class method whereby net income is allocated between common stock and participating securities. Diluted earnings per common share is computed by dividing income allocated to common stockholders for basic EPS, adjusted for earnings reallocated from participating securities, by the weighted average number of common shares outstanding for the period for the dilutive effect of unvested stock awards using the treasury stock method.

The following table shows the computation of basic and diluted earnings per common and common equivalent share for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		*Nine months ended September 30,*	
(in thousands, except per share amounts)	**2018**	**2017**	**2018**	**2017**
Net income	$ 155,446	124,471	344,502	272,344
Less: Dividends paid on and earnings allocated to participating securities	450	-	450	-
Earnings applicable to common stock	154,996	124,471	344,052	272,344
Common and common equivalent shares:				
Weighted average common shares outstanding	54,544	54,098	54,406	53,968
Weighted average common equivalent shares	66	202	240	381
Weighted average common and common equivalent shares	54,610	54,300	54,646	54,349
Basic earnings per share	$ 2.84	2.30	6.32	5.05
Diluted earnings per share	$ 2.84	2.29	6.30	5.01

For the three and nine months ended September 30, 2018 and 2017, there were no anti-dilutive options or warrants excluded from the computation of diluted earnings per share as their exercise price did not exceed the average market price of the Company’s common shares.

4. Fair Value Measurements

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

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

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

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

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

Valuation Methodology

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

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

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

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

Markets for SBA interest-only strip securities are relatively inactive, with limited observable secondary market transactions. Our SBA interest-only strip securities are classified as other debt securities available-for-sale ("AFS") and reported at fair value, with changes in fair value recognized in accumulated other comprehensive loss. The securities are valued using Level 3 inputs and had fair values of $146.7 million at September 30, 2018 and $124.9 million at December 31, 2017. Since the cash flows of the SBA interest-only strip securities are guaranteed by the U.S. Government, there is limited credit risk involved. Therefore, the primary assumption built into the pricing model to generate the projected cash flows used to compute the fair values of the SBA interest-only strip securities is the discount yield. If the discount yield were to change by 100 basis points, the fair values of our SBA interest-only strip securities would increase or decrease accordingly by approximately 2%. The Bank determined the inputs to the discounted cash flow model based on historical performance and information provided by brokers.

Our pooled trust preferred securities are classified as AFS and had fair values of $22.5 million at September 30, 2018 and $18.4 million at December 31, 2017. Due to a relatively inactive market for pooled trust preferred securities with limited observable secondary market transactions, the fair values of these securities are determined using a discounted cash flow analysis. Unobservable inputs are used in the discounted cash flow model, the most significant of which is the market risk premium. If this assumption were to change by 300 basis points, the fair values of our Level 3 pooled trust preferred securities would increase or decrease accordingly by approximately 35%.

Level 3 private CMOs classified as AFS had fair values of $10.3 million at September 30, 2018 and $11.3 million at December 31, 2017. The fair values for these securities are determined based upon a discounted cash flow model, with the market risk premium as the most significant unobservable input. If this assumption were to change by 300 basis points, the fair values of our Level 3 private CMOs would increase or decrease accordingly by approximately 5%.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017, 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
September 30, 2018					
ASSETS					
Securities available-for-sale:					
U.S. Treasury securities	$	32,719	-	-	32,719
Residential mortgage-backed securities:					
U.S. Government Agency		-	40,657	-	40,657
Government-sponsored enterprises		-	1,536,015	-	1,536,015
Collateralized mortgage obligations:					
U.S. Government Agency		-	244,589	-	244,589
Government-sponsored enterprises		-	3,799,895	-	3,799,895
Private		-	444,645	10,300	454,945
Securities of U.S. states and political subdivisions:					
Municipal Bond - Taxable		-	6,599	-	6,599
Other debt securities:					
Commercial mortgage-backed securities		-	114,297	-	114,297
Single issuer trust preferred & corporate debt securities		-	434,222	-	434,222
Pooled trust preferred securities		-	-	22,514	22,514
Other		-	387,075	146,692	533,767
Total securities available-for-sale		32,719	7,007,994	179,506	7,220,219
Equity securities (1)		-	20,722	-	20,722
Derivatives		-	2,212	-	2,212
Total assets	$	32,719	7,030,928	179,506	7,243,153
LIABILITIES					
Derivatives	$	-	1,593	22	1,615
Total liabilities	$	-	1,593	22	1,615
December 31, 2017					
ASSETS					
Securities available-for-sale:					
U.S. Treasury securities	$	24,726	-	-	24,726
Residential mortgage-backed securities:					
U.S. Government Agency		-	32,282	-	32,282
Government-sponsored enterprises		-	1,494,890	-	1,494,890
Collateralized mortgage obligations:					
U.S. Government Agency		-	245,724	-	245,724
Government-sponsored enterprises		-	3,713,775	-	3,713,775
Private		-	388,425	11,259	399,684
Securities of U.S. states and political subdivisions:					
Municipal Bond - Taxable		-	7,550	-	7,550
Other debt securities:					
Commercial mortgage-backed securities		-	128,213	-	128,213
Single issuer trust preferred & corporate debt securities		-	400,823	-	400,823
Pooled trust preferred securities		-	-	18,356	18,356
Other		-	341,761	124,875	466,636
Equity securities (1)		-	21,060	-	21,060
Total securities available-for-sale		24,726	6,774,503	154,490	6,953,719
Derivatives		-	2,373	-	2,373
Total assets	$	24,726	6,776,876	154,490	6,956,092
LIABILITIES					
Derivatives	$	-	2,673	27	2,700
Total liabilities	$	-	2,673	27	2,700

(1) Equity securities represent Community Reinvestment Act (“CRA”) qualifying closed-end bond fund investments. Effective January 1, 2018, we adopted ASU 2016-01 (*Amendments to Financial Instruments- Recognition and Measurement of Financial Assets*). Accordingly, we reclassified CRA securities from the available-for-sale category to other assets.

Changes in Fair Value Measurements

We recognize transfers between levels of the valuation hierarchy at the end of reporting periods. There were no transfers of assets between Level 1 and Level 2 during the three and nine months ended 2018 and 2017. Additionally, the following table presents information for AFS securities and derivatives measured at fair value on a recurring basis and classified by the Bank within Level 3 of the valuation hierarchy for the periods indicated:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
(in thousands)		**AFS Securities**	**Derivative Liabilities**
Three months ended September 30, 2018			
Beginning balance - Level 3	$	154,089	(31)
Formation of SBA interest-only strip securities		43,525	-
Transfers into Level 3		-	-
Transfers out of Level 3		-	-
Total gains or (losses) (realized/unrealized):			
Included in earnings:			
Non-interest income		-	-
Interest income		(6,176)	9
Included in other comprehensive income		(10,612)	-
Sale of AFS securities		(1,320)	-
Ending balance - Level 3	$	179,506	(22)
Three months ended September 30, 2017			
Beginning balance - Level 3	$	165,295	(60)
Formation of SBA interest-only strip securities		12,282	-
Transfers into Level 3		-	-
Transfers out of Level 3		-	-
Total gains or (losses) (realized/unrealized):			
Included in earnings:			
Non-interest income		376	7
Interest income		(5,329)	-
Included in other comprehensive income		(4,539)	-
Sale of AFS securities		(12,563)	-
Ending balance - Level 3	$	155,522	(53)

(in thousands)	*Fair Value Measurements Using Significant Unobservable Inputs (Level 3)* AFS Securities	Derivative Liabilities
Nine months ended September 30, 2018		
Beginning balance - Level 3	$ 154,490	(27)
Formation of SBA interest-only strip securities	80,989	-
Purchase of risk participation agreement	-	-
Termination of risk participation agreement	-	(203)
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):		
Included in earnings:		
Non-interest income	802	208
Interest income	(18,056)	-
Included in other comprehensive income	(13,543)	-
Sale of AFS securities	(25,176)	-
Ending balance - Level 3	$ 179,506	(22)
Nine months ended September 30, 2017		
Beginning balance - Level 3	$ 164,580	(69)
Formation of SBA interest-only strip securities	67,990	-
Purchase of risk participation agreement	-	(38)
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):		
Included in earnings:		
Non-interest income	2,214	54
Interest income	(15,673)	-
Included in other comprehensive income	(3,136)	-
Sale of AFS securities	(60,453)	-
Ending balance - Level 3	$ 155,522	(53)

Assets Measured at Fair Value on a Non-recurring Basis

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

The following table presents the assets that were measured at fair value on a non-recurring basis as of September 30, 2018 and December 31, 2017, 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
September 30, 2018				
Collateral-dependent impaired loans:				
Commercial property	$ -	-	145	145
1-4 family residential property	-	-	1,719	1,719
Home equity lines of credit	-	-	3,000	3,000
Commercial and industrial (1)	-	-	111,959	111,959
Other repossessed assets	-	-	26,749	26,749
Total assets	$ -	-	143,572	143,572
December 31, 2017				
Collateral-dependent impaired loans:				
1-4 family residential property	$ -	-	325	325
Home equity lines of credit	-	-	765	765
Commercial and industrial (1)	-	-	301,649	301,649
Other repossessed assets	-	-	28,230	28,230
Total assets	$ -	-	330,969	330,969

(1) Includes $107.3 million and $297.7 million of taxi medallion loans as of September 30, 2018 and December 31, 2017, respectively.

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

Fair value adjustments for collateral-dependent impaired loans are recorded through direct loan charge-offs and/or through a specific allocation of the ALLL. During the three and nine months ended September 30, 2018, we recorded fair value adjustments on collateral-dependent impaired loans totaling $1.4 million and $102.3 million, respectively, compared to $7.5 million and $213.3 million recorded for the three and nine months ended September 30, 2017. The current quarter adjustments principally related to various commercial and industrial loans. The nine month period adjustments principally related to the New York City taxi medallion portfolio due to a further significant decline in the underlying collateral value in the first quarter of 2018. See Note 7 to our Consolidated Financial Statements for further discussion.

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

During the three and nine months ended September 30, 2018, we recorded fair value adjustments ((gain) / loss) on taxi medallion repossessed assets totaling $(1.2 million) and $20.7 million, respectively, compared to $20,000 and $13.1 million for the three and nine months ended September 30, 2017. The reduction in fair value adjustments for the three month period ended September 30, 2018 is primarily due to the absence of a taxi medallion value change during the quarter. Further, during the third quarter of 2018, several repossessed taxi medallions held for a short period of time were sold for cash, which resulted in a negative fair value adjustment and the recognition of a charge-off for the same amount. 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, 89.16% of which mature within one year, had a carrying value of $1.97 billion and estimated fair value of $1.96 billion at September 30, 2018. 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)**
September 30, 2018					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 195,404	195,404	195,404	-	-
Securities available-for-sale	7,220,219	7,220,219	32,719	7,007,994	179,506
Securities held-to-maturity	1,903,343	1,829,462	-	1,829,462	-
Federal Home Loan Bank stock (1)	230,677	230,677	-	230,677	-
Loans held for sale	502,915	502,915	-	502,915	-
Loans and leases, net (2)	34,906,505	34,371,481	-	-	34,371,481
Equity securites (3)	20,722	20,722	-	20,722	-
Derivatives	2,212	2,212	-	2,212	-
Total financial assets	$ 44,981,997	44,373,092	228,123	9,593,982	34,550,987
FINANCIAL LIABILITIES					
Deposits (4)	$ 36,091,225	36,083,534	-	36,083,534	-
Federal Home Loan Bank borrowings	4,210,000	4,195,697	-	4,195,697	-
Broker repurchase agreements	100,000	100,083	-	100,083	-
Federal funds purchased	475,000	475,000	475,000	-	-
Subordinated debt	257,974	251,971	-	251,971	-
Derivatives	1,615	1,615	-	1,593	22
Total financial liabilities	$ 41,135,814	41,107,900	475,000	40,632,878	22
December 31, 2017					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 335,466	335,466	335,466	-	-
Securities available-for-sale	6,953,719	6,953,719	24,726	6,774,503	154,490
Securities held-to-maturity	1,996,376	1,983,087	-	1,983,087	-
Federal Home Loan Bank stock (1)	227,920	227,920	-	227,920	-
Loans held for sale	432,277	432,277	-	432,277	-
Loans and leases, net (2)	32,416,580	32,406,977	-	-	32,406,977
Derivatives	2,373	2,373	-	2,373	-
Total financial assets	$ 42,364,711	42,341,819	360,192	9,420,160	32,561,467
FINANCIAL LIABILITIES					
Deposits (4)	$ 33,439,827	33,435,263	-	33,435,263	-
Federal Home Loan Bank borrowings	4,195,000	4,185,541	-	4,185,541	-
Broker repurchase agreements	75,000	75,179	-	75,179	-
Federal funds purchased	715,000	715,000	715,000	-	-
Subordinated debt	257,381	267,924	-	267,924	-
Derivatives	2,700	2,700	-	2,673	27
Total financial liabilities	$ 38,684,908	38,681,607	715,000	37,966,580	27

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

(2) The estimated fair value measurements for loans and leases include adjustments related to market interest rates, and other factors such as credit risk and liquidity risk.

(3) Equity securities primarily represent Community Reinvestment Act ("CRA") qualifying closed-end bond fund investments. Effective January 1, 2018, we adopted ASU 2016-01 *(Amendments to Financial Instruments- Recognition and Measurement of Financial Assets).* Accordingly, we reclassified CRA securities from the available-for-sale category to other assets.

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

5. Securities

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

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

	At September 30, 2018				*At December 31, 2017*			
(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	$ 32,922	-	(203)	32,719	24,831	-	(105)	24,726
Residential mortgage-backed securities:								
U.S. Government Agency	41,579	190	(1,112)	40,657	32,260	376	(354)	32,282
Government-sponsored enterprises	1,596,805	1,415	(62,205)	1,536,015	1,505,352	7,351	(17,813)	1,494,890
Collateralized mortgage obligations:								
U.S. Government Agency	253,189	130	(8,730)	244,589	249,906	920	(5,102)	245,724
Government-sponsored enterprises	3,967,930	992	(169,027)	3,799,895	3,787,233	7,334	(80,792)	3,713,775
Private	466,002	895	(11,952)	454,945	401,343	1,213	(2,872)	399,684
Securities of U.S. states and political subdivisions:								
Municipal Bond - Taxable	6,838	-	(239)	6,599	7,506	44	-	7,550
Other debt securities:								
Commercial mortgage-backed securities	116,207	103	(2,013)	114,297	127,791	949	(527)	128,213
Single issuer trust preferred & corporate debt securities	438,940	1,545	(6,263)	434,222	398,157	4,492	(1,826)	400,823
Pooled trust preferred securities	21,379	2,631	(1,496)	22,514	21,159	491	(3,294)	18,356
Other	561,575	887	(28,695)	533,767	474,691	1,053	(9,108)	466,636
Equity securities (1)	-	-	-	-	22,243	-	(1,183)	21,060
Total available-for-sale	$ 7,503,366	8,788	(291,935)	7,220,219	7,052,472	24,223	(122,976)	6,953,719
HELD-TO-MATURITY								
Residential mortgage-backed securities:								
U.S. Government Agency	$ 37,066	33	(1,630)	35,469	43,322	61	(186)	43,197
Government-sponsored enterprises	347,029	118	(14,971)	332,176	378,149	2,802	(4,381)	376,570
Collateralized mortgage obligations:								
U.S. Government Agency	187,601	13	(8,113)	179,501	207,027	480	(3,876)	203,631
Government-sponsored enterprises	1,263,035	537	(51,478)	1,212,094	1,297,857	6,981	(19,963)	1,284,875
Private	2,548	23	-	2,571	2,985	17	-	3,002
Other debt securities:								
Commercial mortgage-backed securities	17,725	26	(64)	17,687	17,916	290	-	18,206
Single issuer trust preferred & corporate debt securities	48,325	1,810	(185)	49,950	48,529	4,451	-	52,980
Other	14	-	-	14	591	35	-	626
Total held-to-maturity	$ 1,903,343	2,560	(76,441)	1,829,462	1,996,376	15,117	(28,406)	1,983,087

(1) Equity securities represent Community Reinvestment Act ("CRA") qualifying closed-end bond fund investments. Effective January 1, 2018, we adopted ASU 2016-01 (*Amendments to Financial Instruments- Recognition and Measurement of Financial Assets*). Accordingly, we reclassified CRA securities from the available-for-sale category to other assets.

On December 10, 2013, federal regulators issued a final rule implementing the "Volcker Rule" enacted as part of the Dodd-Frank Act. The Volcker Rule prohibits banking organizations and their affiliates from investing in and sponsoring certain types of funds, including a range of asset securitization structures that do not meet the exemptive criteria for continued ownership (defined as "Covered Funds"). The Federal Reserve previously exercised its authority to extend the divestiture period for such pre-2014 investments to July 21, 2017. The Bank divested its limited holdings of certain AFS securities in investment vehicles that met the definition of Covered Funds either by the divestiture deadline in July 2017 or shortly thereafter with the exception of one private CMO re-REMIC security which was written off in the first quarter of 2018, leaving the Bank zero exposure to Covered Funds securities since that time.

Gross realized gains on sales of AFS securities for the three and nine months ended September 30, 2018 were $11,000 and $821,000, compared to $736,000 and $3.9 million for the three and nine months ended September 30, 2017, respectively. Gross realized losses on sales of AFS securities totaled zero and $11,000 for the three and nine months ended September 30, 2018. There were minimal gross realized losses for the three months ended September 30, 2017. The gross realized losses for the nine months ended September 30, 2017 related to the sale of AFS securities totaled $680,000.

We use securities as collateral for debtor-in-possession deposit accounts in excess of FDIC insurance limits, clients' treasury tax and loan deposits, public deposits, securities sold under agreements to repurchase and borrowings from the Federal Home Loan Bank of New York. As of September 30, 2018 and December 31, 2017, the Bank did not have any securities pledged with FHLB. However, the carrying value of securities held by FHLB as custodian totaled $3.37 billion and $3.32 billion, respectively. These securities were not pledged and can be used to pledge towards future borrowings, as necessary. The balance remained stable because the amount of our Federal Home Loan Bank borrowings remained flat as of September 30, 2018 compared to December 31, 2017.

During the three and nine months ended September 30, 2018 and 2017, we recognized other-than-temporary impairment losses on debt securities as summarized in the tables below. We do not intend to sell the securities for which we have recognized temporary impairment losses, and it is not more likely than not that we will be required to sell the securities prior to recovery.

(in thousands)	Number of Securities		Total Other-than-temporary Impairment Losses	Less: Noncredit Portion Recognized in OCI	Net Impairment Losses Recognized in Earnings (1)
Three months ended September 30, 2018					
AVAILABLE-FOR-SALE	-	$	-	-	-
Total other-than-temporarily impaired securities	-	$	-	-	-
Three months ended September 30, 2017					
AVAILABLE-FOR-SALE					
Collateralized debt obligations	1	$	(361)	-	(361)
Total other-than-temporarily impaired securities	1	$	(361)	-	(361)

(1) The three months ended September 30, 2018 and September 30, 2017 include losses on CDOs that meet the definition of Covered Funds under the Volcker Rule totaling zero and $361,000, respectively.

(in thousands)	Number of Securities		Total Other-than-temporary Impairment Losses	Less: Noncredit Portion Recognized in OCI	Net Impairment Losses Recognized in Earnings (1)
Nine months ended September 30, 2018					
AVAILABLE-FOR-SALE					
Collateralized mortgage obligations	2	$	(2)	(14)	(16)
Total other-than-temporarily impaired securities	2	$	(2)	(14)	(16)
Nine months ended September 30, 2017					
AVAILABLE-FOR-SALE					
Collateralized debt obligations	1	$	(517)	-	(517)
Collateralized mortgage obligations	5		(117)	32	(85)
Total other-than-temporarily impaired securities	6	$	(634)	32	(602)

(1) The nine months ended September 30, 2018 includes losses on a CMO security that meets the defintion of Covered Funds under the Volcker Rule totaling $1,000. The nine months ended September 30, 2017 include losses on CDOs and CMOs that meet the definition of Covered Funds under the Volcker Rule totaling $517,000 and $13,000, respectively.

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

		Three months ended September 30,		*Nine months ended September 30,*	
(in thousands)		**2018** (1)	**2017** (2)	**2018** (1)	**2017** (2)
Cumulative credit component of other-than-temporary impairment losses at beginning of period	$	12,819	20,214	13,032	27,892
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized		-	-	15	-
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized		-	361	1	602
Reduction for realized losses on debt securities sold, matured, and other		(94)	(6,672)	(323)	(14,591)
Cumulative credit component of other-than-temporary impairment losses at end of period	$	12,725	13,903	12,725	13,903

(1) The cumulative credit component of other-than-temporary impairment losses at September 30, 2018 includes $1,000 of losses on securities that meet the definition of Covered Funds under the Volcker Rule.

(2) The cumulative credit component of other-than-temporary impairment losses at September 30, 2017 includes $3,000 of losses on securities that meet the definition of Covered Funds under the Volcker Rule.

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

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

	Less than 12 months		*12 months or longer*		*Total*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
September 30, 2018						
Temporarily-impaired securities						
U.S. Treasury securities	$ 22,844	(86)	9,875	(117)	32,719	(203)
Residential mortgage-backed securities:						
U.S. Government Agency	21,293	(475)	13,140	(637)	34,433	(1,112)
Government-sponsored enterprises	678,155	(18,057)	762,397	(44,148)	1,440,552	(62,205)
Collateralized mortgage obligations:						
U.S. Government Agency	125,980	(2,303)	100,826	(6,427)	226,806	(8,730)
Government-sponsored enterprises	1,453,353	(29,729)	2,250,000	(138,725)	3,703,353	(168,454)
Private	255,998	(6,407)	144,566	(5,359)	400,564	(11,766)
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	6,599	(239)	-	-	6,599	(239)
Other debt securities:						
Commercial mortgage-backed securities	78,066	(1,210)	25,071	(803)	103,137	(2,013)
Single issuer trust preferred & corporate debt securities	179,632	(2,791)	107,315	(3,472)	286,947	(6,263)
Pooled trust preferred securities	-	-	4,960	(618)	4,960	(618)
Other	490,595	(28,642)	6,427	(53)	497,022	(28,695)
Total temporarily-impaired securities	3,312,515	(89,939)	3,424,577	(200,359)	6,737,092	(290,298)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	-	-	553	(573)	553	(573)
Private	685	(19)	6,230	(167)	6,915	(186)
Other debt securities:						
Pooled trust preferred securities	-	-	350	(878)	350	(878)
Total other-than-temporarily impaired securities	685	(19)	7,133	(1,618)	7,818	(1,637)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 3,313,200	(89,958)	3,431,710	(201,977)	6,744,910	(291,935)
December 31, 2017						
Temporarily-impaired securities						
U.S. Treasury securities	$ 23,730	(102)	996	(3)	24,726	(105)
Residential mortgage-backed securities:						
U.S. Government Agency	19,053	(210)	3,224	(144)	22,277	(354)
Government-sponsored enterprises	512,169	(4,369)	537,447	(13,444)	1,049,616	(17,813)
Collateralized mortgage obligations:						
U.S. Government Agency	79,591	(1,186)	77,200	(3,916)	156,791	(5,102)
Government-sponsored enterprises	1,463,939	(18,013)	1,658,095	(61,923)	3,122,034	(79,936)
Private	136,929	(781)	101,843	(1,658)	238,772	(2,439)
Other debt securities:						
Commercial mortgage-backed securities	20,533	(59)	26,985	(468)	47,518	(527)
Single issuer trust preferred & corporate debt securities	40,355	(201)	115,954	(1,625)	156,309	(1,826)
Pooled trust preferred securities	-	-	3,958	(1,673)	3,958	(1,673)
Other	290,086	(315)	135,031	(8,793)	425,117	(9,108)
Equity securities (1)	-	-	21,059	(1,183)	21,059	(1,183)
Total temporarily-impaired securities	2,586,385	(25,236)	2,681,792	(94,830)	5,268,177	(120,066)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	-	-	584	(856)	584	(856)
Private	1,783	(37)	13,430	(396)	15,213	(433)
Other debt securities:						
Pooled trust preferred securities	-	-	3,672	(1,621)	3,672	(1,621)
Total other-than-temporarily impaired securities	1,783	(37)	17,686	(2,873)	19,469	(2,910)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 2,588,168	(25,273)	2,699,478	(97,703)	5,287,646	(122,976)

(1) Equity securities represent Community Reinvestment Act ("CRA") qualifying closed-end bond fund investments. Effective January 1, 2018, we adopted ASU 2016-01 (*Amendments to Financial Instruments- Recognition and Measurement of Financial Assets*). Accordingly, we reclassified CRA securities from the available-for-sale category to other assets.

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

	Less than 12 months		*12 months or longer*		*Total*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
September 30, 2018						
Temporarily-impaired securities						
Mortgage-backed securities:						
U.S. Government Agency	$ 31,965	(1,430)	2,541	(200)	34,506	(1,630)
Government-sponsored enterprises	183,473	(4,944)	144,970	(10,027)	328,443	(14,971)
Collateralized mortgage obligations:						
U.S. Government Agency	77,565	(1,783)	101,680	(6,330)	179,245	(8,113)
Government-sponsored enterprises	460,792	(10,241)	666,263	(41,237)	1,127,055	(51,478)
Other debt securities:						
Commercial mortgage-backed securities	10,150	(64)	-	-	10,150	(64)
Single issuer trust preferred & corporate debt securities	20,569	(185)	-	-	20,569	(185)
Total temporarily-impaired securities	784,514	(18,647)	915,454	(57,794)	1,699,968	(76,441)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 784,514	(18,647)	915,454	(57,794)	1,699,968	(76,441)
December 31, 2017						
Temporarily-impaired securities						
Mortgage-backed securities:						
U.S. Government Agency	$ -	-	2,984	(186)	2,984	(186)
Government-sponsored enterprises	32,163	(146)	144,750	(4,235)	176,913	(4,381)
Collateralized mortgage obligations:						
U.S. Government Agency	48,242	(515)	84,940	(3,361)	133,182	(3,876)
Government-sponsored enterprises	491,071	(6,282)	354,927	(13,681)	845,998	(19,963)
Total temporarily-impaired securities	571,476	(6,943)	587,601	(21,463)	1,159,077	(28,406)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 571,476	(6,943)	587,601	(21,463)	1,159,077	(28,406)

The unrealized losses in our securities portfolio are primarily due to an increase in the federal funds target and higher prevailing interest rates due to favorable economic growth.

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

Our private CMOs and other debt securities are the securities in our portfolio that are the most exposed to impairment losses. In performing our other-than-temporary impairment analysis for these securities, we estimated future cash flows for each security based upon our best estimate of future delinquencies, estimated defaults, loss severity, and prepayments. We reviewed the estimated cash flows to determine whether we expect to receive all originally scheduled cash flows. Projected credit losses were compared to the current level of credit enhancement to assess whether the security is expected to incur losses in any future period and therefore would be deemed other-than-temporarily impaired as of September 30, 2018.

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

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

	September 30, 2018	
(in thousands)	**Amortized Cost**	**Fair Value**
AVAILABLE-FOR-SALE		
Due in one year or less	$ 49,276	49,040
Due after one year through five years	295,370	294,624
Due after five years through ten years	425,221	416,982
Due after ten years	6,733,499	6,459,573
Total available-for-sale debt securities	$ 7,503,366	7,220,219
HELD-TO-MATURITY		
Due in one year or less	$ -	-
Due after one year through five years	35,190	35,092
Due after five years through ten years	69,826	69,106
Due after ten years	1,798,327	1,725,264
Total held-to-maturity debt securities	$ 1,903,343	1,829,462

6. Loans and Leases, net

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

(in thousands)	**September 30, 2018**	**December 31, 2017**
Mortgage loans:		
Multi-family residential property	$ 15,648,035	14,512,051
Commercial property	10,050,276	8,902,027
1-4 family residential property	619,680	621,377
Home equity lines of credit	114,057	133,268
Acquistion, development and construction loans	1,755,972	2,018,901
Total mortgage loans	28,188,020	26,187,624
Other loans:		
Other commercial and industrial	6,790,142	6,070,217
Taxi medallions	111,728	309,894
Consumer	9,059	15,310
Total other loans	6,910,929	6,395,421
Net deferred fees and costs	28,262	29,494
ALLL	(220,706)	(195,959)
Net loans	$ 34,906,505	32,416,580

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

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

(in thousands)	Pass Rating 1-6	Special Mention Rating 7	Substandard Rating 8	Doubtful Rating 9	Non-rated	Total
September 30, 2018						
Commercial loans secured by real estate:						
Multi-family residential property	$ 15,465,623	97,206	84,450	-	-	15,647,279
Commercial property	9,883,575	166,410	291	-	-	10,050,276
1-4 family residential property	521,884	3,703	1,800	-	-	527,387
Acquistion, development and construction loans	1,621,860	120,522	13,590	-	-	1,755,972
Commercial and industrial loans:						
Taxi medallions	-	-	111,728	-	-	111,728
Other commercial and industrial	6,644,282	53,271	44,369	-	48,220	6,790,142
Total commercial loans	$ 34,137,224	441,112	256,228	-	48,220	34,882,784
December 31, 2017						
Commercial loans secured by real estate:						
Multi-family residential property	$ 14,402,185	109,866	-	-	-	14,512,051
Commercial property	8,850,017	20,246	31,764	-	-	8,902,027
1-4 family residential property	510,381	6,036	-	-	-	516,417
Acquistion, development and construction loans	1,851,333	136,168	31,400	-	-	2,018,901
Commercial and industrial loans:						
Taxi medallions	-	-	309,894	-	-	309,894
Other commercial and industrial	5,873,181	90,594	46,045	32	60,365	6,070,217
Total commercial loans	$ 31,487,097	362,910	419,103	32	60,365	32,329,507

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

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

(in thousands)	Performing	Nonperforming	Total
September 30, 2018			
Residential mortgages	$ 90,000	3,049	93,049
Home equity lines of credit	110,450	3,607	114,057
Other consumer loans	9,059	-	9,059
Total consumer loans	$ 209,509	6,656	216,165
December 31, 2017			
Residential mortgages	$ 103,825	1,135	104,960
Home equity lines of credit	129,376	3,892	133,268
Other consumer loans	15,310	-	15,310
Total consumer loans	$ 248,511	5,027	253,538

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

(in thousands)	Past Due 30-89 Days	Past Due 90+ Days	Total Past Due	Current	Total Loans	Loans Past Due 90+ Days & Accruing	Non-accruing Loans
September 30, 2018							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 6,063	-	6,063	15,641,216	15,647,279	-	-
Commercial property	12,921	-	12,921	10,037,355	10,050,276	-	-
1-4 family residential property	-	1,800	1,800	525,587	527,387	-	1,800
Acquistion, development and construction loans	8,500	-	8,500	1,747,472	1,755,972	-	-
Commercial and industrial loans:							
Taxi medallion loans	2,821	43,725	46,546	65,182	111,728	-	111,728
Other commercial and industrial loans	31,785	13,729	45,514	6,744,628	6,790,142	3,407	14,013
Consumer loans							
Residential mortgages	244	2,272	2,516	90,533	93,049	305	3,049
Home equity lines of credit	-	3,607	3,607	110,450	114,057	-	3,607
Consumer loans	547	-	547	8,512	9,059	-	-
Total	$ 62,881	65,133	128,014	34,970,935	35,098,949	3,712	134,197
December 31, 2017							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 7,167	-	7,167	14,504,884	14,512,051	-	-
Commercial property	753	559	1,312	8,900,715	8,902,027	559	-
1-4 family residential property	-	1,800	1,800	514,617	516,417	1,800	-
Acquistion, development and construction loans	-	-	-	2,018,901	2,018,901	-	-
Commercial and industrial loans:							
Taxi medallion loans	31,308	138,936	170,244	139,650	309,894	-	309,894
Other commercial and industrial loans	35,205	9,510	44,715	6,025,502	6,070,217	3,316	11,997
Consumer loans							
Residential mortgages	157	1,163	1,320	103,640	104,960	656	1,135
Home equity lines of credit	899	3,892	4,791	128,477	133,268	-	3,892
Consumer loans	736	-	736	14,574	15,310	-	-
Total	$ 76,225	155,860	232,085	32,350,960	32,583,045	6,331	326,918

Nonaccrual loans at September 30, 2018 and December 31, 2017 totaled $134.2 million and $326.9 million, respectively. At September 30, 2018, $111.7 million of nonaccrual loans were secured by taxi medallions. The decrease in nonaccrual loans was primarily attributable to a $116.9 million write-down of New York City taxi medallion loans and a $12.0 million write-down of Chicago taxi medallion loans as a result of further significant declines in the underlying taxi medallions' collateral fair value that occurred in the first quarter of 2018. The collateral value declines impact the entire taxi medallion portfolio as all related loans remain on nonaccrual. These nonaccrual loans are accounted for using the cost recovery method and, as such, all interest and principal payments received are applied to each loan's principal balance until the cost is recovered. As a result, further contributing to this decrease is $26.0 million of full pay-offs and principal and interest payments applied to the principal balance of taxi medallion nonaccrual loans. Our current strategy to hold the remaining taxi medallion portfolio until maturity remains unchanged.

The reduction is also attributable to the repossession of $30.5 million in taxi medallion loans during the year, and the reclassification of $10.1 million of nonaccrual loans in conjunction with the adoption of ASU 2014-09, *Revenue from Contracts with Customers*, during the first quarter. See Note 2(b) for additional information regarding the adoption of ASU 2014-09.

There were no commitments at September 30, 2018 to lend additional funds on nonaccrual loans. For further discussion, see Note 7 to our Consolidated Financial Statements.

At September 30, 2018, loans past due 90 days or more and still accruing included five commercial and industrial loans totaling $3.4 million that are well secured and in process of renewal. At December 31, 2017, loans past due 90 days or more and still accruing included 14 commercial and industrial loans totaling $3.3 million, four loans secured by 1-4 family residential property totaling $2.3 million, and one commercial real estate loan for $559,000 that are well secured and in process of collection.

As of September 30, 2018 and December 31, 2017, the Bank held residential consumer mortgage loans in the process of foreclosure totaling $5.2 million and $8.2 million, respectively. The Bank did not hold any foreclosed residential real estate at

September 30, 2018 or December 31, 2017. Other repossessed assets as of September 30, 2018 and December 31, 2017 totaled $43.6 million and $28.8 million, respectively. The September 30, 2018 repossessed asset balance principally consists of 338 taxi medallions, compared to 130 taxi medallions as of December 31, 2017. See the Asset Quality section within Management's Discussion and Analysis for additional information regarding repossessed assets, including related activity during the period.

As of September 30, 2018 and December 31, 2017, the Bank had pledged $7.74 billion and $6.25 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 $4.26 billion and $3.95 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 may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ALLL.

7. Allowance for Loan and Lease Losses

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

		Credit-rated loans (1)			Non-rated loans			
(in thousands)		Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
Three months ended September 30, 2018								
Beginning balance - ALLL	$	164,720	2,258	41,983	1,072	3,204	130	213,367
Provision		13,071	(153)	(5,488)	63	(137)	(5)	7,351
Charge-offs		-	-	(3,391)	(221)	(3)	(35)	(3,650)
Recoveries		-	-	3,508	90	11	29	3,638
Ending balance - ALLL	$	177,791	2,105	36,612	1,004	3,075	119	220,706
Three months ended September 30, 2017								
Beginning balance - ALLL	$	140,150	876	36,670	1,208	3,533	104	182,541
Provision		4,917	241	9,064	(68)	100	86	14,340
Charge-offs		-	-	(4,060)	(169)	(300)	(79)	(4,608)
Recoveries		-	-	448	230	76	13	767
Ending balance - ALLL	$	145,067	1,117	42,122	1,201	3,409	124	193,040

		Credit-rated loans (1)			Non-rated loans			
(in thousands)		Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
Nine months ended September 30, 2018								
Beginning balance - ALLL	$	151,680	1,521	38,285	1,553	2,784	136	195,959
Provision		26,629	584	128,225	(357)	906	96	156,083
Charge-offs		(518)	-	(136,304)	(567)	(641)	(179)	(138,209)
Recoveries		-	-	6,406	375	26	66	6,873
Ending balance - ALLL	$	177,791	2,105	36,612	1,004	3,075	119	220,706
Nine months ended September 30, 2017								
Beginning balance - ALLL	$	114,367	637	92,424	1,227	4,643	197	213,495
Provision		30,660	480	191,037	411	(1,080)	52	221,560
Charge-offs		-	-	(243,411)	(923)	(301)	(206)	(244,841)
Recoveries		40	-	2,072	486	147	81	2,826
Ending balance - ALLL	$	145,067	1,117	42,122	1,201	3,409	124	193,040

(1) As of September 30, 2017, the beginning balance of the ALLL and provision both include reclassifications of immaterial amounts amongst all categories of credit-rated loans related to Acqusition, Development and Construction loans. See Note 1 for further details.

The decrease in provision levels for the quarter-ended September 30, 2018 compared to the prior year principally relates to the improvement in historical loss rates within our specialty finance portfolio, partially offset by an increase in the commercial real estate portfolio's qualitative reserves as a result of the related loan growth over the year. The increase in recoveries is nearly all attributable to the taxi medallion portfolio. For the nine month period ended September 30, 2018, the reduction in the charge-off and provision levels is due to the decrease in the comparative taxi medallion value decline in each period. The decline in the second quarter of 2017 was more significant than the first quarter of 2018.

Over the last three years, the NYC and Chicago taxi medallion markets have been distressed and the underlying collateral values have declined as a result of elevated risk premiums and the absence of new financing. However, in Chicago, recent transfer volumes continue to be consistent with historical levels and transfer values are relatively stable. Therefore, the Bank exclusively utilizes observable data to measure the related fair value. In NYC, while transfer volumes have also increased, the range of value is

wide. Due to these factors, among others, management employs an alternative valuation methodology. Specifically, a discounted cash flow model developed by a third party and recent market transactions, as applicable, are weighted to establish a fair value estimate and determine collateral values.

During the first quarter of 2018, in NYC, numerous transactions were noted ranging from approximately $120,000 to $400,000. Additionally, both revenues and observable market transfers declined significantly during the first quarter of 2018. Because the declines over a short period were substantial, and based on other recent trends within the market providing additional evidence of market illiquidity and deterioration at that time, management felt it necessary to reassess its inputs and assumptions. Following that review, most notably, management recalibrated its discount rate and growth rate assumptions within its discounted cash flow model and began to weight cash sales more heavily when evaluating observable transfers. Also reflected in the updated assumptions were recent failed auction activity and a significant increase in medallion supply due to anticipated credit union sales and/or auctions. Both recent transfer prices and the discounted cash flow model valuation output were weighted to derive an estimated fair value of $160,000, net of selling costs, which represented a significant decline from the December 31, 2017. However, in the second quarter, and again in the third quarter, the Taxi & Limousine Commission (TLC) trip data showed stabilized revenue per medallion, which represented a significant change from recent quarterly trends. This resulted in a consistent discounted cash flow model output as compared to prior quarter. Additionally, observable market transfers remained consistent. Therefore, there was no change to the NYC taxi medallion value in the second and third quarter.

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

	Credit-rated loans			Non-rated loans			
(in thousands)	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages (1)	Consumer	Total
As of September 30, 2018							
ALLL:							
Individually evaluated for impairment	$ 145	630	5,549	21	2,395	-	8,740
Collectively evaluated for impairment	177,646	1,475	31,063	983	680	119	211,966
Recorded investment in loans:							
Individually evaluated for impairment	3,823	5,502	146,818	42	7,668	-	163,853
Collectively evaluated for impairment	27,449,706	521,884	6,706,831	48,178	199,438	9,059	34,935,096
As of December 31, 2017							
ALLL:							
Individually evaluated for impairment	$ -	-	3,960	37	2,139	-	6,136
Collectively evaluated for impairment	151,680	1,521	34,325	1,516	645	136	189,823
Recorded investment in loans:							
Individually evaluated for impairment	9,961	4,236	335,727	74	5,026	-	355,024
Collectively evaluated for impairment	25,423,018	512,181	5,984,019	60,291	233,202	15,310	32,228,021

(1) Includes Home equity lines of credit.

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

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

	September 30, 2018			December 31, 2017		
(in thousands)	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**
With no related allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	$ 3,532	3,532	-	9,961	9,961	-
1-4 family residential property	3,702	3,702	-	4,236	4,236	-
Commercial and industrial loans	480,742	130,866	-	649,801	320,938	-
Residential mortgages	1,498	1,498	-	-	-	-
With an allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	291	291	145	-	-	-
1-4 family residential property	1,800	1,800	630	-	-	-
Commercial and industrial loans	19,951	15,994	5,570	15,350	14,863	3,997
Residential mortgages	2,207	1,551	776	1,790	1,134	582
Home equity lines of credit	4,625	4,619	1,619	3,905	3,892	1,557
Total:						
Commercial loans secured by real estate	9,325	9,325	775	14,197	14,197	-
Commercial and industrial loans	500,693	146,860	5,570	665,151	335,801	3,997
Residential mortgages	3,705	3,049	776	1,790	1,134	582
Home equity lines of credit	4,625	4,619	1,619	3,905	3,892	1,557
Total impaired loans	$ 518,348	163,853	8,740	685,043	355,024	6,136

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

	Three months ended September 30, 2018		*Three months ended September 30, 2017*		*Nine months ended September 30, 2018*		*Nine months ended September 30, 2017*	
(in thousands)	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**
With no related allowance recorded:								
Commercial loans secured by real estate:								
Commercial property	$ 3,541	34	6,803	59	5,153	102	7,110	127
Acquistion, development and construction loans	-	-	-	-	-	-	-	-
Multi-family residential property	-	-	-	-	-	-	-	-
1-4 family residential property	3,792	50	4,450	57	3,969	153	3,623	132
Commercial and industrial loans	139,901	233	223,267	60	190,299	648	167,913	140
Residential mortgages	749	-	-	-	374	-	-	-
Home equity lines of credit	-	-	-	-	-	-	-	-
Other consumer loans	-	-	-	-	-	-	-	-
With an allowance recorded:								
Commercial loans secured by real estate:								
Commercial property	293	5	-	-	224	15	-	-
Acquistion, development and construction loans	250	8	-	-	125	22	-	-
Multi-family residential property	-	-	-	-	-	-	778	-
1-4 family residential property	1,800	-	39	-	1,368	190	41	-
Commercial and industrial loans	20,256	77	171,704	89	17,732	-	193,103	244
Residential mortgages	1,561	-	1,872	-	1,629	-	2,209	-
Home equity lines of credit	4,634	16	4,943	8	4,274	26	4,890	37
Other consumer loans	-	-	-	-	-	-	2	-
Total:								
Commercial loans secured by real estate	9,676	97	11,292	116	10,839	482	11,552	259
Commercial and industrial loans	160,157	310	394,971	149	208,031	648	361,016	384
Residential mortgages	2,310	-	1,872	-	2,003	-	2,209	-
Home equity lines of credit	4,634	16	4,943	8	4,274	26	4,890	37
Other consumer loans	-	-	-	-	-	-	2	-
Total	$ 176,777	423	413,078	273	225,147	1,156	379,669	680

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 troubled debt restructuring loans ("TDRs"). Our TDRs consist of those loans where we modify the contractual terms of the loan, such as (i) a deferral of the loan's principal amortization through either interest-only or reduced principal payments, (ii) a reduction in the loan's contractual interest rate, (iii) principal forgiveness or (iv) an extension of the loan's contractual term.

The following table presents loans that were classified as TDRs during the three and nine months ended September 30, 2018 and 2017. The pre-modification balances represent the recorded investment immediately prior to modification, and the post-modification balances represent the recorded investment as of the dates indicated:

	Three months ended September 30, 2018			*Three months ended September 30, 2017*		
(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	1	$ 1,181	1,109	1	$ 6,372	6,372
Commercial and industrial loans:						
Commercial and industrial	4	2,583	1,849	3	7,540	7,637
Taxi medallions	19	4,281	4,116	73	23,703	22,780
Total	24	$ 8,045	7,074	77	$ 37,615	36,789

	Nine months ended September 30, 2018			*Nine months ended September 30, 2017*		
(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	1	$ 1,181	1,109	1	$ 6,372	6,372
1-4 family residential property	-	-	-	1	4,450	4,450
Commercial and industrial loans:						
Commercial and industrial	10	16,001	15,170	6	8,854	8,477
Taxi medallions	96	24,646	15,378	309	174,265	109,684
Consumer loans:						
Home equity lines of credit	1	1,029	1,012	2	1,231	1,200
Total	108	$ 42,857	32,669	319	$ 195,172	130,183

The following tables summarize how the TDRs recorded during three and nine months ended September 30, 2018 and 2017 were modified:

(in thousands)	**Term Extension**	**Term Extension with Other Concession (1)**	**Deferred Principal Amortization**	**Deferred Principal Amortization with Other Concession (1)**	**Total**
Three months ended September 30, 2018					
Commercial loans secured by real estate:					
Commercial property	$ 1,109	-	-	-	1,109
Commercial and industrial loans:					
Commercial and industrial	1,849	-	-	-	1,849
Taxi medallions	-	4,116	-	-	4,116
Total	$ 2,958	4,116	-	-	7,074
Three months ended September 30, 2017					
Commercial loans secured by real estate:					
Commercial property	$ -	-	6,372	-	6,372
Commercial and industrial loans:					
Commercial and industrial	7,637	-	-	-	7,637
Taxi medallions	-	22,780	-	-	22,780
Total	$ 7,637	22,780	6,372	-	36,789

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

(in thousands)		Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Total
Nine months ended September 30, 2018						
Commercial loans secured by real estate:						
Commercial property	$	1,109	-	-	-	1,109
Commercial and industrial loans:						
Commercial and industrial		12,707	-	-	2,463	15,170
Taxi medallions		-	15,378	-	-	15,378
Consumer loans:						
Home equity lines of credit		-	-	-	1,012	1,012
Total	$	13,816	15,378	-	3,475	32,669
Nine months ended September 30, 2017						
Commercial loans secured by real estate:						
1-4 family residential property	$	4,450	-	-	-	4,450
Commercial property		-	-	6,372	-	6,372
Commercial and industrial loans:						
Commercial and industrial		8,477	-	-	-	8,477
Taxi medallions		-	109,684	-	-	109,684
Consumer loans:						
Home equity lines of credit		-	-	-	1,200	1,200
Total	$	12,927	109,684	6,372	1,200	130,183

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

Our impaired loans at September 30, 2018 and December 31, 2017 include TDRs totaling $122.5 million and $220.3 million, respectively. The decrease in TDRs was primarily driven by taxi medallion related charge-offs of $112.2 million, the foreclosure of taxi medallions totaling $9.6 million, and the full payoff of TDRs totaling $5.4 million. This decrease was partially offset by the restructure of 91 NYC medallion loans totaling $15.2 million, commercial and industrial loans totaling $15.2 million and one home equity line of credit totaling $1.0 million.

During the year of restructuring, we consider a TDR impaired. In subsequent years, we do not consider the restructured loan impaired if it was restructured at a market rate and continues to perform in accordance with its modified terms. Other TDRs, however, are reported as such for as long as the loan remains outstanding. For all loans classified as a TDR, we record an impairment loss, if any, based on the present value of expected future cash flows discounted at the original loan's effective interest rate, or, if the loan is collateral dependent, based on the fair value of the collateral less estimated costs to sell, if appropriate.

As of September 30, 2018, we had 36 taxi medallion relationships and loans totaling $5.1 million that were modified as a TDR within the previous 12 months that subsequently defaulted on payments. As of September 30, 2017, we had 77 taxi medallion relationships and loans, totaling $26.0 million that were modified as a TDR within the previous 12 months that subsequently defaulted on payments.

For the three months ended September 30, 2018 and 2017, we recorded interest income on impaired loans during the period of impairment totaling $423,000 and $273,000, respectively. If all impaired loans had been performing in accordance with their original terms, we would have recorded interest income, with respect to such loans, of approximately $1.6 million and $3.3 million for the quarters ended September 30, 2018 and 2017, respectively.

For the nine months ended September 30, 2018 and 2017, we recorded interest income on impaired loans during the period of impairment totaling $1.2 million and $1.6 million, respectively. If all impaired loans had been performing in accordance with their original terms, we would have recorded interest income, with respect to such loans, of approximately $4.6 million and $6.7 million for the nine months ended September 30, 2018 and 2017, respectively.

8. Deposits

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

(in thousands)		September 30, 2018	December 31, 2017
Non-interest-bearing demand	$	12,083,165	11,308,414
NOW and interest-bearing demand		3,624,433	3,655,699
Money market		18,172,632	16,675,707
Time deposits		1,382,374	956,418
Brokered deposits (1)		828,621	843,589
Total deposits	$	36,091,225	33,439,827

(1) Includes non-interest bearing deposits of $75.6 million and $44.6 million as of September 30, 2018 and December 31, 2017, respectively.

9. Repurchase Agreements

As of September 30, 2018 and December 31, 2017, we had repurchase agreements with brokers accounted for as secured borrowings totaling $100.0 million and $75.0 million with an expected maturity date of November 2019 and August 2018, respectively.

Collateral for these 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 September 30, 2018, all repurchase agreements were collateralized with mortgage-backed government-sponsored enterprise securities.

These agreements are reported in Federal funds purchased and securities sold under agreements to repurchase in the Consolidated Statements of Financial Condition.

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 nine months ended September 30, 2018 is summarized as follows:

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Shares available for future awards at beginning of period	1,341,404	1,557,731
Restricted stock		
Granted	(34,029)	(442,681)
Forfeited	4,876	50,521
Shares sold to cover minimum tax withholding upon vesting	3	146,683
Shares available for future awards at end of period	1,312,254	1,312,254

Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the three and nine months ended September 30, 2018:

	Three months ended September 30, 2018		*Nine months ended September 30, 2018*	
	Shares	**Weighted Average Grant Price**	**Shares**	**Weighted Average Grant Price**
Outstanding at beginning of period	808,868	$ 143.05	875,813	$ 131.28
Granted	34,029	111.82	442,681	142.47
Vested	(39)	145.38	(429,991)	119.19
Forfeited	(4,876)	145.83	(50,521)	142.43
Outstanding at end of period	837,982	141.76	837,982	141.76

The driver of the forfeiture for the nine months ended September 30, 2018 is a Type III modification (improbable-to-probable vesting) of awards related to the retirement of certain employees (two in the first quarter and one in the second quarter of 2018), who will be required to provide consulting services to the Bank over a two-year period for vesting to occur. The modified awards are presented in the granted line item within the table above.

As of September 30, 2018, our total unrecognized compensation cost related to unvested restricted shares was $91.0 million, which is expected to be recognized over a weighted-average period of 2.05 years. During the three and nine months ended September 30, 2018, we recognized compensation expense of $12.9 million and $39.0 million, respectively for restricted shares. The total fair value of restricted shares that vested during the three and nine months ended September 30, 2018 was $5,000 and $62.3 million, respectively.

11. Accumulated Other Comprehensive Income (Loss)

The following table presents information regarding items reclassified out of Accumulated Other Comprehensive Income (Loss) (“AOCI”) during the three and nine months ended September 30, 2018 and 2017:

(in thousands) **Details About AOCI**	*Three months ended September 30, 2018* **Amount Reclassified Out of AOCI**	*Three months ended September 30, 2017* **Amount Reclassified Out of AOCI**	**Affected Line Item in the Consolidated Statement of Operations**
Net unrealized gains on AFS securities	$ 12	735	Net gains on sales of securities
	-	(361)	Net other-than-temporary impairment losses on securities recognized in earnings
Total reclassifications, before tax	12	374	
	(3)	(147)	Income tax expense
Total reclassifications, net of tax	$ 9	227	

(in thousands) **Details About AOCI**	*Nine months ended September 30, 2018* **Amount Reclassified Out of AOCI**	*Nine months ended September 30, 2017* **Amount Reclassified Out of AOCI**	**Affected Line Item in the Consolidated Statement of Operations**
Net unrealized gains on AFS securities	$ 810	3,263	Net gains on sales of securities
	(16)	(602)	Net other-than-temporary impairment losses on securities recognized in earnings
Total reclassifications, before tax	794	2,661	
	(197)	(1,003)	Income tax expense
Total reclassifications, net of tax	$ 597	1,658	

The following table presents changes in AOCI, net of tax, for the three and nine months ended September 30, 2018 and 2017:

(in thousands)		AFS Securities	HTM Securities Transferred from AFS	Total
Three months ended September 30, 2018				
Balance at June 30, 2018	$	(155,955)	(9,173)	(165,128)
Net change in unrealized gain (loss)		(47,404)	-	(47,404)
Amortization of net unrealized loss on securities transferred to HTM		-	400	400
Amounts reclassified out of AOCI		(9)	-	(9)
Net current period other comprehensive income		(47,413)	400	(47,013)
Balance at September 30, 2018	$	(203,368)	(8,773)	(212,141)
Three months ended September 30, 2017				
Balance at June 30, 2017	$	(29,680)	(10,991)	(40,671)
Net change in unrealized gain (loss)		(2,436)	-	(2,436)
Amortization of net unrealized loss on securities transferred to HTM		-	456	456
Amounts reclassified out of AOCI		(227)	-	(227)
Net current period other comprehensive income		(2,663)	456	(2,207)
Balance at September 30, 2017	$	(32,343)	(10,535)	(42,878)

(in thousands)		AFS Securities	HTM Securities Transferred from AFS	Total
Nine months ended September 30, 2018				
Balance at December 31, 2017	$	(58,767)	(10,100)	(68,867)
Opening retained earnings adjustments (1)		1,183	-	1,183
Net change in unrealized gain (loss)		(145,187)	-	(145,187)
Amortization of net unrealized loss on securities transferred to HTM		-	1,327	1,327
Amounts reclassified out of AOCI		(597)	-	(597)
Net current period other comprehensive income		(144,601)	1,327	(143,274)
Balance at September 30, 2018	$	(203,368)	(8,773)	(212,141)
Nine months ended September 30, 2017				
Balance at December 31, 2016	$	(42,807)	(11,907)	(54,714)
Net change in unrealized gain (loss)		12,122	-	12,122
Amortization of net unrealized loss on securities transferred to HTM		-	1,372	1,372
Amounts reclassified out of AOCI		(1,658)	-	(1,658)
Net current period other comprehensive income		10,464	1,372	11,836
Balance at September 30, 2017	$	(32,343)	(10,535)	(42,878)

(1) Effective January 1, 2018, we adopted ASU 2016-01 (*Amendments to Financial Instruments- Recognition and Measurement of Financial Assets*). Accordingly, we reclassified $1.2 million of unrealized losses related to equity securities from accumulated other comprehensive loss to retained earnings as a cumulative-effect adjustment.

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.

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain prepayable fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount. Gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in Interest income for Loans and leases, net.

During the third quarter of 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. For the quarter, the fixed-rate payment related to the net settlement of these interest rate swaps was in excess of the floating rate received. As such, Interest Income from Loans and leases was reduced by $382,000, net, for the three and nine months ended September 30, 2018. Based on the current market expectation for interest rate hikes, the Company expects this impact to ultimately result in an increase to interest income.

As of September 30, 2018, the following amounts were recorded on the balance sheet related to cumulative basis adjustment for fair value hedges. The Company did not have any derivative instruments that were designated as accounting hedges as of December 31, 2017.

(in thousands)	September 30, 2018	
Line Item in the Consolidated Statement of Financial Condition in Which the Hedge 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, net (1)	$ 647,809	(2,191)

(1) These amounts include the amortized cost basis of closed portfolios used to designated hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At September 30, 2018, the amortized cost basis of the closed portfolios used in these hedging relationships was $ 1.17 billion; the cumulative basis adjustments associated with these hedging relationships was $ 2.2 million; and the amount of the designated hedged items was $650.0 million.

Non-designated Hedges

From time to time, the Bank has entered into risk participation agreements with external lenders where they are sharing their risk of default on the interest rate swaps on participated loans. We either pay or receive a fee depending on the participation type. Risk participation agreements are credit derivatives not designated as hedges. Credit derivatives are not speculative and are not used to manage interest rate risk in assets or liabilities. Changes in the fair value in credit derivatives are recognized directly in earnings.

The Bank also executes interest rate swaps with customers to facilitate their respective risk management strategies. These swaps with customers are simultaneously offset by swaps that the Bank executes with a third party, such that the Bank minimizes its net risk exposure resulting from such transactions. As the swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings.

The 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 September 30, 2018 and December 31, 2017 respectively:

	Fair Values of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
(in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
September 30, 2018				
Derivatives designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ 40	Other Liabilities	$ 43
Total derivatives designated as hedging instruments		$ 40		$ 43
Derivatives not designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ 1,886	Other Liabilities	$ 1,445
Other Contracts (1)	Other Assets	286	Other Liabilities	127
Total derivatives not designated as hedging instruments		$ 2,172		$ 1,572
December 31, 2017				
Derivatives designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ -	Other Liabilities	$ -
Total derivatives designated as hedging instruments		$ -		$ -
Derivatives not designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ 2,373	Other Liabilities	$ 2,500
Other Contracts (1)	Other Assets	-	Other Liabilities	200
Total derivatives not designated as hedging instruments		$ 2,373		$ 2,700

(1) Other contracts include risk participation agreements and foreign exchange contracts.

We centrally clear our derivatives with our third party counterparties through the Chicago Mercantile Exchange ("CME") by posting required initial and variation margins. CME legally characterizes variation margin payments for centrally cleared derivatives as settlements of the derivatives' exposures rather than collateral. As a result, the variation margin payment and the related derivative instruments are considered a single unit of account for accounting and financial reporting purposes. The Bank's clearing agent for interest rate and derivative contracts centrally cleared through the CME settles the variation margin daily with the CME; therefore, those interest rate derivative contracts the Bank clears though the CME are reported at a fair value of approximately zero at September 30, 2018.

The effect of gain or (loss) from derivatives designated as fair value hedges on the Consolidated Statements of Income for the three and nine months ended September 30, 2018 and 2017 were as follows:

	Three months ended September 30,		*Nine months ended September 30,*	
(in thousands)	**2018**	**2017**	**2018**	**2017**
Derivative - interest rate swaps:				
Interest income	$ 2,206	-	2,206	-
Hedged item - loans:				
Interest income	$ (2,191)	-	(2,191)	-
Net Effect on Interest Income	$ 15	-	$ 15	-

The following table presents the effect of derivatives not designated as hedging instruments on the Consolidated Statements of Income for the three and nine months ended September 30, 2018 and 2017:

(in thousands)		*Three months ended September 30,* 2018	2017	*Nine months ended September 30,* 2018	2017
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)	$ 15	1	141	(34)
Other Contracts (1)	Other income / (expense)	9	7	208	54
Total		$ 24	8	349	20

(1) Other contracts include risk participation agreements and foreign exchange contracts.

13. Segment Reporting

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

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

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

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

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

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

(in thousands)	*At or for the three months ended September 30,* 2018	2017	*At or for the nine months ended September 30,* 2018	2017
Commercial Banking				
Interest income	$ 412,143	351,982	1,184,861	1,024,857
Interest expense	109,432	61,851	284,149	165,398
Provision for (recovery of) loan and lease losses	13,677	4,898	26,609	31,902
Non-interest income	3,640	7,128	14,361	24,726
Non-interest expense	110,653	99,812	323,214	292,436
Income (loss) before income taxes	$ 182,021	192,549	565,250	559,847
Total assets	$ 46,156,616	41,508,415	46,156,616	41,508,415
Specialty Finance				
Interest income	$ 38,157	28,745	105,918	85,573
Interest expense	16,072	10,058	42,676	27,218
Provision for (recovery of) loan and lease losses	(6,326)	9,442	129,474	189,658
Non-interest income	909	997	3,017	2,835
Non-interest expense	6,561	5,822	43,939	32,681
Income (loss) before income taxes	$ 22,759	4,420	(107,154)	(161,149)
Total assets	$ 4,173,040	3,789,920	4,173,040	3,789,920

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

(in thousands)	*At or for the three months ended September 30,* 2018	2017	*At or for the nine months ended September 30,* 2018	2017
Net interest income:				
Commercial Banking	$ 302,711	290,131	900,712	859,459
Specialty Finance	22,085	18,687	63,242	58,355
Consolidated	$ 324,796	308,818	963,954	917,814
Provision for (recovery of) loan and lease losses:				
Commercial Banking	$ 13,677	4,898	26,609	31,902
Specialty Finance	(6,326)	9,442	129,474	189,658
Consolidated	$ 7,351	14,340	156,083	221,560
Non-interest income:				
Commercial Banking	$ 3,640	7,128	14,361	24,726
Specialty Finance	909	997	3,017	2,835
Eliminations (1)	(6)	(6)	(18)	(18)
Consolidated	$ 4,543	8,119	17,360	27,543
Non-interest expense:				
Commercial Banking	$ 110,653	99,812	323,214	292,436
Specialty Finance	6,561	5,822	43,939	32,681
Eliminations (1)	(6)	(6)	(18)	(18)
Consolidated	$ 117,208	105,628	367,135	325,099
Income (loss) before income taxes:				
Commercial Banking	$ 182,021	192,549	565,250	559,847
Specialty Finance	22,759	4,420	(107,154)	(161,149)
Consolidated	$ 204,780	196,969	458,096	398,698
Total assets:				
Commercial Banking	$ 46,156,616	41,508,415	46,156,616	41,508,415
Specialty Finance	4,173,040	3,789,920	4,173,040	3,789,920
Eliminations (1)	(4,458,946)	(3,971,411)	(4,458,946)	(3,971,411)
Consolidated	$ 45,870,710	41,326,924	45,870,710	41,326,924

(1) Eliminations primarily related to intercompany funding.

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

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

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

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

- earnings growth;
- revenue growth;
- net interest margin;
- deposit growth, including short-term escrow deposits, brokered deposits and off-balance sheet deposits;
- future acquisitions;
- performance, credit quality and liquidity of investments made by us, including our investments in certain mortgage-backed and similar securities;
- loan and lease origination volume;
- the interest rate environment;
- non-interest income levels, including fees from product sales;
- credit performance of loans made by us;
- monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System;
- our ability to maintain, generate and/or raise capital;
- changes in the regulatory environment and government intervention in the banking industry, including the impact of the Dodd-Frank Wall Street Reform, Consumer Protection Act and the Economic Growth, Regulatory Relief, and Consumer Protection Act;
- Federal Deposit Insurance Corporation insurance assessments;
- margins on sales or securitizations of loans;
- market share;
- expense levels;
- hiring of new private client banking teams;
- results from new business initiatives;
- 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. Although we believe that these forward-looking statements are based on reasonable assumptions, beliefs, and expectations, if a change occurs or our beliefs, assumptions, or expectations were incorrect, our business, financial condition, liquidity or results of operations may vary materially from those expressed in our forward-looking statements. You should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements including, without limitation, the following factors:

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

These factors include the risks discussed under the section entitled "Item 1A. - Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, as well as the same section later in this report.

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

Company Background

We are a New York-based full-service commercial bank with 30 private client offices located in the New York metropolitan area, offering a wide variety of business and personal banking products and services. In 2018, the Bank expanded its footprint on the West Coast with the opening of its first full-service private client banking office in San Francisco. The Bank's growing network of private client banking teams serves the needs of privately owned businesses, their owners and their senior managers.

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

We provide brokerage, asset management and insurance products and services through our Signature Securities Group Corporation ("Signature Securities") subsidiary, a licensed broker-dealer and investment adviser.

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

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

Establishment of New Fund Banking Division

In October 2018, the Bank launched its new Fund Banking Division which will be based in Midtown Manhattan. The division will be dedicated to providing financing and banking services to the private equity industry by offering subscription lines of credit, management company lines of credit and general partner loans, specifically targeted to private equity firms and their general partners.

Stock Repurchase Program

On October 17, 2018, a Special Meeting of the Bank's Stockholders was held to approve the repurchase of common stock from the Bank's shareholders in open market transactions in the aggregate purchase amount of up to $500 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 shareholder and regulatory approval, which were received for the repurchase program of up to $500 million in October and November 2018, respectively.

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 ALLL in future periods, and the inability to collect on outstanding loans could result in increased loan losses.

Allowance for Loan and Lease Losses

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

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

More specifically, to determine the general reserve portion of our ALLL, we segment the loan portfolio into various components and apply various loss factors to estimate the amount of probable losses. The largest segment of our loan portfolio is comprised of credit-rated commercial loans, comprising 99.0% of our total loan portfolio, excluding loans held for sale, as of September 30, 2018. Our credit-rated commercial loans are further segmented by portfolio including commercial real estate loans, commercial and industrial loans, and commercial loans secured by 1-4 family residential property. Certain commercial and industrial loans are analyzed on a more granular level such as specialty finance loans and taxi medallion loans. For each loan portfolio segment, a credit rating is assigned based on a review of specific risk factors including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower’s industry that may affect the borrower’s future financial performance, (iii) business experience of the borrower’s management, (iv) nature of the underlying collateral, if any, and (v) history of the borrower’s payment performance.

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

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

Our internal review process results in the periodic review of assigned credit ratings to reflect changes in specific risk factors. Commercial lines of credit are generally issued with terms of one year, and upon annual renewal, our lenders perform a full review of the specific risk factors to assess the appropriateness of the assigned credit ratings. Furthermore, loans classified as special mention, substandard or doubtful are placed on our internal watch list, and our lenders perform a credit rating review on a quarterly basis. In addition, our Risk Management function performs periodic credit reviews that provide an independent evaluation of the assigned credit ratings. These reviews include those loans with higher-risk attributes, and generally cover, in aggregate, between 20-30% of the commercial loan portfolio, including a sample of commercial loans with adverse credit ratings, as well as pass/watch ratings, on an annual basis. The results of these credit reviews are presented to both the Risk and the Credit Committees of the Board of Directors.

Our methodology to determine the ALLL for the non-rated segments of our loan portfolio is based on historical loss experience and qualitative factors. Non-rated loans include commercial loans with outstanding principal balances below $100,000, overdrafts, residential mortgages, and consumer loans. The outstanding amounts of loans in each of these segments are aggregated, and we apply percentages based on historical losses and assess qualitative factors by segment to estimate the required allowance. Non-rated loans comprise 1.0% of our total loan portfolio, excluding loans held for sale, as of September 30, 2018.

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

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

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

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

- Changes in the volume and severity of past-due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;
- Changes in the quality of our loan review system;
- Changes in the value of underlying collateral;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- Changes in the experience, ability, and depth of lending management and other relevant staff; and
- The effect of other external factors, such as competition and legal and regulatory requirements.

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

Due to the distressed nature of the current taxi medallion market, the related collateral fair value is derived for each medallion type using both recent market transfer activity, to the extent available, as well as a discounted cash flow model. Recent market transfers published by the City are averaged to derive the market activity data point. In analyzing transfer activity, Management does not consider transactions which are confirmed through third party sources to not be orderly (e.g., non-arms-length), if any. Additionally, if information from a third party source confirms that transaction terms are market terms, more weight may be placed on those transactions to derive the market transfer activity data point. For the discounted cash flow model data point, significant inputs include the discount rate, fare/lease revenue and associated expenses such as vehicle costs, fuel, credit card processing fees, repair costs, and insurance premiums. At period end, the two valuation data points create the fair value range. To determine the estimated fair value within the established range for each medallion type, a weight is ascribed to each valuation output dependent on recent market transfer activity with consideration both to the transfer value range, as well as transfer volume.

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

In addition, bank regulators, as an integral part of their supervisory functions, periodically review our loan portfolio and related ALLL. These regulatory agencies may disagree with our methodology, which could result in changes to our current ALLL 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 ALLL as a result of these judgments could materially adversely affect our financial condition and results of operations.

For economic reasons and to maximize the recovery of loans, we may work with borrowers experiencing financial difficulties and will consider modifications to a borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to as troubled debt restructurings ("TDRs"). We record a provision for impairment loss associated with TDRs, if any, based on the present value of expected future cash flows discounted at the original loan's effective interest rate or, if the loan is collateral dependent, based on the fair value of the collateral less estimated costs to sell, if appropriate. At the time of restructuring, we determine whether a TDR loan should accrue interest based on the accrual status of the loan immediately prior to modification. Additionally, an accruing loan that is modified as a TDR may remain in accrual status if, based on a credit analysis, collection of principal and interest in accordance with the modified terms is reasonably assured, and the borrower demonstrated sustained historical repayment performance for a reasonable period prior to modification. A nonaccrual TDR loan

will be returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Additionally, there should be a sustained period of repayment performance (generally a period of six months) by the borrower in accordance with the modified contractual terms. In years after the year of restructuring, the loan is not reported as a TDR loan if it was restructured at a market interest rate and it is performing in accordance with its modified terms. Other TDRs, however, are reported as such for as long as the loan remains outstanding.

RESULTS OF OPERATIONS

	Three months ended September 30,		*Nine months ended September 30,*	
(in thousands, except ratios and per share amounts)	**2018**	**2017**	**2018**	**2017**
PER COMMON SHARE				
Net income - basic	$ 2.84	$ 2.30	$ 6.32	$ 5.05
Net income - diluted	$ 2.84	$ 2.29	$ 6.30	$ 5.01
Weighted average shares outstanding - basic	54,544	54,098	54,406	53,968
Weighted average shares outstanding - diluted	54,610	54,300	54,646	54,349
Book value	$ 76.52	$ 71.52	$ 76.52	$ 71.52
SELECTED FINANCIAL DATA				
Return on average total assets	1.36%	1.21%	1.03%	0.90%
Return on average shareholders' equity	14.71%	12.78%	11.14%	9.65%
Efficiency ratio (1)	35.59%	33.33%	37.41%	34.39%
Yield on interest-earning assets	3.84%	3.65%	3.80%	3.65%
Yield on interest-earning assets, tax-equivalent basis (2)	3.85%	3.66%	3.81%	3.66%
Cost of deposits and borrowings	1.06%	0.67%	0.95%	0.61%
Net interest margin	2.87%	3.04%	2.93%	3.09%
Net interest margin, tax-equivalent basis (2)(3)	2.88%	3.05%	2.94%	3.10%

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

(2) Based on the 21 percent U.S. federal statutory tax rate for the 2018 periods presented, and the 35 percent rate for the 2017 periods presented. The tax-equivalent basis is considered a non-GAAP financial measure and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. This ratio is a metric used by management to evaluate the impact of tax-exempt assets on the Bank's yield on interest-earning assets and net interest margin.

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

CAPITAL RATIOS

	September 30, 2018	**June 30, 2018**	**December 31, 2017**	**September 30, 2017**
Tangible common equity (4)	9.15%	9.10%	9.29%	9.44%
Tier 1 leverage	9.67%	9.64%	9.72%	9.72%
Common equity Tier 1 risk-based	12.16%	12.11%	11.99%	11.96%
Tier 1 risk-based	12.16%	12.11%	11.99%	11.96%
Total risk-based	13.47%	13.43%	13.32%	13.32%

(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 third quarter of 2018 was $155.4 million, or $2.84 diluted earnings per share, compared to $124.5 million, or $2.29 diluted earnings per share, for the third quarter of 2017. The increase in net income in the third quarter of 2018, versus the comparable quarter last year, was primarily due to a $63.6 million increase in interest income, a $23.2 million decrease in income tax expense, and a $6.9 million decrease in the provision for loan losses. This increase was partially offset by an increase of $47.6 million in interest expense as a result of the higher interest rate environment and increased deposit competition.

Net income for the nine months ended September 30, 2018 was $344.5 million, or $6.30 diluted earnings per share, compared to $272.3 million, or $5.01 diluted earnings per share, for the nine months ended September 30, 2017. The increase was primarily due to a decrease of $65.5 million in the provision for loan losses, nearly all attributable to the NYC taxi medallion portfolio. The increase was also driven by a $164.9 million increase in interest income, which was largely offset by an increase of $118.8 million in interest expense, resulting in a net increase of $46.1 million in net interest income from continuing deposit and loan growth. This increase was partially offset by an increase of $42.0 million in non-interest expense attributable to the addition of new private client banking teams, as well as an increase in costs in our risk management and compliance related activities.

Returns on average shareholders' equity and average total assets for the third quarter of 2018 were 14.71% and 1.36%, respectively, compared to 12.78% and 1.21% for the third quarter last year. Returns on average shareholders' equity and average total assets for the nine months ended September 30, 2018 were 11.14% and 1.03%, respectively, compared to 9.65% and 0.90%, 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 September 30, 2018 and 2017:

	Three months ended September 30, 2018			*Three months ended September 30, 2017*		
(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	$ 485,749	2,488	2.03%	470,171	1,455	1.23%
Investment securities	9,526,123	77,555	3.26%	8,987,262	66,742	2.97%
Commercial loans, mortgages and leases (1) (2)	34,301,452	350,358	4.05%	30,419,546	299,974	3.91%
Residential mortgages and consumer loans (1)	223,929	2,393	4.24%	265,083	2,649	3.96%
Loans held for sale	320,712	2,442	3.02%	153,042	911	2.36%
Total interest-earning assets	44,857,965	435,236	3.85%	40,295,104	371,731	3.66%
Non-interest-earning assets	624,664			587,209		
Total assets	$ 45,482,629			40,882,313		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 3,654,079	14,122	1.53%	3,919,003	8,627	0.87%
Money market	18,090,481	56,798	1.25%	17,260,584	33,523	0.77%
Time deposits	1,765,996	8,280	1.86%	1,516,042	4,509	1.18%
Non-interest-bearing demand deposits	12,213,759	-	-	10,678,696	-	-
Total deposits	35,724,315	79,200	0.88%	33,374,325	46,659	0.55%
Subordinated debt	257,843	3,645	5.65%	257,050	3,645	5.67%
Other borrowings	4,850,924	26,587	2.17%	3,085,542	11,547	1.48%
Total deposits and borrowings	40,833,082	109,432	1.06%	36,716,917	61,851	0.67%
Other non-interest-bearing liabilities and shareholders' equity	4,649,547			4,165,396		
Total liabilities and shareholders' equity	$ 45,482,629			40,882,313		
OTHER DATA						
Net interest income / interest rate spread (2)		325,804	2.79%		309,880	2.99%
Tax-equivalent adjustment		(1,008)			(1,062)	
Net interest income, as reported		324,796			308,818	
Net interest margin			2.87%			3.04%
Tax-equivalent effect			0.01%			0.01%
Net interest margin on a tax-equivalent basis (2)			2.88%			3.05%
Ratio of average interest-earning assets to average interest-bearing liabilities			109.86%			109.75%

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

(2) Presented on a tax-equivalent, non-GAAP basis for municipal leasing and financing transactions using the U.S. federal statutory tax rate of 21 percent for the period ended September 30, 2018 and 35 percent for the period ended September 30, 2017.

The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the nine months ended September 30, 2018 and 2017:

(dollars in thousands)	*Nine months ended September 30, 2018* Average Balance	Interest Income/ Expense	Average Yield/ Rate	*Nine months ended September 30, 2017* Average Balance	Interest Income/ Expense	Average Yield/ Rate
INTEREST-EARNING ASSETS						
Short-term investments	$ 465,298	6,209	1.78%	471,151	3,598	1.02%
Investment securities	9,359,974	221,924	3.16%	8,891,079	201,431	3.02%
Commercial loans, mortgages and leases (1) (2)	33,483,359	1,007,252	4.02%	29,886,204	869,752	3.89%
Residential mortgages and consumer loans (1)	234,007	7,255	4.15%	271,273	7,850	3.87%
Loans held for sale	384,571	8,205	2.85%	196,842	3,155	2.14%
Total interest-earning assets	43,927,209	1,250,845	3.81%	39,716,549	1,085,786	3.66%
Non-interest-earning assets	593,551			565,087		
Total assets	$ 44,520,760			40,281,636		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 3,678,705	36,843	1.34%	3,835,571	20,502	0.71%
Money market	17,676,403	143,082	1.08%	17,003,578	89,427	0.70%
Time deposits	1,564,257	19,339	1.65%	1,473,261	11,843	1.07%
Non-interest-bearing demand deposits	11,845,801	-	-	10,555,056	-	-
Total deposits	34,765,166	199,264	0.77%	32,867,466	121,772	0.50%
Subordinated debt	257,647	10,928	5.66%	256,853	10,890	5.65%
Other borrowings	5,002,029	73,957	1.98%	3,029,683	32,736	1.44%
Total deposits and borrowings	40,024,842	284,149	0.95%	36,154,002	165,398	0.61%
Other non-interest-bearing liabilities and shareholders' equity	4,495,918			4,127,634		
Total liabilities and shareholders' equity	$ 44,520,760			40,281,636		
OTHER DATA						
Net interest income / interest rate spread (2)		966,696	2.86%		920,388	3.05%
Tax-equivalent adjustment		(2,742)			(2,574)	
Net interest income, as reported		963,954			917,814	
Net interest margin			2.93%			3.09%
Tax-equivalent effect			0.01			0.01
Net interest margin on a tax-equivalent basis (2)			2.94%			3.10%
Ratio of average interest-earning assets to average interest-bearing liabilities			109.75%			109.85%

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

(2) Presented on a tax-equivalent, non-GAAP basis for municipal leasing and financing transactions using the U.S. federal statutory tax rate of 21 percent for the period ended September 30, 2018 and 35 percent for the period ended September 30, 2017.

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 September 30, 2018 vs. 2017			*Nine months ended September 30, 2018 vs. 2017*		
(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	$ 985	48	1,033	2,656	(45)	2,611
Investment securities	6,811	4,002	10,813	9,870	10,623	20,493
Commercial loans, mortgages and leases (1)	12,104	38,280	50,384	32,815	104,685	137,500
Residential mortgages and consumer loans	155	(411)	(256)	483	(1,078)	(595)
Loans held for sale	533	998	1,531	2,041	3,009	5,050
Total interest income	20,588	42,917	63,505	47,865	117,194	165,059
INTEREST EXPENSE						
Interest-bearing deposits						
NOW and interest-bearing demand	6,078	(583)	5,495	17,179	(838)	16,341
Money market	21,663	1,612	23,275	50,116	3,539	53,655
Time deposits	3,028	743	3,771	6,765	731	7,496
Total interest-bearing deposits	30,769	1,772	32,541	74,060	3,432	77,492
Subordinated debt	(11)	11	-	4	34	38
Other borrowings	8,433	6,607	15,040	19,910	21,311	41,221
Total interest expense	39,191	8,390	47,581	93,974	24,777	118,751
Net interest income	$ (18,603)	34,527	15,924	(46,109)	92,417	46,308

(1) Presented on a tax-equivalent, non-GAAP, basis for municipal leasing and financing transactions using the U.S. federal statutory tax rate of 21 percent for the period ended September 30, 2018 and 35 percent for the period ended September 30, 2017.

Net interest income for the third quarter of 2018 was $324.8 million, an increase of $16.0 million, or 5.2%, compared to $308.8 million for the third quarter of 2017. Net interest income for the nine months ended September 30, 2018 was $964.0 million, an increase of $46.2 million, or 5.0%, compared to $917.8 million in the first nine months of 2017. The increases in net interest income were primarily due to growth in average interest-earning assets, which, when compared to the periods last year, increased $4.56 billion for the third quarter of 2018, and $4.21 billion for the nine months ended September 30, 2018, respectively. Additionally, the yield earned on those assets for the three and nine months ended September 30, 2018 increased 19 basis points and 15 basis points, respectively, when compared to the same periods last year. This increase was partially offset by an increase in average deposits of $2.35 billion and $1.90 billion for the three months and the nine months ended September 30, 2018, respectively. In addition, the average cost of funds for the three and nine months ended September 30, 2018 increased by 39 basis points and 34 basis points, respectively, when compared to the same periods last year due to the higher interest rate environment and increased deposit competition. These same factors contributed to the 17 basis point and 16 basis point decline in net interest margin on a tax-equivalent basis to 2.88% and 2.94% for the three and nine months ended September 30, 2018, respectively, when compared to the same periods last year.

Total investment securities averaged $9.53 billion in the quarter ended September 30, 2018, compared to $8.99 billion for the third quarter of 2017. The overall yield on the securities portfolio in the current quarter was 3.26%, an increase of 29 basis points when compared to 2.97% for the third quarter last year due to higher reinvestment yields and lower premium amortization. Our portfolio primarily consists of high quality and highly-rated mortgage-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations issued by government agencies, government-sponsored enterprises, and private issuers. We mitigate extension risk through our overall strategy of purchasing relatively stable duration securities that, by their nature, have lower yields. At September 30, 2018, the baseline average duration of our investment securities portfolio was approximately 4.07 years, compared to 3.09 years at September 30, 2017.

Total commercial loans, mortgages and leases averaged $34.30 billion in the third quarter of 2018, an increase of $3.88 billion, or 12.8%, when compared to the third quarter of 2017. The average yield on this portfolio increased 14 basis points to 4.05% from the third quarter last year, primarily due to increased market rates. Prepayment penalty income was $4.1 million and $16.9 million for

the three and nine month periods ended September 30, 2018, compared to $6.3 million and $17.8 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 third quarter of 2018 were $12.21 billion, an increase of $1.54 billion, or 14.4%, when compared to the third quarter of 2017. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 33.7% of all deposits at September 30, 2018. Additionally, average NOW and interest-bearing demand and money market accounts totaled $21.74 billion for the third quarter of 2018, an increase of $565.0 million, or 2.7%, when compared to the third quarter of 2017. Core deposits have provided us with a source of stable and relatively low cost funding, which has positively affected our net interest margin and income. As a result of the current competitive and rising interest rate environment, our funding cost for money market accounts increased to 1.25% for the quarter ended September 30, 2018 compared to 0.77% for the third quarter of 2017. Our funding cost for NOW and interest-bearing demand accounts was 1.53% for the third quarter of 2018 compared to 0.87% for the third quarter of 2017.

For the third quarter of 2018, average total borrowings increased $1.77 billion, or 52.8% to $5.11 billion compared to $3.34 billion for the third quarter of 2017. The increase in average total borrowings, when compared to the third quarter of 2017, reflects funding needs as a result of our continued loan growth. The average cost of total borrowings was 2.35% and 1.80% for the third quarters of 2018 and 2017, respectively. The increase in the average cost of borrowings primarily reflects higher replacement rates for matured term borrowings.

Provision for Loan and Lease Losses

Our provision for loan and lease losses was $7.4 million for the quarter ended September 30, 2018, compared to $14.3 million for the third quarter last year, a decrease of $6.9 million or 48.7%, which is largely attributable to taxi medallion recoveries in the current quarter as a result of the recent stabilization of the taxi medallion market and continued successful paydown and payoff settlement negotiations with borrowers. For the nine months ended September 30, 2018, our provision for loan and lease losses was $156.1 million, compared to $221.6 million for the same period last year, a decrease of $65.5 million, or 29.6%. The decline was driven by lower NYC taxi medallion portfolio charge-offs during the nine months ended September 30, 2018, compared to the same period a year ago.

The remaining NYC taxi medallion portfolio net exposure is $94.3 million. In Chicago, the remaining taxi medallion portfolio net exposure is $17.1 million. Including repossessed taxi medallions, remaining net exposure totals $131.9 million in NYC and $18.9 million in Chicago.

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

Non-Interest Income

For the quarter ended September 30, 2018, non-interest income was $4.5 million, a decrease of $3.6 million, or 44.0%, when compared to the third quarter of last year. The decrease was primarily due to a $4.0 million increase in the amortization of low income housing tax credit investments, primarily due to an increase in the underlying investment balances compared to the same period last year. These investments have contributed to the reduction of the Bank’s effective tax rate.

For the nine months ended September 30, 2018, non-interest income was $17.4 million, a decrease of $10.2 million, or 37.0%, when compared to the same period last year. The decrease was primarily due to $10.1 million in additional amortization of low income housing tax credit investments as a result of an increase in the underlying investment balances compared to the same period last year.

Non-Interest Expense

For the quarter ended September 30, 2018, non-interest expense was $117.2 million, an increase of $11.6 million, or 11.0%, when compared to the same period last year. This increase was primarily a result of an additional $6.0 million in salaries and benefits mostly attributable to the addition of new private client banking teams, along with increased compensation costs driven by the continued growth of our business as well as an increase in costs in our risk management and compliance related activities. Further contributing is an increase of $5.1 million in other general and administrative expenses reflecting increased expenses mostly from additional client activity as a result of growth.

For the nine months ended September 30, 2018, non-interest expense was $367.1 million, an increase of $42.0 million, or 12.9%, when compared to the same period last year. The increase was primarily driven by an increase of $20.2 million in salaries and benefits mostly attributable to the addition of new private client banking teams, along with increased compensation costs driven by the continued growth of our business. This increase was also attributable to an increase of $16.9 million in other general and administrative expenses, primarily as a result of $20.7 million in fair value adjustments related to repossessed New York City taxi medallions, compared to $11.4 million for the same period last year. Further contributing to this is a $1.9 million increase in information technology expenses due to increased transaction volume from the continued growth of our business, as well as a $1.3 million increase in FDIC assessment fees driven by our deposit growth.

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 September 30, 2018, our total unrecognized compensation cost related to unvested restricted shares was $91.0 million, which is expected to be recognized over a weighted-average period of 2.05 years. During the three and nine months ended September 30, 2018, we recognized compensation expense of $12.9 million and $39.0 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the three and nine months ended September 30, 2018 was $5,000 and $62.3 million, respectively.

Income Taxes

The income tax expense for the quarter ended September 30, 2018 was $49.3 million reflecting an effective tax rate of 24.1%, compared to income tax expense of $72.5 million for the quarter ended September 30, 2017, reflecting an effective tax rate of 36.8%. The decrease in the effective tax rate is primarily due to a lower statutory corporate tax rate, as a result of the enacted Federal corporate tax reform.

For the nine months ended September 30, 2018, the provision for income taxes was $113.6 million reflecting an effective tax rate of 24.8%, compared to $126.4 million for the nine months ended September 30, 2017 reflecting an effective tax rate of 31.7%. The decrease in the effective tax rate is primarily due the lower statutory corporate tax rate as a result of the enacted Federal corporate tax reform, partially offset by the absence of the 2017 tax benefit associated with the significant 2017 taxi medallion charge-offs and the impact of the higher statutory corporate tax rate related to that benefit.

Segment Results

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

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

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

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

(in thousands)	Commercial Banking	Specialty Finance	Eliminations (1)	Consolidated
Three months ended September 30, 2018				
Net interest income	$ 302,711	22,085	-	324,796
Provision for (recovery of) loan and lease losses	13,677	(6,326)	-	7,351
Total non-interest income	3,640	909	(6)	4,543
Total non-interest expense	110,653	6,561	(6)	117,208
Income (loss) before income taxes	182,021	22,759	-	204,780
Total assets	$ 46,156,616	4,173,040	(4,458,946)	45,870,710
Three months ended September 30, 2017				
Net interest income	$ 290,131	18,687	-	308,818
Provision for (recovery of) loan and lease losses	4,898	9,442	-	14,340
Total non-interest income	7,128	997	(6)	8,119
Total non-interest expense	99,812	5,822	(6)	105,628
Income (loss) before income taxes	192,549	4,420	-	196,969
Total assets	$ 41,508,415	3,789,920	(3,971,411)	41,326,924

(1) Eliminations primarily related to intercompany funding.

(in thousands)	Commercial Banking	Specialty Finance	Eliminations (1)	Consolidated
Nine months ended September 30, 2018				
Net interest income	$ 900,712	63,242	-	963,954
Provision for (recovery of) loan and lease losses	26,609	129,474	-	156,083
Total non-interest income	14,361	3,017	(18)	17,360
Total non-interest expense	323,214	43,939	(18)	367,135
Income (loss) before income taxes	565,250	(107,154)	-	458,096
Total assets	$ 46,156,616	4,173,040	(4,458,946)	45,870,710
Nine months ended September 30, 2017				
Net interest income	$ 859,459	58,355	-	917,814
Provision for (recovery of) loan and lease losses	31,902	189,658	-	221,560
Total non-interest income	24,726	2,835	(18)	27,543
Total non-interest expense	292,436	32,681	(18)	325,099
Income (loss) before income taxes	559,847	(161,149)	-	398,698
Total assets	$ 41,508,415	3,789,920	(3,971,411)	41,326,924

(1) Eliminations primarily related to intercompany funding.

Commercial Banking

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

(in thousands)		At or for the three months ended September 30, 2018	2017	At or for the nine months ended September 30, 2018	2017
Net interest income	$	302,711	290,131	900,712	859,459
Provision for (recovery of) loan and lease losses		13,677	4,898	26,609	31,902
Total non-interest income		3,640	7,128	14,361	24,726
Total non-interest expense		110,653	99,812	323,214	292,436
Income (loss) before income taxes		182,021	192,549	565,250	559,847
Total assets	$	46,156,616	41,508,415	46,156,616	41,508,415

Commercial Banking net interest income was $302.7 million for the quarter ended September 30, 2018, an increase of $12.6 million, or 4.3%, when compared to $290.1 million for the same period a year ago. This increase was primarily due to growth in average interest-earning assets and the yield earned on those assets, partially offset by an increase in average deposits, as well as an increase in the average cost of funds. For the nine months ended September 30, 2018, net interest income was $900.7 million, an increase of $41.2 million, or 4.8%, when compared to $859.5 million for the same period a year ago. This increase was primarily due to growth in average interest-earning assets and the yield earned on those assets, partially offset by an increase in average deposits and an increase in the cost of funds as a result of the current competitive environment and an increase in replacement rates.

The provision for loan and lease losses increased $8.8 million, or over 100%, to a $13.7 million reserve build for the quarter ended September 30, 2018, compared to a $4.9 million reserve build in the prior year. The increase is primarily due to an increase in the commercial real estate portfolio's qualitative reserves as a result of the related loan growth over the year. For the nine months ended September 30, 2018, the provision for loan and lease losses decreased $5.3 million, or 16.6%, to a $26.6 million reserve build, compared to a $31.9 million reserve build for the same period last year. The decrease was primarily due to the absence of a 2017 increase in the commercial real estate portfolio qualitative reserves primarily related to loan review, and the nature and volume of loans. For additional information about the provision for loan and lease losses, see the discussion of asset quality and the ALLL later in this report, as well as in Note 7 to our Consolidated Financial Statements.

Non-interest expense was $110.7 million for the quarter ended September 30, 2018, an increase of $10.9 million, or 10.9%, when compared to $99.8 million for the quarter ended September 30, 2017. For the nine months ended September 30, 2018, non-interest expense was $323.2 million, an increase of $30.8 million, or 10.5%, when compared to the same period last year. The increase was primarily attributable to an increase in salaries and benefits expense due to the addition of new private client banking teams and an increase in compensation costs driven by the growth of our business. Further contributing is an increase in other general and administrative expense and information technology expenses, which were also attributable to the continued growth of our business.

The increase of $4.65 billion in total assets, or 11.2%, from $41.51 billion as of September 30, 2017 to $46.16 billion as of September 30, 2018, was primarily attributable to growth in our commercial real estate loan portfolio.

Specialty Finance

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

(in thousands)		At or for the three months ended September 30, 2018	2017	At or for the nine months ended September 30, 2018	2017
Net interest income	$	22,085	18,687	63,242	58,355
Provision for (recovery of) loan and lease losses		(6,326)	9,442	129,474	189,658
Total non-interest income		909	997	3,017	2,835
Total non-interest expense		6,561	5,822	43,939	32,681
Income (loss) before income taxes		22,759	4,420	(107,154)	(161,149)
Total assets	$	4,173,040	3,789,920	4,173,040	3,789,920

Specialty Finance net interest income was $22.1 million for the quarter ended September 30, 2018, an increase of $3.4 million, or 18.2%, when compared to $18.7 million for the same period last year. The increase is primarily due to continued loan growth in our equipment leasing portfolios, as well as the increase in the business's overall asset yields. For the nine months ended September 30, 2018, net interest income was $63.2 million, an increase of $4.8 million, or 8.4%, when compared to $58.4 million for the same period a year ago. This relatively stable trend is primarily attributable to the increase in interest income due to continued loan growth in our equipment leasing portfolios, as well as an increase in asset yields, partially offset by a decrease in interest income as a result of the entire taxi medallion portfolio being place on nonaccrual in the second quarter of 2017.

The provision for loan and lease losses decreased $15.7 million, or over 100%, from a provision of $9.4 million for the quarter ended September 30, 2017 to a recovery of $6.3 million for the quarter ended September 30, 2018. The decrease was nearly all driven by the decrease in taxi medallion portfolio charge-offs, as well as the recent success of loan paydown and payoff settlement negotiations with taxi medallion borrowers. This resulted in increased recoveries in the current quarter, as we continue to observe stabilization within the taxi medallion market. For the nine months ended September 30, 2018, the provision for loan and lease losses decreased $60.2 million, or 31.7%, to $129.5 million. The decline was driven by lower NYC taxi medallion portfolio charge-offs during the nine months ended September 30, 2018, as the underlying collateral value decline in the first quarter of 2018, while large, was less significant than that in the third quarter of 2017. For additional information about the provision for loan and lease losses, see the discussion of asset quality and the ALLL later in this report, as well as in Note 7 to our Consolidated Financial Statements.

Non-interest expense was $6.6 million for the quarter ended September 30, 2018, an increase of $739,000, or 12.7%, when compared to $5.8 million for the same period a year ago, was nearly all attributable to the decline in repossessed taxi medallion reserve releases in the third quarter of 2018 compared to the same period a year ago. For the nine months ended September 30, 2018, non-interest expense was $43.9 million, an increase of $11.2 million, or 34.5%, when compared to $32.7 million for the same period a year ago, nearly all due to the increase in fair value adjustments related to repossessed taxi medallions as a result of the significant decline in taxi medallion values during the first quarter of 2018, as a result of a larger repossessed asset population in 2018.

The increase of $383.1 million in total assets, or 10.1%, from $3.79 billion as of September 30, 2017 to $4.17 billion as of September 30, 2018, was primarily attributable to growth in our equipment leasing portfolios, partially offset by the reduction of taxi medallion balances due to charge-offs and the application of principal and interest payments to the related nonaccrual loan balances.

FINANCIAL CONDITION

Securities Portfolio

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

At September 30, 2018, our total securities portfolio was $9.12 billion and primarily consisted of mortgage-backed securities ("MBSs") and collateralized mortgage obligations ("CMOs") issued by U.S. Government agencies ($509.9 million), government-sponsored enterprises ($6.95 billion), and private issuers ($457.5 million). As of September 30, 2018, 92.6% of our securities portfolio had a AAA credit rating, 97.2% had a credit rating of A or better, and 99.1% was rated investment grade or better. Overall, our securities portfolio had a weighted average duration of 4.07 years and a weighted average life of 5.03 years as of September 30, 2018. For further discussion of our investment securities and the related determination of fair value, see Notes 4 and 5 to our Consolidated Financial Statements.

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

At September 30, 2018, the net unrealized loss on securities, net of tax effect, was $212.1 million as reflected in accumulated other comprehensive loss, compared to a net unrealized loss of $68.9 million at December 31, 2017. The fair value of our AFS securities is affected by several factors, including (i) credit spreads, (ii) the interest rate environment, (iii) unemployment rates, (iv) delinquencies and defaults on the mortgages underlying such obligations, (v) changes in interest rates resulting from expiration of

the fixed rate portion of adjustable rate mortgages, (vi) changing home prices, (vii) market liquidity for such obligations, and (viii) uncertainties with respect to government-sponsored enterprises such as Fannie Mae and Freddie Mac, which guarantee many of the debt securities we own. The estimated effect of possible changes in interest rates on our earnings and equity is discussed in "Item 3. Quantitative and Qualitative Disclosures About Market Risk."

On December 10, 2013, federal regulators issued a final rule implementing the "Volcker Rule" enacted as part of the Dodd-Frank Act. The Volcker Rule prohibits banking organizations and their affiliates from investing in and sponsoring certain types of funds, including a range of asset securitization structures that do not meet the exemptive criteria for continued ownership (defined as "Covered Funds"). The Federal Reserve previously exercised its authority to extend the divestiture period for such pre-2014 investments to July 21, 2017. The Bank had limited activities that were impacted by the Volcker Rule, and the only prohibited activity related to our holding of certain AFS securities in investment vehicles that met the definition of Covered Funds. These Covered Funds securities were either divested by the divestiture deadline in July 2017 or shortly thereafter with the exception of one private CMO re-REMIC security which was written off in the first quarter of 2018, leaving the Bank zero exposure to Covered Funds securities since that time.

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

Loan Portfolio

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

	September 30, 2018		*December 31, 2017*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Mortgage loans:				
Multi-family residential property	$ 15,648,035	44.01%	14,512,051	44.03%
Commercial property	10,050,276	28.26%	8,902,027	27.00%
1-4 family residential property	619,680	1.74%	621,377	1.88%
Home equity lines of credit	114,057	0.32%	133,268	0.40%
Acquisition, development and construction loans	1,755,972	4.94%	2,018,901	6.12%
Other loans:				
Commercial and industrial	6,901,870	19.41%	6,380,111	19.35%
Commercial - SBA guaranteed portion	457,787	1.29%	387,012	1.17%
Consumer	9,059	0.03%	15,310	0.05%
Sub-total / Total	35,556,736	100.00%	32,970,057	100.00%
Premiums, deferred fees and costs	73,390		74,759	
Total	$ 35,630,126		33,044,816	

Total loans increased by $2.59 billion to $35.63 billion at September 30, 2018 from $33.04 billion at December 31, 2017. Our total loan-to-deposit ratio, excluding loans held for sale, remained stable at 97.3% as of September 30, 2018 when compared to 97.5% at December 31, 2017.

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

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

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

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

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

(in thousands)	*Pass* Rating 1-6	*Special Mention* Rating 7	*Substandard* Rating 8	*Doubtful* Rating 9	Non-rated	Total
September 30, 2018						
Commercial loans secured by real estate:						
Multi-family residential property	$ 15,465,623	97,206	84,450	-	-	15,647,279
Commercial property	9,883,575	166,410	291	-	-	10,050,276
1-4 family residential property	521,884	3,703	1,800	-	-	527,387
Acquistion, development and construction loans	1,621,860	120,522	13,590	-	-	1,755,972
Commercial and industrial loans:						
Taxi medallions	-	-	111,728	-	-	111,728
Other commercial and industrial	6,644,282	53,271	44,369	-	48,220	6,790,142
Total commercial loans	$ 34,137,224	441,112	256,228	-	48,220	34,882,784
December 31, 2017						
Commercial loans secured by real estate:						
Multi-family residential property	$ 14,402,185	109,866	-	-	-	14,512,051
Commercial property	8,850,017	20,246	31,764	-	-	8,902,027
1-4 family residential property	510,381	6,036	-	-	-	516,417
Acquistion, development and construction loans	1,851,333	136,168	31,400	-	-	2,018,901
Commercial and industrial loans:						
Taxi medallions	-	-	309,894	-	-	309,894
Other commercial and industrial	5,873,181	90,594	46,045	32	60,365	6,070,217
Total commercial loans	$ 31,487,097	362,910	419,103	32	60,365	32,329,507

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

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

(in thousands)	Performing	Nonperforming	Total
September 30, 2018			
Residential mortgages	$ 90,000	3,049	93,049
Home equity lines of credit	110,450	3,607	114,057
Other consumer loans	9,059	-	9,059
Total consumer loans	$ 209,509	6,656	216,165
December 31, 2017			
Residential mortgages	$ 103,825	1,135	104,960
Home equity lines of credit	129,376	3,892	133,268
Other consumer loans	15,310	-	15,310
Total consumer loans	$ 248,511	5,027	253,538

Asset Quality

Nonperforming Assets

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

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

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

(dollars in thousands)		**September 30, 2018**	**June 30, 2018**	**December 31, 2017**	**September 30, 2017**
Nonaccrual assets:					
Loans					
Taxi medallions	$	25,363	38,320	121,464	178,919
Other		15,910	19,018	13,297	18,648
Troubled debt restructured loans					
Taxi medallions		86,364	96,316	188,430	173,956
Other		6,560	4,423	3,727	5,344
Investment securities, at fair value		350	350	75	75
Other repossessed assets					
Taxi medallions		43,011	34,201	28,583	32,681
Other		632	1,106	250	476
Total nonperforming assets	$	178,190	193,734	355,826	410,099
Accruing troubled debt restructured loans	$	29,656	31,624	28,106	32,631
Accruing loans past due 90 days or more (1):					
Loans	$	3,712	3,936	6,331	4,996
Loans held for sale (2)		2,829	1,226	37	74
Asset Quality Ratios:					
Total nonaccrual loans to total loans		0.38%	0.46%	1.00%	1.21%
Total nonperforming assets to total assets		0.39%	0.43%	0.83%	0.99%
ALLL to nonaccrual loans		164.46%	134.98%	59.94%	51.22%

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

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

Significant nonaccrual loans at September 30, 2018 consisted of $111.7 million in loans secured by taxi medallions (commercial and industrial loans), comprised of 558 New York City medallion related loans totaling $94.3 million, 267 Chicago medallion related loans totaling $17.1 million and five Philadelphia medallion related loans totaling $377,000. Other significant nonaccrual loans include commercial and industrial loans totaling $10.8 million, commercial loans secured by 1-4 family residential property totaling $3.3 million, and home equity lines of credit totaling $2.6 million. Each nonaccrual loan is being actively managed by the Bank, and the ALLL includes a specific allocation for each such loan, when appropriate.

Nonaccrual investment securities at September 30, 2018 consisted of one bank-collateralized pooled trust preferred security totaling $350,000. Nonaccrual investment securities at December 31, 2017 consisted of one bank-collateralized pooled trust preferred security totaling $75,000. This security is classified as nonperforming in both periods because of delinquent payments as a result of payment deferrals.

At September 30, 2018, loans past due 90 days or more and accruing included five commercial and industrial loans totaling $3.4 million that are well secured and in process of renewal. At December 31, 2017, loans past due 90 days or more and still accruing

included 14 commercial and industrial loans totaling $3.3 million, four loans secured by 1-4 family residential property totaling $2.3 million, and one commercial real estate loan for $559,000 that are 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 Loan and Lease Losses section of our Critical Accounting Policies. Additionally, for a discussion of our TDRs and the related financial effects, see Note 7 to our Consolidated Financial Statements.

Our repossessed assets as of September 30, 2018 and December 31, 2017 totaled $43.6 million and $28.8 million respectively. The increase is primarily driven by the repossession of taxi medallions with a fair value of $26.0 million during the year, as well as the reclassification of $10.1 million of nonaccrual loans in conjunction with the adoption of ASU 2014-09, Revenue from Contracts with Customers, in the first quarter of 2018. See Note 2(b) for additional information regarding the adoption of ASU 2014-09. The increase is partially offset by $6.4 million of fair value adjustments and the sale of $15.5 million of repossessed medallions during the year.

As of September 30, 2018, repossessed assets included medallions totaling $18.0 million that were sold to new borrowers with financing provided by the Bank. While these are legal sales to the new borrower, because they are Bank-financed and uncertainty exists regarding collectability, the repossessed assets cannot be derecognized under the new revenue recognition accounting standard adopted in 2018. Ongoing principal and interest payments associated with these transactions continue to be collected and are recorded in Accrued expenses and other liabilities. As of September 30, 2018, $2.8 million of payments have been received to date leaving the remaining net exposure for these medallions at $15.2 million. See Note 2(b) for additional information regarding the adoption of this new revenue recognition accounting standard.

Allowance for Loan and Lease Losses

Our ALLL is maintained at a level estimated by management to absorb probable losses inherent in the loan portfolio and is based on management's continuing evaluation of the portfolio, the related risk characteristics, and the overall economic conditions affecting the loan portfolio. The estimation is inherently subjective as it requires measurements that are susceptible to significant revision as more information becomes available. At September 30, 2018 and December 31, 2017, our ALLL totaled $220.7 million and $196.0 million, respectively, which represents 0.63% and 0.60% of total loans and leases (excluding loans held for sale), respectively. For a summary of our accounting methodologies relating to the ALLL, see the Allowance for Loan and Lease Losses section of our Critical Accounting Policies.

The provision for loan and lease losses is a charge to earnings to maintain the ALLL at a level consistent with management's assessment of the loan portfolio in light of current economic conditions and market trends. For the quarters ended September 30, 2018 and 2017, we recorded provisions of $7.4 million and $14.3 million, respectively. For the nine months ended September 30, 2018, our provision for loan and lease losses was $156.1 million, compared to $221.6 million for the same period last year. These provisions were made to reflect management's assessment of the inherent and specific risk of losses relative to the growth of the portfolio. See Note 7 for additional information regarding the period over period provision for loan and lease losses fluctuations.

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

	Credit-rated loans			Non-rated loans			
(in thousands)	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages (1)	Consumer	Total
As of September 30, 2018							
ALLL:							
Individually evaluated for impairment	$ 145	630	5,549	21	2,395	-	8,740
Collectively evaluated for impairment	177,646	1,475	31,063	983	680	119	211,966
Recorded investment in loans:							
Individually evaluated for impairment	3,823	5,502	146,818	42	7,668	-	163,853
Collectively evaluated for impairment	27,449,706	521,884	6,706,831	48,178	199,438	9,059	34,935,096
As of December 31, 2017							
ALLL:							
Individually evaluated for impairment	$ -	-	3,960	37	2,139	-	6,136
Collectively evaluated for impairment	151,680	1,521	34,325	1,516	645	136	189,823
Recorded investment in loans:							
Individually evaluated for impairment	9,961	4,236	335,727	74	5,026	-	355,024
Collectively evaluated for impairment	25,423,018	512,181	5,984,019	60,291	233,202	15,310	32,228,021

(1) Includes Home equity lines of credit.

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

(dollars in thousands)	September 30, 2018 Loan Amount	September 30, 2018 Allowance Amount	September 30, 2018 Allowance as a % of Loan Amount	December 31, 2017 Loan Amount	December 31, 2017 Allowance Amount	December 31, 2017 Allowance as a % of Loan Amount
Mortgage loans:						
Multi-family residential property	$ 15,648,035	102,795	0.66%	14,512,051	82,554	0.57%
Commercial property	10,050,276	61,003	0.61%	8,902,027	53,283	0.60%
1-4 family residential property	619,680	3,006	0.49%	621,377	2,311	0.37%
Home equity lines of credit	114,057	2,174	1.91%	133,268	1,994	1.50%
Acquisition, development and construction loans	1,755,972	13,993	0.80%	2,018,901	15,844	0.78%
Other loans:						
Commercial and industrial	6,790,143	37,557	0.55%	6,070,217	39,837	0.66%
New York City taxi medallions	94,274	-	0.00%	276,800	-	0.00%
Chicago taxi medallions	17,076	-	0.00%	32,509	-	0.00%
Philadelphia taxi medallions	377	59	15.65%	585	-	0.00%
Consumer	9,059	119	1.31%	15,310	136	0.89%
Total	$ 35,098,949	220,706	0.63%	32,583,045	195,959	0.60%

Summary of Loan Loss Experience

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

	At or for the three months ended September 30,		*At or for the Nine months ended September 30,*	
(dollars in thousands)	**2018**	**2017**	**2018**	**2017**
Beginning balance - ALLL	$ 213,367	182,541	195,959	213,495
Charge-offs:				
Credit-rated commercial loans	(3,391)	(4,060)	(136,822)	(243,411)
Non-rated commercial loans	(221)	(169)	(567)	(923)
Residential mortgages	(3)	(300)	(641)	(301)
Consumer loans	(35)	(79)	(179)	(206)
Total charge-offs	(3,650)	(4,608)	(138,209)	(244,841)
Recoveries:				
Credit-rated commercial loans	3,508	448	6,406	2,112
Non-rated commercial loans	90	230	375	486
Residential mortgages	11	76	26	147
Consumer loans	29	13	66	81
Total recoveries	3,638	767	6,873	2,826
Net charge-offs	(12)	(3,841)	(131,336)	(242,015)
Provision	7,351	14,340	156,083	221,560
Ending balance - ALLL	$ 220,706	193,040	220,706	193,040
Ratios:				
ALLL to total loans	0.63%	0.62%	0.63%	0.62%
Net charge-offs to average loans, annualized	0.00%	0.05%	0.52%	1.07%

For the three months ended September 30, 2018, net charge-offs were $11,000, compared to $3.8 million for the same period last year. The decrease is attributable to taxi medallion portfolio recoveries in the current quarter due to recent success with loan settlement negotiations and continued collection efforts, as well as a decrease in NYC taxi medallion charge-offs recognized in 2017. Net charge-offs were $131.3 million and $242.0 million for the nine months ended September 30, 2018 and September 30, 2017, respectively. Net charge-offs for both periods were nearly all attributable to the NYC taxi medallion portfolio.

Deposits

The market for deposits continues to be very competitive. We primarily focus our deposit gathering efforts in the greater New York metropolitan area market with money center banks, regional banks and community banks as our primary competitors. In 2018, we continued to expand our geographic presence to the West Coast as we focus on expansion in areas where we have significant client synergies. We distinguish ourselves from competitors by focusing on our target market: privately owned businesses, their owners and their senior managers. This niche approach, coupled with our relationship-banking model, provides our clients with a personalized service, which we believe gives us a competitive advantage.

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

Core deposits, which exclude time deposits and brokered deposits, increased $2.24 billion to $33.88 billion as of September 30, 2018 from $31.64 billion as of December 31, 2017. The increase is due to the addition of new private client banking teams, as well as additional deposits garnered by our existing private client banking teams.

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

	September 30, 2018		*December 31, 2017*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts (1)	$ 741,719	2.06%	908,543	2.72%
Business demand deposit accounts (1)	11,341,204	31.42%	10,399,871	31.10%
Brokered demand deposit accounts (1)	75,573	0.21%	44,624	0.13%
Rent security	275,571	0.76%	231,192	0.69%
Personal NOW	38,963	0.11%	56,748	0.17%
Business NOW	3,585,470	9.93%	3,598,951	10.76%
Personal money market accounts	3,736,640	10.35%	4,091,155	12.23%
Business money market accounts	14,160,663	39.25%	12,353,360	36.95%
Brokered money market accounts	163,043	0.45%	175,028	0.52%
Personal time deposits	275,331	0.76%	274,165	0.82%
Business time deposits	1,107,043	3.07%	682,253	2.04%
Brokered time deposits	590,005	1.63%	623,937	1.87%
Total	$ 36,091,225	100.00%	33,439,827	100.00%
Demand deposit accounts (1)	$ 12,082,923	33.48%	11,308,414	33.82%
NOW	3,624,433	10.04%	3,655,699	10.93%
Money market accounts	18,172,874	50.36%	16,675,707	49.87%
Time deposits	1,382,374	3.83%	956,418	2.86%
Brokered deposits (2)	828,621	2.29%	843,589	2.52%
Total	$ 36,091,225	100.00%	33,439,827	100.00%
Personal	$ 4,792,653	13.28%	5,330,611	15.94%
Business	30,469,951	84.43%	27,265,627	81.54%
Brokered deposits (2)	828,621	2.29%	843,589	2.52%
Total	$ 36,091,225	100.00%	33,439,827	100.00%

(1) Non-interest bearing.

(2) Includes non-interest bearing deposits of $75.6 million and $44.6 million as of September 30, 2018 and December 31, 2017, respectively.

Borrowings

At September 30, 2018, our borrowings were $5.04 billion, or 12.3% of our funding liabilities, compared to $5.25 billion, or 13.6% of our funding liabilities, at December 31, 2017. 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 $230.7 million in Federal Home Loan Bank of New York ("FHLB") capital stock as required collateral for our outstanding borrowing position with the FHLB. Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and our FHLB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $8.52 billion at September 30, 2018.

Additionally, in 2016, the Bank issued $260.0 million aggregate principal amount of Variable Rate Subordinated Notes due April 19, 2026 (the "Notes") to institutional investors. The Notes accrue interest at a fixed rate of 5.30% for the first five years until April 2021. After this date and for the remaining five years of the Notes' term, interest will accrue at a variable rate of LIBOR plus 3.92%. Additionally, during the variable interest rate period and at the Bank's option, the Notes can be prepaid by the Bank. Net proceeds from this offering were used for general corporate purposes and to facilitate our continued growth. Subordinated debt is reported in the Consolidated Statements of Financial Condition net of deferred issuance costs of $2.0 million.

The following table presents the maturity or re-pricing of our borrowings as of September 30, 2018:

(in thousands)

3 months or less	3 - 12 months	1 - 3 years	Over 3 years	Total (1)
$ 1,535,000	1,925,000	1,325,000	260,000	5,045,000

(1) Excludes $2.0 million of deferred issuance costs reported as a direct reduction to the debt carrying amount in the Consolidated Statements of Financial Condition.

Contractual Obligations

The following table presents our significant contractual obligations as of September 30, 2018:

	Payments due by period				
(in thousands)	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Borrowings (1)	$ 3,460,000	1,325,000	-	260,000	5,045,000
Operating leases	24,859	50,074	47,068	100,369	222,370
Investments in qualified affordable housing projects	34,181	169,642	20,834	35,440	260,097
Information technology contract	23,517	23,958	1,830	-	49,305
Total contractual cash obligations	$ 3,542,557	1,568,674	69,732	395,809	5,576,772

(1) Excludes $2.0 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the Consolidated Statements of Financial Condition.

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

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)	September 30, 2018	December 31, 2017
Unused commitments to extend credit	$ 2,758,335	1,352,032
Financial standby letters of credit	515,934	497,581
Commercial and similar letters of credit	19,260	18,002
Other	1,565	1,559
Total	$ 3,295,094	1,869,174

Commitments to extend credit consist of agreements having fixed expiration or other termination clauses and may require payment of a fee. Total commitment amounts may not necessarily represent future cash requirements. We evaluate each client's creditworthiness on a case-by-case basis. Upon the extension of credit, we will obtain collateral, if necessary, based on our credit evaluation of the counterparty. Collateral held varies but may include deposits held in financial institutions, real estate, accounts receivable, property, plant and equipment and inventory. At September 30, 2018 and December 31, 2017, our reserves for losses on unused commitments to extend credit totaled $919,000 and $773,000, respectively, and are included in Accrued expenses and other liabilities in our Consolidated Statements of Financial Condition.

We recognize a liability at the inception of the guarantee that is equivalent to the fee received from the client. This liability is amortized over the term of the guarantee on a straight-line basis. At September 30, 2018 and December 31, 2017, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amount of $1.2 million and $1.4 million, respectively.

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. We had a reserve for credit losses on standby letters of credit totaling $101,000 and $165,000 as of September 30, 2018 and December 31, 2017, respectively. For the quarters ended September 30, 2018 and 2017, we recorded provisions for losses related to standby letters of credit totaling $(65,000) and $5,000, respectively. For the nine months ended September 30, 2018 and 2017, our provision for losses related to standby letters of credit totaled $(64,000) and $(28,000), respectively. During the quarters ended September 30, 2018 and 2017, there were no charge-offs recorded on standby letters of credit.

As of September 30, 2018 and December 31, 2017, we had commitments to sell loans totaling $16.7 million and $9.1 million, respectively.

Capital Resources

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

Basel III Requirements

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

The final rules also established a “capital conservation buffer” above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital, to be phased in over several years. The phase-in of the capital conservation buffer began on January 1, 2016, at a level of 0.625% of risk-weighted assets for 2016 and increased to 1.250% for 2017. The minimum buffer then will be 1.875% for 2018 and 2.500% for 2019 and thereafter, resulting in the following effective minimum capital ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying

discretionary bonuses if their capital levels fall below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

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

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

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

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

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

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

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

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

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

The capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” as of September 30, 2018:

	Actual		Required for Capital Adequacy Purposes		Required to be Well Capitalized	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 4,929,777	13.47%	2,928,556	8.00%	3,660,695	10.00%
Tier 1 capital (to risk-weighted assets)	4,450,077	12.16%	2,196,417	6.00%	2,928,556	8.00%
Common equity Tier 1 capital (to risk-weighted assets)	4,450,077	12.16%	1,647,313	4.50%	2,379,452	6.50%
Tier 1 leverage capital (to average assets)	4,450,077	9.67%	1,841,362	4.00%	2,301,703	5.00%

The capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” as of December 31, 2017:

	Actual		Required for Capital Adequacy Purposes		Required to be Well Capitalized	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 4,553,605	13.32%	2,735,682	8.00%	3,419,603	10.00%
Tier 1 capital (to risk-weighted assets)	4,099,327	11.99%	2,051,762	6.00%	2,735,682	8.00%
Common equity Tier 1 capital (to risk-weighted assets)	4,099,327	11.99%	1,538,821	4.50%	2,222,742	6.50%
Tier 1 leverage capital (to average assets)	4,099,327	9.72%	1,687,292	4.00%	2,109,115	5.00%

Stress Testing

Prior to the second quarter of 2018, the Dodd-Frank Act required banks with total consolidated assets of more than $10 billion to conduct annual stress tests. However, the Economic Growth, Regulatory Relief, and Consumer Protection Act caused changes in the Dodd-Frank Wall Street Reform and Consumer Protection Act. Specifically, the Economic Growth Act raised the asset threshold for required Dodd-Frank Act Stress Tests (DFAST) from $10 billion to $100 billion and made the requirement “periodic” rather than “annual.” The Bank will continue to perform capital stress testing on a situational and idiosyncratic basis.

The Dodd-Frank Act also requires the FDIC, in coordination with federal financial regulatory agencies, to issue regulations establishing methodologies for stress testing that provide for at least three different sets of conditions, including baseline, adverse, and severely adverse. The regulations also require banks to publish a summary of the results of the stress tests. In October 2012, the FDIC issued a final rule regarding annual stress tests requiring a bank subject to the rule to assess the quarterly impact of stress scenarios on the bank’s capital over a horizon of nine quarters. The Bank has developed a process to comply with the stress testing requirements, which involves Senior Management, Risk Management, and Finance, along with third-party consultants who assist in this process. The Risk Committee of the Board of Directors receives quarterly updates as to the progress and challenges in complying with this new regulatory requirement.

In compliance with historical regulation, on July 28, 2017, we submitted our stress testing results on data as of December 31, 2016. We publicly disclosed our results for the severely adverse scenario on October 20, 2017. The stress testing results affirmed the adequacy of the Bank’s capital, even under severe economic conditions. Due to regulation changes in the second quarter of 2018 and the increase in the asset threshold, Signature Bank will no longer be required to file and report annual company-run stress tests until the revised threshold is reached.

Liquidity

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

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

Credit availability at the FHLB is based on our financial condition, our asset size and the amount of collateral we hold at the FHLB. At September 30, 2018, our FHLB borrowings totaled $4.21 billion with an average rate of 2.25% that mature by June 21, 2021. We

had no securities sold under repurchase agreements to the FHLB. While not pledged, FHLB held $662.8 million of securities as custodian as of quarter end that can be pledged towards future borrowings, as necessary.

We also have repurchase agreement lines with several leading financial institutions totaling $2.23 billion. At September 30, 2018, we had $100.0 million of securities sold under repurchase agreements to one of these institutions. These borrowings have an average rate of 2.85% and mature by November 2019.

Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and our FHLB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $8.52 billion as of September 30, 2018.

The federal banking agencies in September 2014 issued a final rule that implements a new "liquidity coverage ratio" ("LCR Rule") based upon Basel III requirements that for the first time regulate bank liquidity in detail. The LCR Rule does not apply to depository institutions, including Signature Bank, with less than $50 billion in consolidated assets. Based on our anticipated rate of growth, we do not expect that the LCR rule will impact our operations or financial condition within the next year. However, Congress recently passed the Economic Growth, Regulatory Relief and Consumer Protection Act which increased the asset threshold for designation as a Systemically Important Financial Institution ("SIFI") from $50 billion to $250 billion in total consolidated assets. Such a change may impact the asset thresholds applicable to the LCR and similar rules, as well as the FDIC's supervisory expectations with respect to the substance of such rules.

Because of the expected savings from the recently enacted Tax Cuts and Jobs Act of 2017, we declared our inaugural cash dividend of $0.56 per share, or a total of $31.0 million, which was paid on August 15, 2018 to our common shareholders of record at the close of business on August 1, 2018. The Bank declared its second cash dividend of $0.56 per share, payable on or after November 15, 2018 to common shareholders of record at the close of business on November 1, 2018. In addition, as stated in *Recent Developments,* on October 17, 2018, Bank stockholders approved our common stock repurchase program which provides the Bank the ability to repurchase common stock from shareholders in the open market up to an amount of $500 million. Any future determination to pay dividends or buy back shares will be at the discretion of our Board of Directors and will be dependent upon then-existing conditions, including our financial condition and results of operations, capital requirements, commercial real estate concentration, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant. Share buybacks are also subject to shareholder and regulatory approval, which were received for the repurchase program of up to $500 million in October and November 2018, respectively.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Interest Rate Risk Management

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

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

To effectively measure and manage interest rate risk, we use simulation analysis to determine the impact on net interest income under various hypothetical interest rate scenarios. Based on these simulations, we quantify interest rate risk and develop and implement appropriate strategies. As of September 30, 2018, 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 September 30, 2018:

(dollars in thousands)	Adjusted Net Interest Income	Change from Base
Ramp scenario:		
Base	$ 1,279,269	-
Down 100 basis points	1,274,768	(0.4)%
Up 100 basis points	1,272,857	(0.5)%
Up 200 basis points	1,260,033	(1.5)%
Up 300 basis points	1,240,360	(3.0)%
Up 400 basis points	1,216,960	(4.9)%
Shock scenario:		
Base	$ 1,279,269	-
Down 100 basis points	1,278,779	(0.0)%
Up 100 basis points	1,254,774	(1.9)%
Up 200 basis points	1,225,537	(4.2)%
Up 300 basis points	1,179,738	(7.8)%
Up 400 basis points	1,127,751	(11.8)%

We also use a simulation model to measure the impact that hypothetical market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. As of September 30, 2018, 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 September 30, 2018 to the interest rate movements described above (base case market value of equity is $7.18 billion):

(dollars in thousands)		Sensitivity	Change from Base
Down 100 basis points	$	(45,157)	(0.6)%
Up 100 basis points		(32,758)	(0.5)%
Up 200 basis points		(142,805)	(2.0)%
Up 300 basis points		(445,807)	(6.2)%
Up 400 basis points		(785,440)	(10.9)%

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

For information on risk factors, see "Risk Factors" in Part I -- Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017. 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, 2017.

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

During the third quarter of 2018, we issued an aggregate of 34,029 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.

During the third quarter of 2018, we issued an aggregate of 3,743 shares of our common stock in connection with investor exercises of warrants issued under our 2010 TARP Capital Purchase Program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) The following exhibits are submitted herewith:

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

SIGNATURES

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

Date: November 7, 2018

Signature Bank

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

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

EXHIBIT INDEX

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Exhibit 31.1

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

I, Joseph J. DePaolo, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2018

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

Exhibit 31.2

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

I, Vito Susca, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2018

/s/ VITO SUSCA
Vito Susca
Executive 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 September 30, 2018, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), Joseph J. DePaolo, as Chief Executive Officer of the Company, and Vito Susca, as Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

Date: November 7, 2018

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

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