Signature
SIGNATURE BANK

ANNUAL REPORT 2007

Signature
SIGNATURE BANK

Signature Bank, member FDIC, is a full-service commercial bank with 20 private client offices located throughout the metropolitan-New York area. The Bank primarily serves privately owned businesses, their owners and senior managers. Signature Bank offers a wide variety of business and personal banking products and services as well as investment, brokerage, asset management and insurance products and services through its subsidiary, Signature Securities Group Corporation, a licensed broker-dealer, investment adviser and member FINRA/SIPC.

FINANCIAL HIGHLIGHTS *(in thousands)*	2003	2004	2005	2006	**2007**
Total assets	$1,935,984	3,356,548	4,384,938	5,399,425	**5,845,172**
Total loans	377,506	571,013	1,005,153	1,577,618	**2,025,578**
Total deposits	1,572,867	2,580,729	3,487,733	4,211,159	**4,511,890**
Shareholders' equity	153,773	338,919	350,982	392,598	**425,756**
Net interest income after provision for loan losses	35,351	63,635	95,832	117,903	**134,474**
Net gains on sales of securities and loans	2,871	11,291	2,373	1,765	**2,767**
Write-down for other than temporary impairment of securities	-	-	-	-	**21,404**
Non-interest income	11,295	22,924	18,678	21,328	**8,746**
Non-interest income excluding net gains on sales of securities and loans and write-down for other than temporary impairment of securities	8,424	11,633	16,305	19,563	**27,383**
Non-interest expense	43,697	58,482	81,757*	81,242	**99,062**
Income before income taxes	2,949	28,077	32,753	57,989	**44,158**
Operating income before income taxes**	78	16,786	42,380	56,224	**62,795**
Net income	$2,537	29,798	15,869	33,360	**27,279**

** Includes $12 million special bonus paid by former parent company, Bank Hapoalim.*

*** Excludes net gains on sales of securities and loans and write-down for other than temporary impairment of securities for all years presented and expense of $12 million as a result of a special bonus paid by Bank Hapoalim in 2005.*

recent growth highlights

2003

Hired two new private client banking teams and three Group Directors.

Ranked by *Crain's New York Business* as the New York-area's "biggest gainer" by percentage change in assets among commercial banks.

Recorded first profitable quarter and year.

2004

Completed initial public offering.

Surpassed $3 billion in assets.

Expanded into Suffolk County with opening of Melville office, initially housing one team and one Group Director.

Hired eight additional private client banking teams and 13 Group Directors.

Ranked again by *Crain's* as the New York-area's "biggest gainer" by percentage change in assets among commercial banks.

2005

Marked entry into Queens and the Bronx with opening of Long Island City and Hunts Point offices, respectively.

Enhanced Westchester presence with the opening of White Plains office, the second in the area.

Surpassed $3 billion in deposits.

Hired eight additional private client banking teams and eight Group Directors.

2006

Added nine private client banking teams from six different financial institutions.

Opened three private client offices: two in Manhattan and one in Queens.

Celebrated five-year anniversary by opening the NASDAQ Stock Market in June 2006.

2007

Added seven private client banking teams and 15 Group Directors.

Added four Signature Securities Group financial advisors.

Opened two private client offices, the fifth on Long Island and third in Brooklyn, as well as a client accommodation office in Manhattan.

Expanded offices in Melville and Garden City on Long Island and 261 Madison Avenue, 950 Third Avenue and 1020 Madison in Manhattan to house additional teams.

The success of Signature Bank is driven by the experience of and relationships forged by our bankers, their teams and those who support them in their effort to provide exemplary service.

**A key to the professionals pictured above is provided on the inside back cover.*

Scott A. Shay
Chairman of the Board

Joseph J. DePaolo
President & Chief Executive Officer

to our shareholders

In 2007, Signature Bank posted another year of strong growth by continuing to execute our business model, which attracts and supports talented private client banking teams with established books of business and, ultimately, their clients – namely privately owned businesses, their owners and executives. At year-end 2007, our emergent position as the bank of choice for private businesses and their owners in the New York–metropolitan marketplace is clear. By taking advantage of market opportunities, the Bank has positioned itself for long-term growth.

"In addition to steady financial growth, during 2007, the Bank capitalized on market opportunities, further solidifying our position as a premier client-relationship driven commercial bank in our marketplace."

Joseph J. DePaolo
President and Chief Executive Officer

Financial Overview

Signature Bank surpassed both loan and deposit targets in 2007. Net income was $27.3 million, or $0.91 diluted earnings per share, compared with $33.4 million, or $1.12 diluted earnings per share, for 2006. However, excluding the after-tax effect of the $21.4 million other than temporary impairment write-down on investment securities, net income for 2007 was $39.2 million, or $1.30 diluted earnings per share. Net interest income for 2007 reached $146.8 million, from $122 million in 2006, a 20.3 percent increase. Net interest margin on a tax equivalent basis for 2007 was 2.88 percent. Notably, Signature Bank expanded net interest margin during the past five years. This represents our continued ability to grow core deposits while expanding the loan portfolio. Core deposits reached $4.4 billion, an increase of $705.6 million or 19.3 percent, while our loan portfolio grew 28.4 percent, compared with year-end 2006, reaching $2.0 billion.

Market Opportunity

Market consolidation by retail-focused mega-banks continues to provide the Bank opportunities to attract and recruit talented banking professionals. During 2007, we were pleased to appoint seven new private client banking teams to Signature Bank. Each of our 52 teams joined the Bank with significant experience in the marketplace and now takes advantage of our client-focused, single–point-of-contact structure to provide an unmatched level of service to privately owned businesses, their owners and executives.

One of the seven teams hired in 2007 boasted four Group Directors and three Associate Group Directors along with an impressive track record in commercial real estate lending. In the current financial environment, capital markets-based real estate lenders have essentially shut down, thereby opening an opportunity for Signature Bank to serve as a disciplined, relationship-oriented, on-balance-sheet real estate lender. This team's specific expertise will prove advantageous to Signature Bank's growth because it will help attract significant commercial and multi-family banking and lending opportunities.

The continued recruitment of new teams serves as a key example of our ability to identify and capitalize on opportunities rising from mega-bank consolidation. The widespread "institutionalization" of clients by larger banks ensures our position in the marketplace as the bank of choice for top professionals.

Of the seven teams added in 2007, four joined from institutions directly involved in a merger or acquisition during the past 15 months. Team appointments in 2007 included fifteen Group Directors and ten Associate Group Directors. To keep pace with our rapid expansion of the private client banking teams, the Bank continued to add support staff, as necessary. Overall, expansion in 2007 brought the number of Signature Bank employees to nearly 500 at year-end.

A Look Ahead

In addition to steady deposit growth and the opportunity for expansion in commercial real estate, we will continue to provide excellent service to clients, execute our focused business model, and recruit experienced bankers and professionals. We will appoint talented banking teams, support our existing teams in their effort to grow their books of business, and add products and services to meet the needs of our growing clientele.

As we look forward to the opportunities that will be created by the execution of our business plan in 2008 and beyond, we thank all those who have consistently contributed to the Bank's success: our clients for their business, trust and referrals; our private client teams and the employees who support them for their dedication to exceeding client needs; and our Board of Directors and investors for their commitment to the growth of this organization and our strong position in the marketplace.

Joseph J. DePaolo

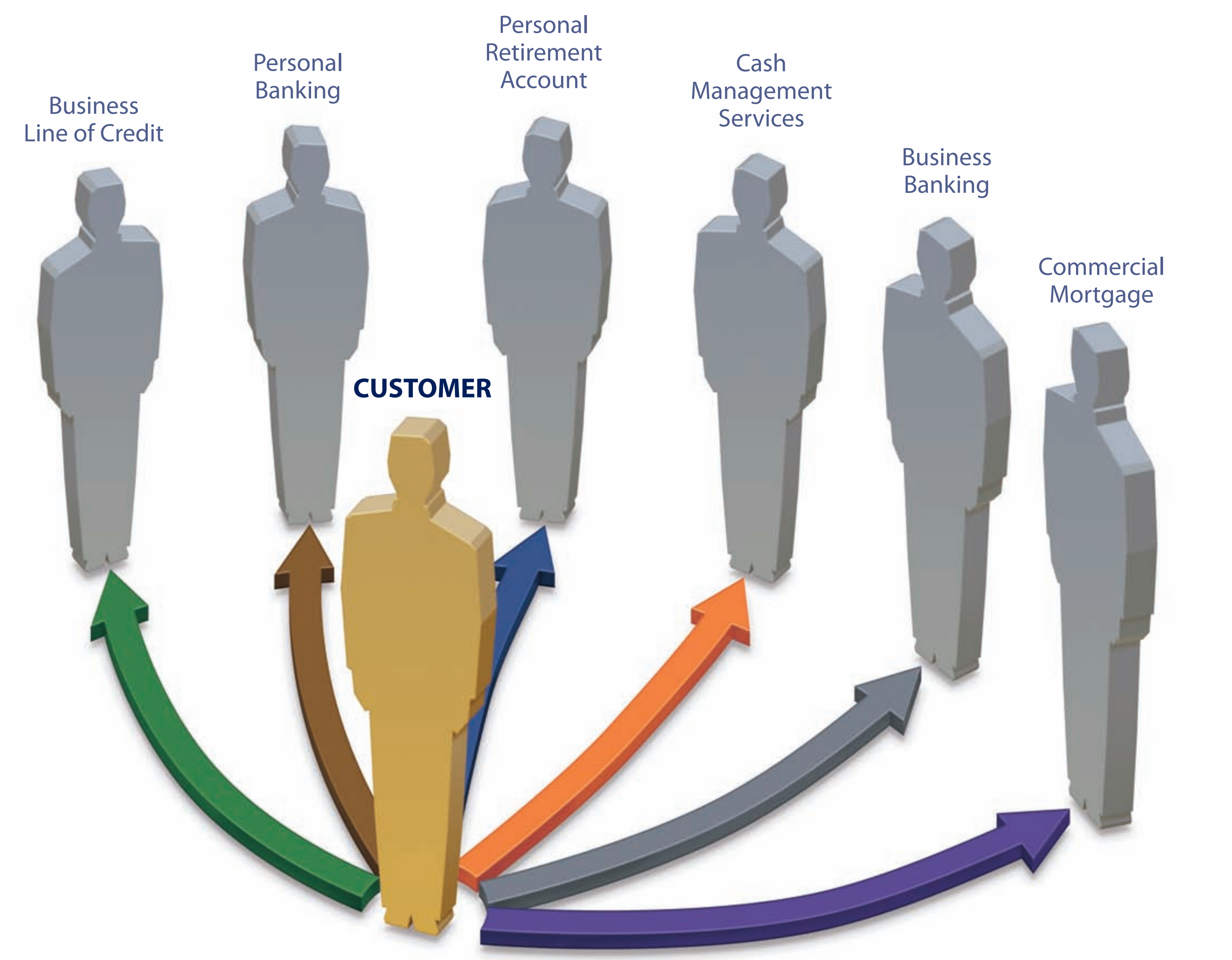
Joseph J. DePaolo
President & Chief Executive Officer

Scott A. Shay

Scott A. Shay
Chairman of the Board

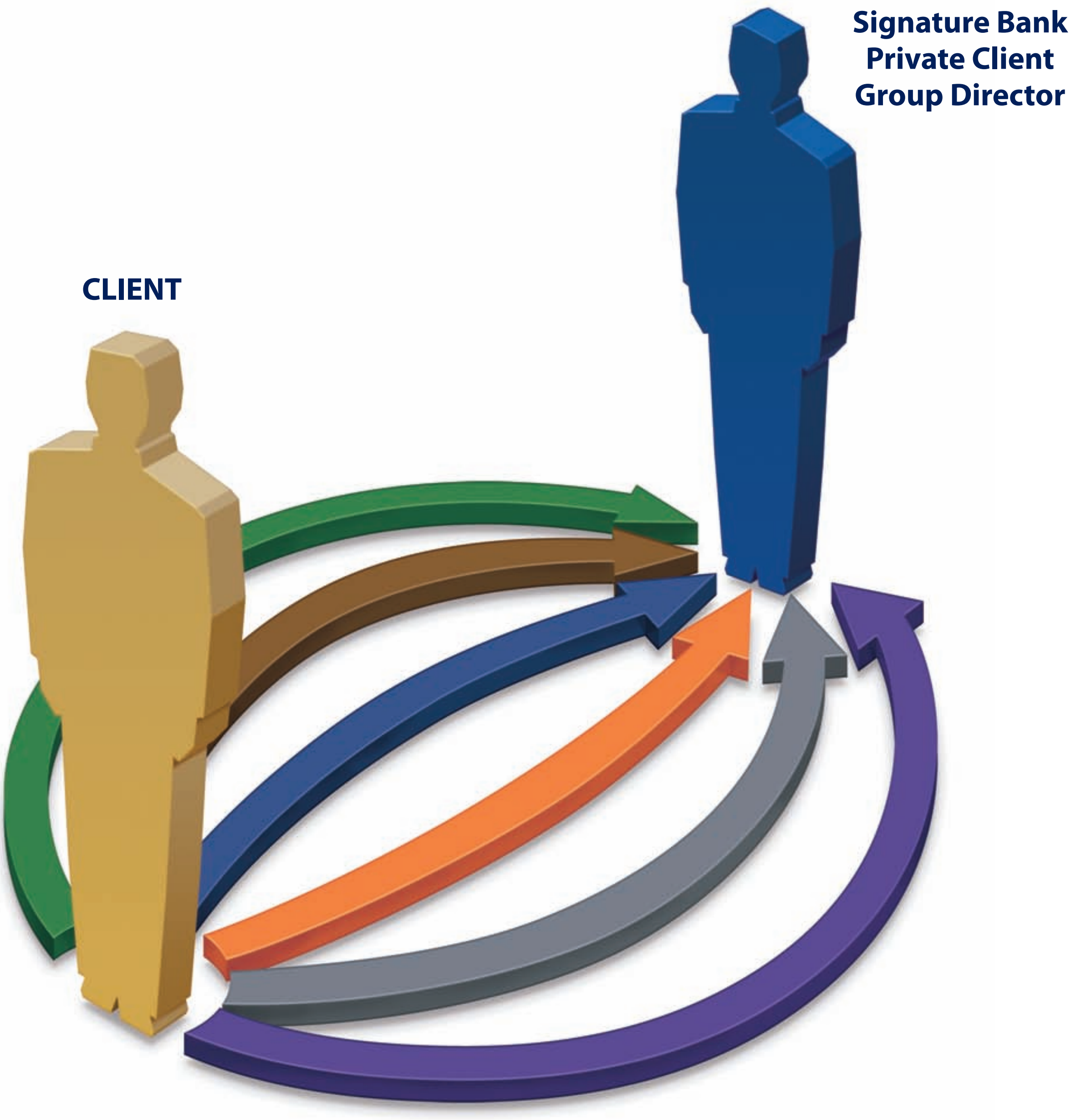
mega-banks' segmented model

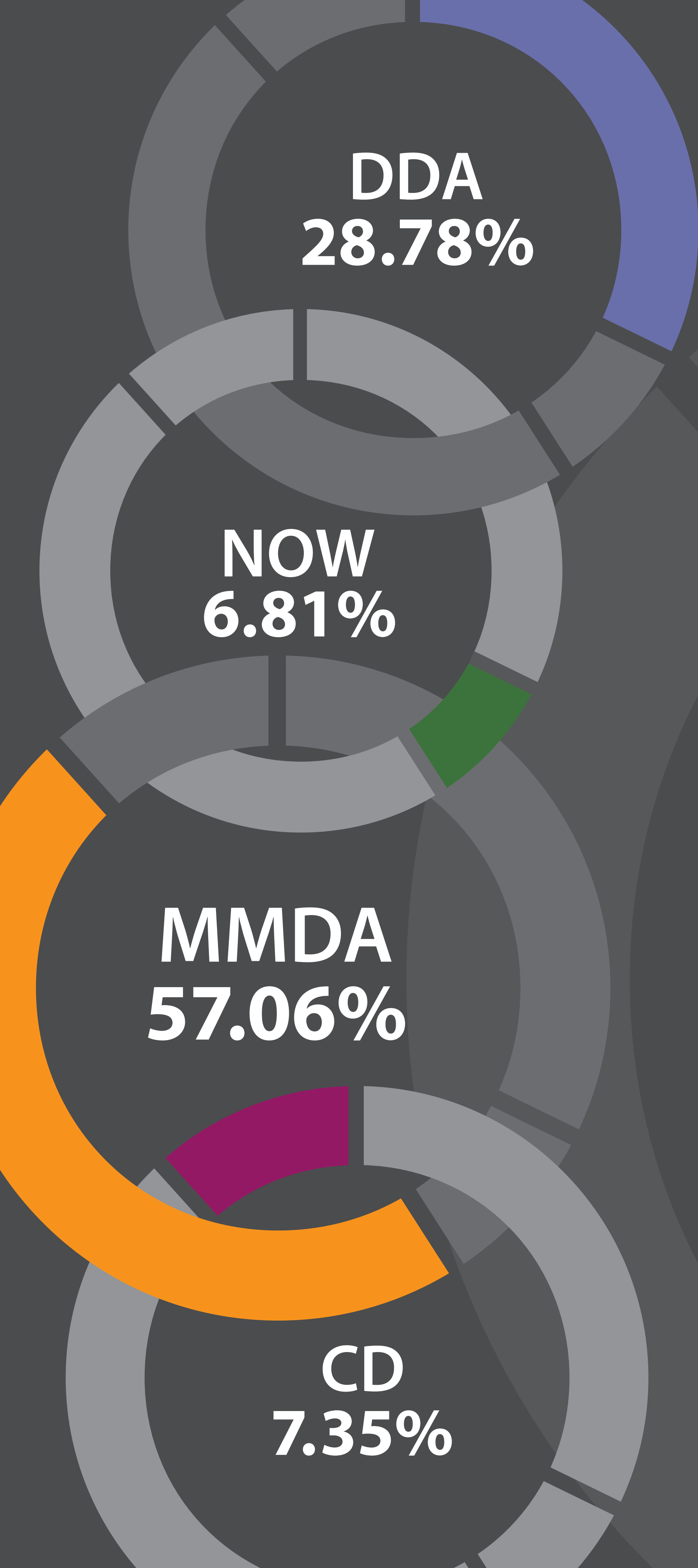
At mega-banks, customer relationships are institutionalized to maximize profits; this is demonstrated in their size, culture, and departmentalized internal structure. The net outcome for customers is a diminished level of customer service and loss of the personalized relationship experience. For each product type or service, customers have various contacts across many disconnected areas. To further complicate matters, personnel shift frequently from line-to-line and bank promotions tend to pull the best bankers out of contact with customers. **Signature Bank's management and teams think and act differently.**



signature bank's single-point-of-contact

The single-point-of-contact model employed by Signature Bank empowers private client banking Group Directors to be the centerpiece of each client's financial relationship. Essentially, the Bank's clients know exactly who to approach when they have a need and rely heavily on their personal banker and team. The banker remains consistent throughout the entire banking relationship, as he or she doesn't change or rotate posts. Instead, bankers bring a commitment to their clients and a full day-to-day view and understanding of the products, services and the overall working relationship. At Signature Bank, a client's relationship is with their private client banking team, not just the institution.





deposit mix

As a relationship-driven commercial bank, one of Signature Bank's distinct strengths is its ability to service the core operating accounts of privately owned businesses, their owners and senior managers. By providing clients with direct access to knowledgeable bankers, robust cash management tools and the appropriate mix of products, Signature Bank attracts a diverse core deposit mix. The results are advantageous to the Bank's growth.

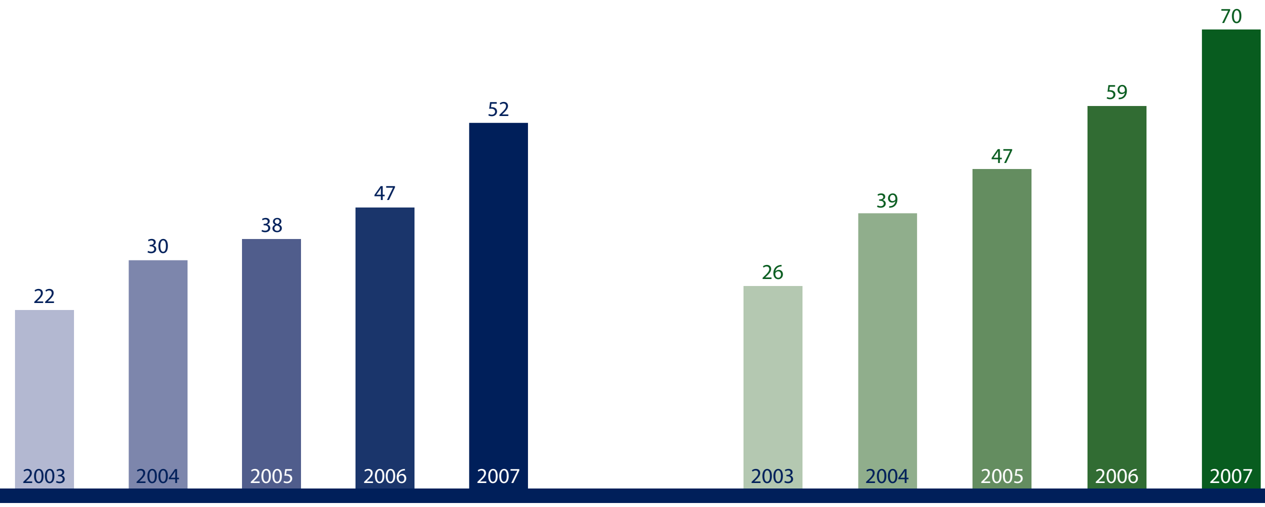
Signature Bank's home is in the heart of its target market: the largest privately owned business community in the nation. The New York Metropolitan Statistical Area—a region defined as the five boroughs of New York City, Westchester, Nassau and Suffolk Counties, as well as Northern New Jersey—houses the largest number of businesses with fewer than 500 employees in the nation[1], and generally speaking, the majority of these businesses are privately owned.

(1)Source: Small Business Administration

recruiting summary

Total Private Client Banking Teams and Group Directors

Signature Bank has demonstrated an ongoing ability to attract and retain top professionals from nearly every major commercial bank in the New York-area by affording each team (Group Directors and their members) the opportunity to enhance and foster client relationships. To accomplish this objective, management and all bank support personnel align themselves to provide the right mix of products and services to the one-on-one relationships cultivated by the Bank's private client teams.



Teams

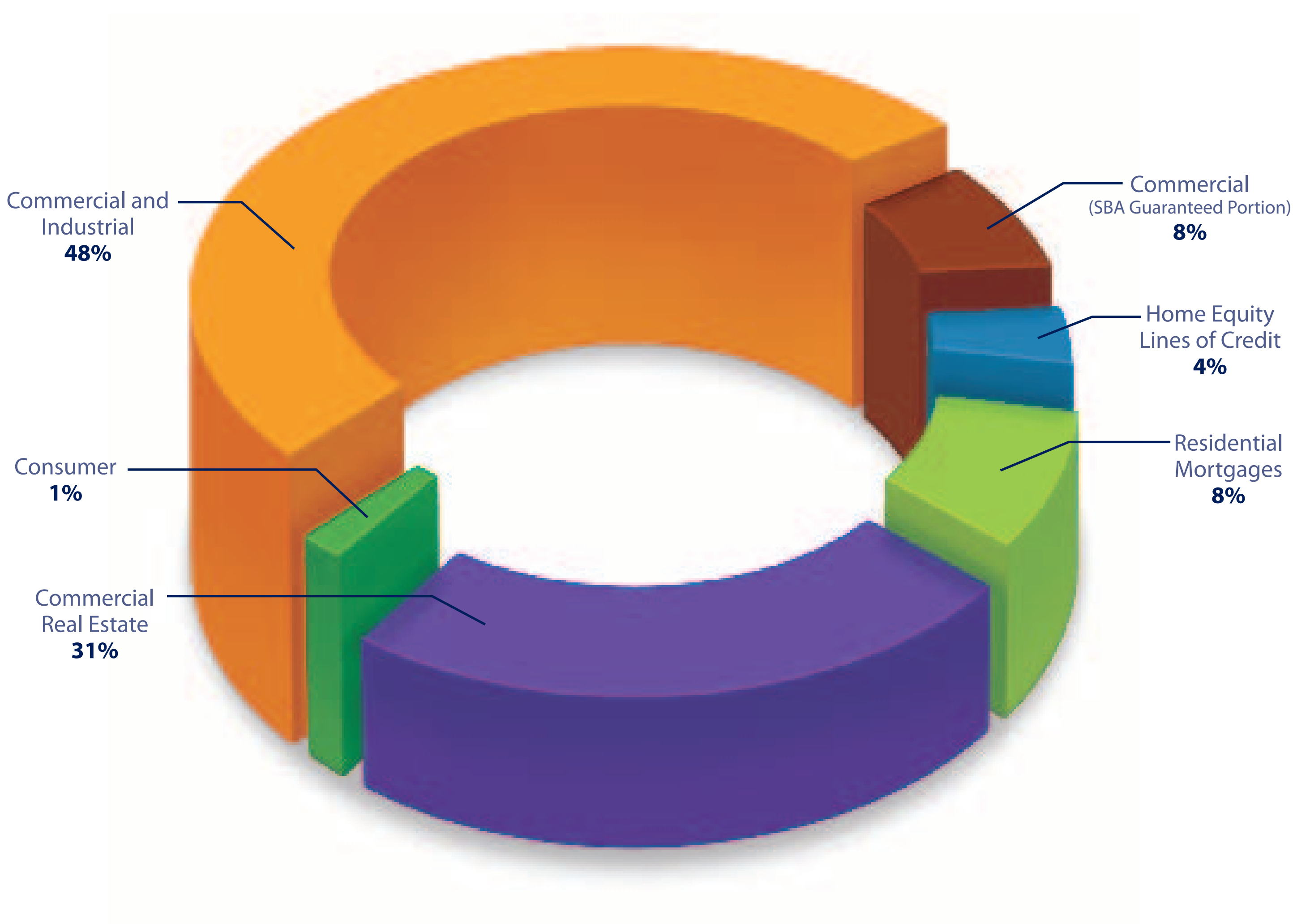
Signature Bank has demonstrated a steady increase in the number of teams added since its inception. In 2007, seven new teams were added.

Group Directors

Signature Bank continued its steady expansion in 2007, adding 15 new Group Directors. These 15 Group Directors brought the total number of Directors to 70 at year's end.

loan portfolio overview

During the past three years, to compliment its successful deposit gathering strategy, Signature Bank expanded its loan portfolio an average of nearly $500 million per year. This was accomplished with a strong emphasis on traditional Commercial & Industrial lending. It is anticipated that overall loan growth will continue to increase as a percentage of total assets, as the Bank expands its loan capabilities across several areas, including commercial real estate.



“Signature Bank has demonstrated an ability to consistently execute its business model. The Bank’s plan includes continuing to follow a steady course of growth and to further strengthen its market position throughout the metro-New York area.”

Scott A. Shay
Chairman of the Board

SIGNATURE BANK

10-k

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Year Ended December 31, 2007

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

FDIC Certificate Number 57053

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

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	Nasdaq National Market

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing sales price of the Registrant's Common Stock as quoted on the Nasdaq National Market System on June 30, 2007 was $959.1 million.

As of February 27, 2008, the Registrant had outstanding 29,698,712 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the 2008 Annual Meeting of Stockholders. (Part III)

SIGNATURE BANK
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

This document 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 those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, 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. These statements often include words such as "may," "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances including those related to:

- earnings growth;
- revenue growth;
- deposit growth;
- short-term escrow deposit growth;
- off-balance sheet deposit growth;
- future acquisitions;
- investment performance of investments made by us;
- loan origination volume;
- the interest rate environment;
- non-interest income levels, including fees from product sales;
- credit performance on loans made by us;
- tangible capital generation;
- margins on sales or securitizations of loans;
- market share;
- expense levels;
- results from new business initiatives; and
- other business operations and strategies.

As you read and consider forward-looking statements, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, 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. These factors include but are not limited to:

- prevailing economic conditions;
- changes in interest rates, loan demand, real estate values, and competition, which can materially affect origination levels and gain on sale results in our mortgage business, as well as other aspects of our financial performance;
- the level of defaults, losses and prepayments on loans made by us, whether held in portfolio, sold in the whole loan secondary markets or securitized, which can materially affect charge-off levels, required credit loss reserve levels and our periodic valuation of our retained interests from securitizations we may engage in;
- changes in accounting principles, policies, and guidelines;

- adverse changes or conditions in capital or financial markets, which can adversely affect our ability to sell or securitize loan originations on a timely basis or at prices which are acceptable to us, as well as other aspects of our financial performance;
- adverse changes or conditions in securities marketplaces which can impact the values of our securities portfolio;
- actions by rating agencies and the effects of these actions on our businesses, operations and funding requirements;
- risks and uncertainties related to acquisitions, including related integration and restructuring activities, and changes in our mix of product offerings;
- risks and uncertainties related to off-balance sheet financial instruments such as commitments to extend credit, stand-by letters of credit, and unused balances under confirmed letters of credit;
- changes in any applicable law, rule, regulation or practice with respect to tax or legal issues, whether of general applicability or specific to our subsidiaries and us; and
- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services.

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 come up 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, update or revise the forward-looking statements after the date on which they are made. In light of these risks and uncertainties, you should keep in mind that any forward-looking statement made in this document or elsewhere might not reflect actual results.

PART I

ITEM 1. BUSINESS

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

Introduction

We are a New York-based full-service commercial bank with 20 private client offices located in the New York metropolitan area serving the needs of privately-owned business clients and their owners and senior managers. We offer a wide variety of business and personal banking products and services through the bank as well as investment, brokerage, asset management and insurance products and services through our wholly-owned subsidiary, Signature Securities, a licensed broker-dealer and investment adviser. Through Signature Securities, we also purchase, securitize and sell the guaranteed portions of U.S. Small Business Administration (SBA) loans. For financial information by segment, see Note 20 of the "Notes to Consolidated Financial Statements," which are contained herein.

Signature Bank's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports, Proxy Statement for its Annual Meeting of Stockholders and Annual Report to Stockholders are made available, free of charge, on our website at *www.signatureny.com* as soon as reasonably practicable after such reports have been filed with or furnished to the Federal Deposit Insurance Corporation ("FDIC"). You may also obtain any materials that we file with the FDIC at the Federal Deposit Insurance Corporation's offices located at 550 17th Street N.W., Washington, DC 20429. We do not file reports with the Securities and Exchange Commission.

Since commencing operations in May 2001, we have grown to $5.85 billion in assets, $4.51 billion in deposits, $2.0 billion in loans, $425.8 million in equity capital and $2.85 billion in other assets under management as of December 31, 2007.

We intend to continue our growth and maintain our position as a premier relationship-based financial services organization in the New York metropolitan area. This growth will be guided by our Chairman and senior management team who have extensive experience developing, managing and growing financial service organizations. Our Chairman, Scott Shay, has been a Managing Director of Ranieri & Co. Inc. since its formation in 1988. Most of our senior management, including our President and Chief Executive Officer, Joseph DePaolo, and our Vice-Chairman, John Tamberlane, were formerly senior officers of Republic National Bank of New York (Republic National Bank), an institution that successfully employed a deposit gathering strategy and private client focus similar to ours.

Core Deposit Growth

From December 31, 2006 through December 31, 2007, our deposits grew $300.7 million, or 7.1%, to $4.51 billion. This amount includes approximately $145.5 million of short-term escrow deposits, which due to their nature and as expected, have been or will be released during the first quarter of 2008. At year end 2006, deposits included $550.3 million of short-term escrow deposits. Excluding these short-term escrows, deposits increased $705.6 million, or 19.3%, for the year. This growth in our core deposits, which is at a cost of funds below industry averages, can be attributed to the addition of new private client groups, who assists us in growing our client base, and additional deposits by our current clients. 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. We distinguish ourselves from competitors by focusing on our target market: privately-owned businesses and their owners and 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. Our deposit mix has remained favorable, with non-interest-bearing and NOW deposits accounting for 35.6% of our total deposits and time deposits accounting for only 7.4% of our total deposits. Our average cost for total deposits was 2.81% for the year ended December 31, 2007 and 2.94% for the three months ended December 31, 2007.

Escrow Deposits

At December 31, 2007 and 2006, included in total deposits we had approximately $145.5 million and $550.3 million, respectively, of short-term escrow deposits. We have developed a core competency in catering to the needs of law firms, claims administrators, accounting firms, and title companies, which allows us to obtain from our clients both on-balance sheet and off-balance sheet short-term escrow deposits that banks of our size typically do not attract.

Strategic Hires

During 2007, we increased our network of seasoned banking professionals with the addition of seven new private client groups and 15 new group directors. Our full-time equivalent number of employees grew from 416 to 501 during 2007. This growth is predominantly made up of an increase in private client group personnel.

Private Client Groups and Offices

As of December 31, 2007, we had 52 private banking client groups and 70 banking group directors throughout the New York metropolitan area. With the on-going consolidation of financial institutions in our marketplace and market segmentation by our competitors, we continue to actively recruit experienced private client groups with established client relationships that fit our niche market of privately-owned businesses, their owners and their senior managers. Our typical group director joins us with 20 years of experience in financial services, a seasoned book of business and an established team of two to four additional professionals to assist with business development and client services. Each additional private client group brings client relationships that allow us to grow our core deposits as well as expand our lending opportunities. We are actively recruiting several additional private client groups that we believe will fit our strategy and enhance our franchise.

To facilitate our growth, we opened two additional private client offices during 2007. These offices are located in Great Neck, Long Island and Borough Park, Brooklyn. We currently operate 20 private client offices located in the New York metropolitan area. While our strategy does not call for us to have an expansive office presence, we will continue to add offices to meet the needs of the private client groups that we recruit.

Our Business Strategy

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

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

We focus on our niche market of privately-owned businesses, their owners and their senior managers. We generally target closely held commercial clients with revenues of less than $50 million and fewer than 1,000 employees. Our business clients are representative of the New York metropolitan area economy and include real estate owners/operators, real estate management companies, law firms, accounting firms, entertainment business managers, medical professionals, retail establishments, money management firms and not-for-profit philanthropic organizations. We also target the owners and senior management of these businesses who typically have a net worth of between $500,000 and $20 million.

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

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

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

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

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

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

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

Our private client group variable compensation model adds to the foundation for our relationship based banking discipline. A key part of our strategy for growing our business is the progressive incentive-based compensation that we employ to help us retain our group directors while ensuring that they continue to develop their business and retain their clients. Under our private client group variable compensation model, annual bonuses are paid to members of the client relationship team based upon the profit generated from their business.

Maintain a flat organization structure that allows our clients and group directors to interface with, and our group directors to report directly to, senior management

Another key element of our strategy is our organizational structure. We operate with little middle management and thereby have a flat organizational and reporting structure. This structure allows our group directors to interface with, and report directly to, senior management. More importantly, it gives our clients direct access to senior management.

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

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

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

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

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

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

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

Historical Development

We were incorporated as a New York State-chartered bank in September 2000, received approval to commence operations from the New York State Banking Department on April 5, 2001, our date of inception, and commenced operations on May 1, 2001. We completed our IPO in March 2004 and a follow-on offering in September 2004. In March 2005, Bank Hapoalim sold its controlling stake in us in a secondary offering. After the offering, Bank Hapoalim beneficially owned 5.7% of our common stock on a fully diluted basis. Bank Hapoalim no longer owns any shares of our stock. Our common stock trades on the Nasdaq National Market under the symbol "SBNY."

Signature Securities is a registered broker-dealer in securities under the Securities Exchange Act of 1934 (the "Exchange Act") and a member of the National Association of Securities Dealers, Inc. ("NASD"). It formally opened for full business operations on May 1, 2001.

Signature Securities

Signature Securities provides our clients with comprehensive investment, brokerage, wealth management and other non-banking financial products and services. Signature Securities delivers these products and services to its clients through experienced investment group directors, located in our private client offices, who work directly with our banking group directors to bring these services to clients.

Products and Services

We offer a wide variety of deposit, escrow deposit, credit, cash management, investment and insurance products and services to our clients. At December 31, 2007, we maintained approximately 44,000 deposit accounts, 8,700 investment accounts, 6,400 loan accounts and 10,100 client relationships.

Business Clients

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

- Deposit products such as non-interest-bearing checking accounts, money market accounts and time deposits;
- Escrow deposit services;

- Cash management services;
- Commercial loans and lines of credit for working capital and to finance internal growth, acquisitions and leveraged buyouts;
- Permanent real estate loans;
- Letters of credit;
- Investment products to help better manage idle cash balances, including money market mutual funds and short-term money market instruments;
- Business retirement accounts such as 401(k) plans; and
- Business insurance products, including group health and group life products.

Personal Clients

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

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

Deposit Products

The market for deposits continues to be very competitive. We primarily focus our deposit gathering efforts in the greater New York metropolitan area with money center banks, regional banks and community banks as our primary competitors. We distinguish ourselves from competitors by focusing on our target market: privately-owned businesses and their owners and 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 that are competitive with other banks. We have been able to maintain a high level of low cost core deposits because of the specialized products and services we offer, as well as the level of service our banking teams provide. Our business deposit products include commercial checking accounts, money market accounts, escrow deposit accounts, lockbox 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 ATM machines. At December 31, 2007, we maintained approximately 44,000 deposit accounts representing $4.51 billion in total deposits.

The following table sets forth information regarding the mix of our deposits and deposit products as of December 31, 2007 and 2006.

	December 31,			
	2007		2006	
(dollars in thousands)	Amount	Percentage	Amount	Percentage
Personal demand deposit accounts	$ 171,083	3.79%	412,058	9.78%
Business demand deposit accounts	1,127,485	24.99%	1,174,382	27.89%
Rent security	16,339	0.36%	13,982	0.33%
Personal NOW	35,681	0.79%	33,690	0.80%
Business NOW	271,550	6.02%	228,098	5.42%
Personal money market accounts	454,457	10.07%	390,019	9.26%
Business money market accounts	2,103,660	46.63%	1,599,912	37.99%
Personal time deposits	67,179	1.49%	61,097	1.45%
Business time deposits	264,456	5.86%	297,921	7.08%
Total	$ 4,511,890	100.00%	4,211,159	100.00%
Demand deposit accounts	$ 1,298,568	28.78%	1,586,440	37.67%
NOW	307,231	6.81%	261,788	6.22%
Money market accounts	2,574,456	57.06%	2,003,913	47.58%
Time deposits	331,635	7.35%	359,018	8.53%
Total	$ 4,511,890	100.00%	4,211,159	100.00%
Personal	$ 728,400	16.14%	896,864	21.30%
Business	3,783,490	83.86%	3,314,295	78.70%
Total	$ 4,511,890	100.00%	4,211,159	100.00%

Lending Activities

Our traditional commercial and industrial lending is generally limited to existing clients with whom we have or expect to have deposit and/or brokerage relationships in order to assist in monitoring and controlling credit risk. We target our lending to privately-owned businesses, their owners and senior managers, generally high net worth individuals who meet our credit standards. The credit standards are set by the Credit Committee of our Board of Directors (the “Credit Committee”) with the assistance of our Chief Credit Officer, who is charged with ensuring that credit standards are met by loans in our portfolio. In addition, we have implemented a credit authorization policy under which no single individual is authorized to approve a loan regardless of dollar amount. Smaller loans may be approved by concurring authorized officers. Larger loans require the approval of the Credit Committee. Our largest loan category requires the approval of our Board of Directors. Our credit standards for commercial borrowers reference numerous criteria with respect to the borrower, including historical and projected financial information, the strength of management, acceptable collateral and associated advance rates, and market conditions and trends in the borrower’s industry. In addition, prospective loans are also analyzed based on current industry concentrations in our loan portfolio to prevent an unacceptable concentration of loans in any particular industry. We believe our credit standards are similar to the standards generally employed by large nationwide banks in the markets we serve. We seek to differentiate ourselves from our competitors by focusing on and aggressively marketing to our core clients and accommodating, to the extent permitted by our credit standards, their individual needs. We generally limit unsecured lending for consumer loans to private banking clients who we believe demonstrate ample net worth, liquidity and repayment capacity.

We generally extend variable rate loans in which the interest rate fluctuates with a predetermined indicator such as the U.S. prime rate or LIBOR. Our use of variable rate loans is designed to reduce our exposure to risks associated with interest rate fluctuations, as the rates of interest earned will generally fluctuate with the rate we pay on our sources of funding. As of December 31, 2007, approximately 60% of our outstanding commercial and commercial real estate loans were variable rate loans.

Commercial Loans

Our commercial loan portfolio, including commercial real estate loans and commercial and industrial loans, is comprised of lines of credit for working capital and term loans to finance equipment, company owned real estate and other business assets. Our lines of credit for working capital generally are renewed on an annual basis and our term loans generally have terms of two to five years. Our lines of credit and term loans typically have floating interest rates. Commercial loans can be subject to risk factors unique to the business of each client. In order to mitigate these risks and better serve our clients, we seek to gain an understanding of the business of each client and the reliability of their cash flow, so that we can place appropriate value on collateral taken and structure the loan to maintain collateral values at appropriate levels. In analyzing credit risk, we generally focus on the business experience of our borrowers' management. We prefer to lend to borrowers with an established track record of loan repayment and predictable growth and cash flow. We also rely on the experience of our bankers and their relationships with our clients to aid our understanding of the client and its business. Our lines of credit typically are limited to a percentage of the value of the assets securing the line. Lines of credit are generally reviewed annually and are typically supported by accounts receivable, inventory and equipment. Depending on the risk profile of the borrower, we may require periodic aging of receivables, as well as borrowing base certificates representing current levels of inventory, equipment, and accounts receivable. Our term loans are typically also secured by the assets of our clients' businesses. Commercial borrowers are required to provide updated personal and corporate financial statements at least annually. At December 31, 2007, funded commercial loans totaled approximately 79% of our total funded loans. Loans extended to borrowers within the services industries include loans to finance working capital and equipment, as well as loans to finance investment and owner-occupied real estate.

The following table sets forth information regarding the distribution of our commercial and commercial real estate loans among select industries in which we had the largest concentration of loans outstanding at December 31, 2007. “Other Industries” include a diverse range of industries, as determined by Sector Information Code (“SIC”), including service-oriented firms that provide introductions to new client relationships and private households.

Industry by SIC Designation

	December 31, 2007	
(dollars in thousands)	**Loan Amount**	**Percentage**
Real Estate & Real Estate Management	$ 496,831	28.64%
Financial Services	205,317	11.84%
Wholesale Trade	87,585	5.05%
Special Trade Contractors	75,069	4.33%
Business Services	69,166	3.99%
Membership Organizations	68,240	3.93%
Retail	58,945	3.40%
Health Services	52,795	3.04%
Building & Construction Contractors	43,406	2.50%
Professional Sports	35,884	2.07%
Engineering & Management Services	35,781	2.06%
Legal Services	34,513	1.99%
Publishing	33,735	1.94%
General Government	26,196	1.51%
Motion Pictures	21,662	1.25%
Textile Apparel Products	12,218	0.70%
Stationary Products	11,758	0.68%
Other Industries	365,418	21.08%
Total	$ 1,734,519	100.00%

Real Estate Loans

Our real estate loan portfolio consists of commercial real estate loans, residential real estate loans and home-equity lines of credit. We also provide temporary financing for commercial and residential property. Our permanent real estate loans generally have fixed terms of five to seven years. We generally avoid longer term loans for commercial real estate held for investment. Our permanent real estate loans have both floating and fixed rates. Depending on the financial situation of the borrower, we may require periodic appraisals of the property to verify the ongoing adequacy of the collateral. At December 31, 2007, funded real estate loans totaled approximately $936.8 million, representing approximately 43% of our total funded loans. The growth in our commercial real estate loan portfolio over the last two years commenced with the addition of veteran commercial real estate underwriters in the second half of 2005 and continued with the hiring of a commercial real estate focused private client group in the fourth quarter of 2007.

Letters of Credit

We issue standby or performance letters of credit, and can service the international needs of our clients through correspondent banks. At December 31, 2007, our commitments under letters of credit totaled approximately $198.7 million.

Personal Loans

Our personal loan portfolio consists of personal lines of credit and loans to acquire personal assets. Our personal lines of credit generally have terms of one year and our term loans generally have terms of three to five years. Our lines of credit typically have floating interest rates. We generally require assets as collateral for personal loans. However, if the financial situation of the client is sufficient, we will grant unsecured lines of credit. We also examine the personal liquidity of our individual borrowers, in some cases requiring agreements to maintain a minimum level of liquidity, to insure that the borrower has sufficient liquidity to repay the loan. Due to low levels of profitability, interest rate risks and collateral risks, we do not consider secured personal loans, such as automobile loans, a core part of our business.

We occasionally make personal residential real estate loans. Those loans consist primarily of first and second mortgage loans for residential properties. These loans are typically made to high net worth individuals as part of our private client services. We generally do not retain long-term, fixed rate residential real estate loans in our portfolio due to interest rate and collateral risks and low levels of profitability. We do not consider personal residential real estate loans a core part of our business. Our rates are generally higher than the rates offered by other providers of these loans.

We maintain a diversified loan portfolio and do not focus on any particular industry or group of related industries. Credit policies and underwriting guidelines are tailored to address the unique risks associated with each industry represented in the portfolio.

We make loans that are appropriately collateralized under our credit standards. Approximately 82% of our funded loans are secured by collateral. Unsecured loans are typically made to individuals with substantial net worth.

Investment and Asset Management Products and Services

Investment and asset management products and services are provided through our subsidiary, Signature Securities. Signature Securities is a licensed broker-dealer and is a member of the NASD and the SIPC. Signature Securities is an introducing firm and, as such, clears its trades through National Financial Services, Inc., a wholly-owned subsidiary of Fidelity Investments. Signature Securities is also registered as an investment adviser in New York, New Jersey, Pennsylvania and Florida. Our investment group directors work with our clients to define objectives, goals and strategies for their investment portfolios, whether our clients are looking for a relationship based provider or are looking for assistance with a particular transaction.

We offer a wide array of asset management and investment products, including the ability to purchase and sell all types of individual securities such as equities, options, fixed income securities, mutual funds and annuities. We offer transactional, “cash management” type brokerage accounts with check writing and daily sweep capabilities. We offer our clients an asset management program whereby we work with our clients to tailor their asset allocation according to their risk profile and then invest the client’s assets either directly with a select group of high quality money managers, no load mutual funds or a combination of both. We contract with a third party to perform investment manager due diligence for us on these money managers and mutual funds. We have entered into an agreement and strategic alliance with American Stock Transfer & Trust Company and utilize this firm to provide our corporate and personal clients with trust, custody and estate planning products and services. We offer no proprietary products or services. We do not perform and we do not provide our clients with our own branded investment research. Instead, we have contracted with a number of third-party research providers and are able to provide our clients with traditional Wall Street research from a number of sources.

We also offer retirement products such as individual retirement accounts, or IRAS, and administrative services for retirement vehicles such as pension and profit sharing plans to our clients. These products are not proprietary products.

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

SBA Loans and Pools

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA Section 7(a) loans. Most SBA Section 7(a) loans have adjustable rates and float at a spread to the prime rate and reset monthly or quarterly. SBA loans consist of a guaranteed portion of the loan and an un-guaranteed balance, which typically represents 10% of the original balance that is retained by the originating lender. The guaranteed portions of SBA loans are backed by the full faith and credit of the U.S. government and, therefore, have no credit risk and carry a 0% risk weight for capital purposes. At December 31, 2007, we had $172.4 million in SBA loans held for sale compared to $126.0 million at December 31, 2006.

Signature Securities acts as an agent and as a consultant to us on the purchase, sale and assembly of SBA loans and pools. Signature Securities is one of the largest SBA pool assemblers in the United States. The primary business of the group is to be an active market maker in the SBA loan and pool secondary market by purchasing, securitizing and selling the government guaranteed portions of the SBA loans. Signature Bank is approved by the SBA as a pool assembler and is approved by the FDIC to engage in government securities dealer activities.

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

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

Insurance Services

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

Competition

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

The New York Market

Substantially all of our business is located in the New York metropolitan area. We believe the New York metropolitan area economy presents an attractive opportunity to build an independent financial services company oriented to the needs of the New York metropolitan area economic marketplace. The New York Metropolitan Statistical Area (or MSA) is, by far, the largest market in the United States for bank deposits. The MSA of New York, Long Island and Northern New Jersey is—with approximately $861 billion in total deposits, as of June 30, 2006—almost three times larger than the second largest MSA in the U.S. (Los Angeles, Long Beach and Santa Ana, California). The New York MSA is also home to the largest number of businesses with fewer than 500 employees in the nation. The economy of the New York metropolitan area has diversified substantially over the past several decades and includes a greater variety of industries such as services, technology and real estate. The New York metropolitan area financial services marketplace is served by many large, diverse financial services companies, including large, multi-national financial services companies, regional banks and brokerage firms, mid-size commercial banks and brokerage firms and mutual and stock savings banks.

As of December 31, 2007, we operated 20 private client offices located mostly in the New York metropolitan area. These 20 locations housed a total of 52 private client groups. As part of the continuing development of our business strategy, we expect to open additional offices in 2008. We believe these private client offices will allow us to expand our current operations in the New York metropolitan area.

Information Technology and System Security

We rely on industry leading technology companies to deliver software, support and disaster recovery services. Our core banking application software (DDA, Savings, Compliance, GL, Teller Internet Banking) is provided by Fidelity Information Services. All of our brokerage systems are provided by and run at our clearing firm, National Financial Services, a subsidiary of Fidelity Financial Services Corp. Our personnel connect to the system via both dedicated and Internet based connections to Fidelity Financial Services in Boston, Massachusetts.

In 2006, we migrated our information technology environment from New York to Fidelity Information Services' technology center in Little Rock, Arkansas. This technology center includes dedicated "lights out" computer raised-floor space, as well as designated office space for information technology support personnel. A combination of backup power generation, uninterruptible power systems and 24 hour a day monitoring of the facility perimeters, hardware, operating system software, network connectivity, and building environmental systems minimizes the risk of any serious outage or security breach.

Employees

As of December 31, 2007, we had 501 full-time employee equivalents, 310 of whom are officers. None of our employees is represented by a collective bargaining agreement. We consider our relations with our employees to be good.

Regulation and Supervision

As a state-chartered bank, the deposits of which are insured by the FDIC, we and our subsidiaries are subject to a comprehensive system of bank supervision administered by federal and state banking agencies. Because we are chartered under the laws of the State of New York, the New York State Banking Department is our primary regulator. The FDIC is our primary federal banking regulator because we are not a member of the Federal Reserve System. These regulators oversee our compliance with applicable federal and New York laws and regulations governing our activities, operations, and business.

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

Safety and Soundness Regulation

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

We are subject to comprehensive capital adequacy requirements intended to protect against losses that we may incur. FDIC regulations require that we maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8.0%, at least one-half of which must be in the form of Tier 1 capital, and a ratio of Tier 1 capital to total risk-weighted assets of 4.0%. Tier 1 capital is generally defined as the sum of core capital elements less goodwill and certain other deductions. Core capital includes common shareholders' equity, non-cumulative perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries. Supplementary capital, which qualifies as Tier 2 capital and counts towards total capital subject to certain limits, includes allowances for loan losses, perpetual preferred stock, subordinated debt, and certain hybrid instruments. At December 31, 2007, our total risk-based capital ratio was 15.43%, and our Tier 1 risk-based capital ratio was 14.82%.

We are also required to maintain a minimum leverage capital ratio—the ratio of Tier 1 capital (net of intangibles) to adjusted total assets. Banks that have received the highest rating of five categories used by regulators to rate banks and are not anticipating or experiencing any significant growth must maintain a leverage capital ratio of at least 3.0%. All other institutions must maintain a leverage capital ratio of 4.0%. At December 31, 2007, our leverage capital ratio was 7.75%.

In addition, payments of dividends may be subject to the prior approval of the New York State Banking Department and the FDIC. Under New York law, we are prohibited from declaring a dividend so long as there is any impairment of our capital stock. In addition, we would be required to obtain the approval of the New York State Banking Department if the total of all our dividends declared in any calendar year would exceed the total of our net profits for that year combined with retained net profits of the preceding two years, less any required transfer to surplus or a fund for the retirement of any preferred stock. We would also be required to obtain the approval of the FDIC prior to declaring a dividend if after paying the dividend we would be undercapitalized, significantly undercapitalized, or critically undercapitalized.

The federal banking regulators are currently working on significant revisions to the capital adequacy regulations to implement the new capital accord being drafted by the Basel Committee on Bank Supervision. We cannot at this time predict whether the new requirements will apply to us or the effect that they may have on our business. However, if the new capital adequacy regulations were to lower the capital requirements for large money center banks but not for smaller banks like Signature Bank, we could be put at a competitive disadvantage.

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

Prompt Corrective Action and Enforcement Powers

We are also subject to FDIC regulations which apply to every FDIC-insured commercial bank and thrift institution a system of mandatory and discretionary supervisory actions, and which 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 provisions.

We would be categorized as “well capitalized” under the regulations if (i) we have a total risk-based capital ratio of at least 10.0%; (ii) we have a Tier 1 risk-based capital ratio of at least 6.0%; (iii) we have a leverage capital ratio of at least 5.0%; and (iv) we are not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the FDIC to meet and maintain a specific capital level.

We would be categorized as “adequately capitalized” if (i) we have a total risk-based capital ratio of at least 8.0%; (ii) we have a Tier 1 risk-based capital ratio of at least 4.0%; and (iii) we have a leverage capital ratio of at least 4.0% (3.0% if we are rated in the highest supervisory category).

We would be categorized as “undercapitalized” if (i) we have a total risk-based capital ratio that is less than 8.0%; (ii) we have a Tier 1 risk-based capital ratio that is less than 4.0%; and (iii) we have a leverage capital ratio that is less than 4.0% (3.0% if we are rated in the highest supervisory category).

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

We would 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.

At December 31, 2007, our total risk-based capital ratio was 15.43%; our Tier 1 risk-based capital ratio was 14.82%; and our leverage capital ratio was 7.75%. Each of these ratios exceeds the minimum ratio established for a “well capitalized” institution.

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

Other Regulatory Requirements

We are subject to certain requirements and reporting obligations under the Community Reinvestment Act (CRA). The CRA generally requires federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low- and moderate-income neighborhoods. The CRA further requires the agencies to take into account our record of meeting community credit needs when evaluating applications for, among other things, new branches or mergers. The performance standards and examination frequency of CRA evaluations differ depending on whether a bank falls into the small or large bank categories. During 2006, we were evaluated under the large bank standards for the first time. In measuring our compliance with these CRA obligations, the regulators rely on a performance-based evaluation system that bases our CRA rating on our actual lending service and investment performance. In connection with its assessment of CRA performance, the FDIC assigns a rating of “outstanding,” “satisfactory,” “needs to improve,” or “substantial noncompliance.” We were last examined for CRA compliance by the FDIC as of April 17, 2006 and by the New York State Banking Department as of December 31, 2005. We received a “satisfactory” CRA Assessment Rating from both agencies.

Federal and state banking laws also require us to take steps to protect consumers. The bank regulatory agencies are increasingly focusing attention on compliance with consumer protection laws and regulations. These laws include disclosures regarding truth in lending, truth in savings, funds availability, privacy protection under the Gramm-Leach-Bliley Act of 1999, and prohibitions on discrimination in the provision of banking services. We have incurred and may in the future incur additional costs in complying with these requirements.

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

Under FDIC regulations, we are required to pay premiums to the Bank Insurance Fund for insurance of our deposit accounts. The FDIC utilizes a risk-based premium system in which an institution pays premiums for deposit insurance on its Bank Insurance Fund-insured deposits based on supervisory evaluations and on the institution's capital category under the FDIC's prompt corrective action regulations.

We must maintain reserves on transaction accounts. The maintenance of reserves increases our cost of funds because reserves must generally be maintained in cash or non-interest-bearing balances maintained directly or indirectly with a Federal Reserve Bank.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 regulates interstate banking activities by establishing a framework for nationwide interstate banking and branching. This interstate banking and branching authority generally permits a bank in one state to merge with a bank in another unless the state prohibits all out-of-state banks from doing so and permits a bank in one state to establish *de novo* branches in another state in which it does not maintain a branch, if that state expressly permits all out-of-state banks to establish branches.

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

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

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

Change in Control

The approval of the New York State Banking Board is required before any person may acquire "control" of a banking institution, which includes Signature Bank and any company controlling Signature Bank. "Control" is defined to mean the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a banking institution through ownership of stock or otherwise and is presumed to exist if, among other things, any company owns, controls, or holds the power to vote 10% or more of the voting stock of a banking institution. As a result, any person or company that seeks to acquire 10% or more of our outstanding common stock must obtain prior regulatory approval.

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

ITEM 1A. RISK FACTORS

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

Risks Relating to Our Business

We may be unable to successfully implement our business strategy.

We intend to continue to aggressively pursue our strategy for growth. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in significant growth stages of development. In order to execute our business strategy successfully, we must, among other things:

- identify and expand into suitable markets;
- build our client base;
- maintain credit quality;
- attract and retain qualified bank management in each of our targeted markets;
- properly manage risks of all kinds, including operational risks, credit risks and interest rate risks;
- attract sufficient core deposits to fund our anticipated loan growth;
- identify and pursue suitable opportunities for opening new banking locations; and
- maintain sufficient capital to satisfy regulatory requirements.

Failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations and could adversely affect our ability to successfully implement our business strategy.

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

Our restated Certificate of Organization and By-laws contain provisions that may make it more difficult for a third party to acquire control of us without the approval of our Board of Directors. For example, our Organization Certificate authorizes our Board of Directors to determine the rights, preferences, privileges and restrictions of unissued series of common stock and preferred stock, without any vote or action by our stockholders. As a result, our Board of Directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. Additionally, our By-laws contain provisions that separate our Board of Directors into three separate classes with staggered terms of office and provisions that restrict the ability of shareholders to take action without a meeting. These provisions could delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

There are substantial regulatory limitations on changes of control.

Federal law prohibits a company or a group of persons deemed to be “acting in concert” from, directly or indirectly, acquiring 25% or more (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise to direct the management or policies of our company without prior application to and the approval of the Federal Reserve. Moreover, any individual who acquires 10% or more of our voting stock or otherwise obtains control over Signature Bank would be required to notify, and could be required to obtain the non-objection of, the FDIC. Finally, any person acquiring 10% or more of our voting stock would be required to obtain approval of the New York State Banking Department. Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. This may effectively reduce the number of investors who might be interested in investing in our stock.

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

If we are unable to generate profits on a consistent basis, we may need to arrange for additional financing to support our business. We cannot assure you that we would be able to obtain such additional financing on commercially reasonable terms or at all. Our failure to obtain sufficient financing could have a material adverse effect on our growth, our ability to compete effectively and on our financial condition and results of operations.

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

We make extensive use of outsourcing to provide cost-effective operational support with service levels consistent with large bank operations, including key banking, brokerage and insurance systems. For example, under the clearing agreement Signature Securities has entered into with National Financial Services (a Fidelity Investments company), National Financial Services processes all securities transactions for the account of Signature Securities and the accounts of its clients. Services of the clearing firm include billing and credit extension and control, receipt, custody and delivery of securities. Signature Securities is dependent on the ability of its clearing firm to process securities transactions in an orderly fashion. In addition, Fidelity Information Services provides us with all our core banking applications. Our outsourcing agreements can generally be terminated by either party upon notice. The termination of some of our outsourcing agreements, including the agreements with National Financial Services and Fidelity Information Services, could result in a disruption of service that could have a material adverse effect on our financial condition.

We have a limited operating history.

We did not commence significant operations until May 2001. Therefore, we have a limited historical basis for gauging our business performance under normalized operations. Our prospects are subject to the risks and uncertainties frequently encountered by financial services firms in their early stages of development, including the risk that we will not be able to implement our business plan or that our business plan will prove to be unprofitable. Accordingly, our financial performance to date may not be representative of our long-term future performance or indicative of whether our business strategy will be successful.

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

We incur interest rate risk. Our income and cash flows and the value of our assets depend to a great extent on the difference between the interest rates we earn on interest-earning assets, such as loans and investment securities, and the interest rates we pay on interest-bearing liabilities such as deposits and borrowings. These rates are highly sensitive to many factors which are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System, which we refer to as the Federal Reserve. Changes in monetary policy, including changes in interest rates, will influence not only the interest we receive on our loans and investment securities and the amount of interest we pay on deposits, it will also affect our ability to originate loans and obtain deposits and our costs in doing so.

If the rate of interest we pay on our deposits and other borrowings increases more than the rate of interest we earn on our loans and other investments, our net interest income and, therefore, our earnings could be materially adversely affected. Our earnings could also be materially adversely affected if the rates on our loans and other investments fall more quickly than those on our deposits and other borrowings. Furthermore, an increase in interest rates may negatively affect the market value of our investment portfolio. Our fixed-rate securities, generally, are more negatively affected by these increases. A reduction in the market value of our portfolio will increase the unrealized loss position of our available-for-sale investments. Any of these events could materially adversely affect our results of operations or financial condition.

We primarily invest in mortgage-backed obligations, which may lead to volatility in cash flow and market risk.

Our investment portfolio largely consists of mortgage-backed securities primarily secured by pools of mortgages on single-family residences. When we acquire the mortgage-backed security, we anticipate that the underlying mortgages will prepay at a projected rate, thereby generating an expected yield. Prepayment rates generally increase as interest rates fall and decrease when rates rise, but changes in prepayment rates are difficult to predict. Many of our mortgage-backed securities have a higher interest rate than prevailing market rates, resulting in a premium purchase price. In accordance with accounting rules, we amortize the premium over the expected life of the mortgage-backed security. If the mortgage loans securing the mortgage-backed security prepay more rapidly than anticipated, we would have to amortize the premium on an accelerated basis, which would thereby adversely affect our profitability.

We are dependent upon key personnel.

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

Our business is built around group directors, who are principally responsible for our client relationships. A principal component of our strategy is to increase market penetration by recruiting and retaining experienced group directors, their groups, loan officers and other management professionals.

Competition for experienced personnel within the commercial banking, brokerage and insurance industries is strong and we may not be successful in attracting and retaining the personnel we require. We cannot assure you that our recruiting efforts will be successful or that they will enhance our business, results of operations or financial condition.

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

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

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

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

Even if we are successful in attracting these group directors and groups, we cannot assure you that they will be able to bring their entire book of business to us. Furthermore, the addition of new groups involves several risks including risks relating to the quality of the book of business that may be contributed, adverse personnel relations and loss of clients because of a change of institutional identity. In addition, the process of integrating new groups could divert management time and resources from attention to existing clients. We cannot assure you that we will be able to successfully integrate any new group that we may acquire or that any new group that we acquire will enhance our business, results of operations, cash flows or financial condition.

There are material risks involved in commercial lending that could adversely affect our business.

Commercial lending (excluding U.S. government guaranteed SBA balances held for sale) represented approximately 79% of our total lending activities as of December 31, 2007 and primarily consists of loans to our privately-owned business clients, their owners and their senior managers, our key target market. Commercial loans generally involve a higher degree of credit risk than residential mortgage loans due, in part, to their larger average size and generally less readily-marketable collateral. In addition, unlike residential mortgage loans, commercial loans generally depend on the cash flow of the borrower's business to service the debt. Furthermore, a significant portion of our loans depend for repayment largely on the liquidation of assets securing the loan, such as inventory and accounts receivable. These loans carry incrementally higher risk, because their repayment is often dependent solely on the financial performance of the borrower's business. Adverse economic conditions or other factors adversely affecting our target market segment may have a greater adverse effect on us than on other financial institutions that have a more diversified client base. Our business plan calls for continued efforts to increase our assets invested in commercial loans. For all of these reasons, even a small increase in non-performing commercial loans could result in operating losses, impaired liquidity and the erosion of our capital, and could have a material adverse effect on our financial condition and results of operations.

Our business and a large portion of our real estate collateral is concentrated in the New York metropolitan area and a downturn in the economy of the New York metropolitan area may adversely affect our business.

Substantially all of our business is located in the New York metropolitan area. In addition, as of December 31, 2007, substantially all of the real estate collateral for the loans in our portfolio was 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 and a decrease in collateral value. We cannot assure that the real estate market in the New York metropolitan area will not deteriorate in the future. In addition, there are ongoing threats of future terrorist attacks. Our geographic concentration in the New York metropolitan area heightens our exposure to such future terrorist attacks, which may adversely affect our business and that of our clients and result in a material decrease in our revenues. Future terrorist attacks cannot be predicted, and their occurrence can be expected to further negatively affect the U.S. economy generally and specifically the regional market in which we operate.

If the value of real estate were to decline materially, a significant portion of our loan portfolio could become under-collateralized, which would have a material adverse effect on us.

As of December 31, 2007, approximately 43% of the collateral for the loans in our portfolio consisted of real estate. The market value of real estate, particularly real estate held for investment, can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. If the value of the real estate serving as collateral for our loan portfolio were to decline materially, a portion of our loan portfolio could become under-collateralized. If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, we may not be able to realize the value of the collateral that we anticipated at the time of originating the loan, which could have a material adverse effect on our provision for loan losses and our financial condition and results of operations.

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

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

Lack of seasoning of our loan portfolio may increase the risk of credit defaults in the future.

In general, loans do not begin to show signs of credit deterioration or default until they have been outstanding for some period of time, a process referred to as “seasoning.” As a result, a portfolio of older loans will usually behave more predictably than a newer portfolio. Because our loan portfolio is relatively new, the current level of delinquencies and defaults may not be representative of the level that will prevail when the portfolio becomes more seasoned, which is likely to be somewhat higher than current levels.

Because most of the loans in our loan portfolio were originated recently, our loan portfolio does not provide an adequate history of loan losses for our management to rely upon in establishing our allowance for loan losses. We therefore rely to a significant extent upon other financial institutions’ histories of loan losses and their allowance for loan losses, as well as our management’s estimates based on their experience in the banking industry, when determining our allowance for loan losses. There is no assurance that the history of loan losses and the reserving policies of other financial institutions and our management’s judgment will result in reserving policies that will be adequate for our business and operations or applicable to our loan portfolio.

Our allowance for loan losses may not be sufficient to absorb actual losses.

Experience in the banking industry indicates that a portion of our loans will become delinquent, and that some of these loans may be only partially repaid or may never be repaid at all. Despite our underwriting criteria, we experience losses for reasons beyond our control, including general economic conditions. Although we believe that our allowance for loan losses is maintained at a level adequate to absorb any inherent losses in our loan portfolio, these estimates of loan losses are inherently subjective and their accuracy depends on the outcome of future events, some of which are beyond our control. We may need to make significant and unanticipated increases in our loss allowances in the future, which would materially adversely affect our results of operations.

In addition, bank regulators, as an integral part of their supervisory functions, periodically review our allowance for loan losses. These regulatory agencies may require us to increase our provision for loan losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. Any increase in the allowance for loan losses required by these regulatory agencies could materially adversely affect our financial condition and results of operations.

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

Although over 99% of our portfolio of investment securities is A credit rated or better, we remain exposed to potential investment rating downgrades by credit rating agencies of the issuers of the securities in our investment portfolio. A significant volume of downgrades would negatively impact the market value of our securities portfolio, resulting in a potential increase in the unrealized loss in our investment portfolio. Rating downgrades below investment grade may result in impairment, requiring recognition of such impairment as a charge to current earnings.

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

In cases of illiquid or dislocated marketplaces, there may not be an available market for certain securities in our portfolio. This could result in significantly depressed market prices. Depending on the probability of a near term market recovery, we may have to recognize other than temporary impairment as a charge to current earnings for the decline in the value of these securities.

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

We utilize the Federal Home Loan Bank (or FHLB) of New York for secondary and contingent sources of liquidity. Also, from time to time, we utilize this borrowing source to capitalize on market opportunities to fund investment and loan initiatives. Our FHLB borrowings were $195.0 million at December 31, 2007. If we were unable to borrow from the FHLB, we would need to find alternative sources of liquidity, which may be available only at a higher cost and on terms that do not match the structure of our liabilities as well as FHLB borrowings do.

As a member of the FHLB, we are required to purchase capital stock of the FHLB as partial collateral and to pledge marketable securities or loans for this borrowing.

We may be responsible for environmental claims.

There is a risk that hazardous or toxic waste could be found on the properties that secure our loans. In such event, we could be held responsible for the cost of cleaning up or removing such waste, and such cost could significantly exceed the value of the underlying properties and adversely affect our profitability. Although we have policies and procedures that require us to perform an environmental review before initiating any foreclosure action on real property, there can be no assurance that this will be sufficient to detect all potential environmental hazards.

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

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

System failures or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities.

The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or other similar catastrophic events. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect our computer systems and network infrastructure against damage from physical break-ins, security breaches and other disruptive problems. Such computer break-ins and other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and deter potential clients. Although we, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to protect client transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations.

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

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

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

In addition, the financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. In addition to improving the ability to serve clients, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our clients by using technology, including the use of the Internet, to provide products and services that will satisfy client demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements than we do.

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

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

We have not historically paid, and do not presently intend to pay, cash dividends. Furthermore, our ability to pay cash dividends is restricted.

We have not paid any cash dividends on our common stock to date and do not intend to pay cash dividends on our common stock in the foreseeable future. We intend to retain earnings to finance operations and the expansion of our business. Therefore, any gains from your investment in our common stock must come from an increase in its market price.

In addition, payments of dividends will be subject to the prior approval by the FDIC if, after having paid a dividend, we would be undercapitalized, significantly undercapitalized or critically undercapitalized, and by the New York State Banking Department under certain conditions. Our ability to pay dividends will also depend upon the amount of cash available to us from our subsidiaries. Restrictions on our subsidiaries' ability to make dividends or advances to us will tend to limit our ability to pay dividends to our shareholders.

Risks Related to Our Industry

We are subject to regulatory capital requirements.

As a state-chartered bank, we are subject to various regulatory capital requirements administered by state and federal regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possible additional discretionary—actions by regulators that, if undertaken, could have a direct material adverse effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. We are required by FDIC regulations to maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8.0%, at least one-half of which must be in the form of Tier 1 capital, and a ratio of Tier 1 capital to total risk-weighted assets of 4.0%. We are also required to maintain a minimum leverage capital ratio—the ratio of Tier 1 capital (net of intangibles) to adjusted total assets. Banks that have received the highest rating of five categories used by regulators to rate banks and are not anticipating or experiencing any significant growth must maintain a leverage capital ratio of at least 3.0%. All other institutions must maintain a minimum leverage capital ratio of 4.0%.

In addition, we are subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991, which imposes a number of mandatory supervisory measures. Among other matters, this Act established five capital categories ranging from "well capitalized" to "critically under capitalized." Such classifications are used by regulatory agencies to determine a bank's deposit insurance premium and the approval of applications authorizing institutions to increase their asset size or otherwise expand their business activities or acquire other institutions.

To be categorized as "well capitalized" under the Act and, thus, subject to the fewest restrictions, a bank must have a leverage capital ratio of at least 5.0%, a Tier 1 risk-based capital ratio of at least 6.0% and a total risk-based capital ratio of at least 10.0%, and must not be subject to any written agreement, order, capital directive or prompt corrective action directive issued by the FDIC to meet and maintain a specific capital level. These capital requirements may limit asset growth opportunities and restrict our ability to increase earnings.

Our failure to comply with our minimum capital requirements would have a material adverse effect on our financial condition and results of operations.

We are subject to significant government regulation.

We operate in a highly regulated environment and are subject to supervision and regulation by a number of governmental regulatory agencies, including, among others, the FDIC, the New York State Banking Department, the Board of Governors of the Federal Reserve System (or Federal Reserve), the SEC, the New York State Insurance Department and FINRA. Regulations adopted by these agencies, which are generally intended to provide protection for depositors and clients rather than shareholders, govern a comprehensive range of matters relating to ownership and control of our shares, our acquisition of other companies and businesses, the activities in which we are permitted to engage, maintenance of adequate capital levels and other aspects of our operations. These regulatory agencies possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. Recently enacted legislation and regulations have had and are expected to continue to have a significant impact on the financial services industry. Some of the recent legislative and regulatory changes, including the Sarbanes-Oxley Act of 2002 and the USA PATRIOT Act of 2001, have increased and may in the future further increase our costs of doing business, particularly personnel and technology expenses necessary to maintain compliance with the expanded regulatory requirements. In addition, future legislation and government policy could adversely affect the banking industry as a whole, including our results of operations. For example, new legislation or regulation may limit the manner in which we may conduct our business, including our ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads.

The securities markets and the brokerage industry in which Signature Securities operates are highly regulated. Signature Securities is subject to regulation as a securities broker and investment adviser, and many of the regulations applicable to Signature Securities may have the effect of limiting its activities, including activities that might be profitable. Signature Securities is registered with and subject to supervision by the SEC and the FINRA and is also subject to state insurance regulation. As a subsidiary of Signature Bank, Signature Securities is also subject to regulation and supervision by the New York State Banking Department. The securities industry has been subject to several fundamental regulatory changes, including changes in the rules of self-regulatory organizations such as the NYSE and the FINRA. In the future, the industry may become subject to new regulations or changes in the interpretation or enforcement of existing regulations. We cannot predict the extent to which any future regulatory changes may adversely affect our business. In addition, we are subject to periodic examination by the FDIC, the New York State Banking Department, the SEC, self-regulatory organizations and various state authorities. Our banking operations, sales practice operations, trading operations, record-keeping, supervisory procedures and financial position may be reviewed during such examinations to determine if they comply with the rules and regulations designed to protect clients and protect the solvency of banks and broker-dealers. Examinations may result in the issuance of a letter to us noting perceived deficiencies and requesting us to take corrective action. Deficiencies could lead to further investigation and the possible institution of administrative proceedings, which may result in the issuance of an order imposing sanctions upon us and/or our personnel, including our investment professionals. Sanctions against us may include a censure, cease and desist order, monetary penalties or an order suspending us for a period of time from conducting certain or all of our operations. Sanctions against individuals may include a censure, cease and desist order, monetary penalties or an order restricting the individual’s activities or suspending the individual from association with us. In egregious cases, either we or our personnel or both could be expelled from a self-regulatory organization or barred from the banking industry or the securities industry.

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

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

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

Employee misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of clients or improper use of confidential information.

Employee errors in recording or executing transactions for clients could cause us to enter into transactions that clients may disavow and refuse to settle. These transactions expose us to risks of loss, which can be material, until we detect the errors in question and unwind or reverse the transactions. As with any unsettled transaction, adverse movements in the prices of the securities involved in these transactions before we unwind or reverse them can increase these risks.

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

We are subject to losses resulting from fraudulent or negligent acts on the part of our clients or other third parties.

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

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

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

Our business may be adversely impacted by acts of war or terrorism.

Acts of war or terrorism could have a significant impact on our ability to conduct our business. Such events could affect the ability of our borrowers to repay their loans, could impair the value of the collateral securing our loans, and could cause significant property damage, thus increasing our expenses and/or reducing our revenues. In addition, such events could affect the ability of our depositors to maintain their deposits with the Bank. Although we have established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on our business which, in turn, could have a material adverse effect on our financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We conduct business in 20 full-service private client offices, one SBA location and three operations centers. All current locations are leased with term expirations ranging from 2009 to 2021. Lease terms and rates vary by property. Many of the lease contracts include modest annual escalation agreements.

Our locations and lease expiration dates are described below:

Location	Type	Expiration
1177 Avenue of the Americas New York, NY 10019	Bank Operations Center	2009
84 Broadway Brooklyn, NY 11242	Private Client Office	2011
3 Quaker Ridge Road New Rochelle, NY 10804	Private Client Office	2011
9 Greenway Plaza Houston, TX 77046	SBA & Institutional Trading Center (Signature Securities office)	2011
565 Fifth Avenue New York, NY 10017	Executive Offices, Bank Administration Center and Private Client Office	2014
26 Court Street Brooklyn, NY 11242	Private Client Office	2014
79 Sunrise Highway Rockville Centre, NY 11570	Private Client Office	2014
923 Broadway Woodmere, NY 11598	Private Client Office	2014
300 Park Avenue New York, NY 10022	Private Client Office	2015
71 Broadway New York, NY 10006	Private Client Office	2015
360 Hamilton Plaza White Plains, NY 10601	Private Client Office	2015
36-36 33rd Street Long Island City, NY 11102	Private Client Office	2015
200 Park Avenue South New York, NY 10003	Private Client Office	2015
1020 Madison Avenue New York, NY 10021	Private Client Office	2015
950 Third Avenue New York, NY 10022	Private Client Office	2016
78-27 37th Avenue Jackson Heights, NY 11372	Private Client Office	2016

Location	Type	Expiration
1225 Franklin Avenue Garden City, NY 11530	Private Client Office	2017
40 Cuttermill Road Great Neck, NY 11021	Private Client Office	2017
6321 New Utrecht Avenue Brooklyn, NY 10004	Private Client Office	2017
111 Broadway New York, NY 10006	Private Client Accommodation Office	2017
261 Madison Avenue New York, NY 10016	Private Client Office	2018
58 South Service Road Melville, NY 11747	Private Client Office	2018
100 Jericho Quadrangle Jericho, NY 11753	Private Client Office (to open in 2008)	2018
29 West 38th Street New York, NY 10018	Bank and Brokerage Operations Center	2020
421 Hunts Point Avenue Bronx, NY 10474	Private Client Office	2021

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of our security holders during the fourth quarter of 2007 through the solicitation of proxies or otherwise.

PART II

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

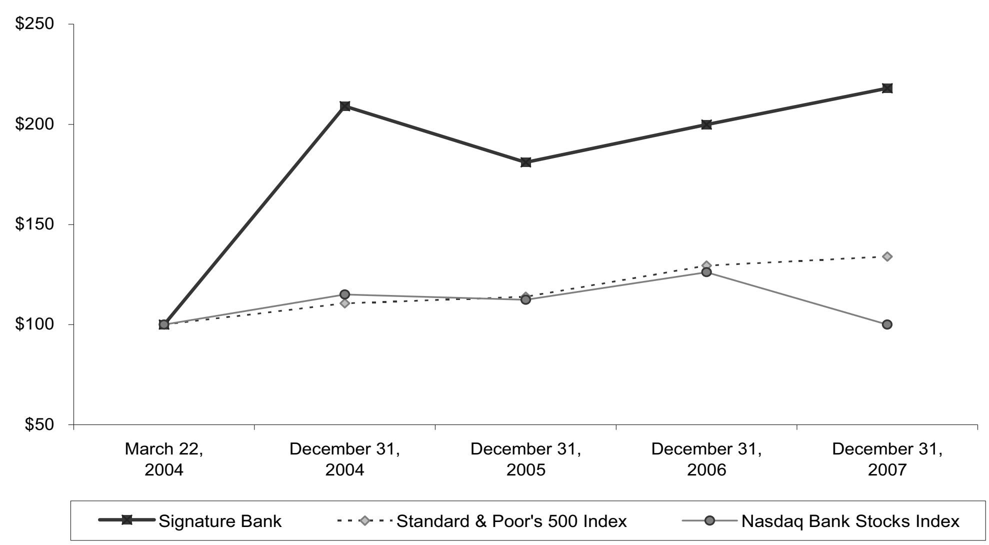
Our common stock is listed on the Nasdaq National Market under the symbol "SBNY." As of December 31, 2007, 29,696,212 shares of our common stock were issued and outstanding. The following table lists, on a quarterly basis, the range of high and low intra-day sale prices per share of our common stock in U.S. dollars:

	Common Stock	
	High	Low
2007		
First quarter	$ 34.26	29.60
Second quarter	35.23	30.60
Third quarter	38.20	30.26
Fourth quarter	38.11	31.50
2006		
First quarter	$ 34.22	27.75
Second quarter	37.60	30.82
Third quarter	34.95	30.85
Fourth quarter	33.43	28.60

On December 31, 2007, the last reported sale price of our common stock was $33.75 and there were 20 holders of record of our common stock, including record holders on behalf of an indeterminate number of beneficial holders.

Performance Graph

The following graph compares the performance of our common stock with the performance of the Standard & Poor's 500 Index and the Nasdaq Bank Stocks Index:



The performance period that is reflected below assumes that $100 was invested in our common stock and each of the indexes listed below on March 22, 2004, the date of our initial public offering. The performance of our common stock reflected below is not indicative of our future performance.

Company Name/Index		March 22, 2004	December 31, 2004	December 31, 2005	December 31, 2006	December 31, 2007
Signature Bank	$	100	209	181	200	218
Standard & Poor's 500 Index		100	111	114	129	134
Nasdaq Bank Stocks Index		100	115	112	126	100

The Performance Graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any Signature Bank filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate the Performance Graph therein by reference.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance our operations and the expansion of our business and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant.

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

ITEM 6. SELECTED FINANCIAL DATA

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

	Years ended December 31,				
(dollars in thousands)	**2007**	**2006**	**2005**	**2004**	**2003**
SELECTED OPERATING DATA					
Interest income	$ 301,605	239,657	157,536	87,206	48,344
Interest expense	154,815	117,609	58,394	20,216	10,963
Net interest income	146,790	122,048	99,142	66,990	37,381
Provision for loan losses	12,316	4,145	3,310	3,355	2,030
Net interest income after provision for loan loss	134,474	117,903	95,832	63,635	35,351
Non-interest income	8,746	21,328	18,678	22,924	11,295
Write-down for other than temporary impairment of securities	(21,404)	-	-	-	-
Non-interest income excluding write-down for other than temporary impairment of securities	30,150	21,328	18,678	22,924	11,295
Non-interest expense	99,062	81,242	81,757	58,482	43,697
Income before taxes	44,158	57,989	32,753	28,077	2,949
Income tax expense (benefit)	16,879	24,629	16,884	(1,721)	412
Net income	$ 27,279	33,360	15,869	29,798	2,537
BALANCE SHEET DATA					
Total assets	$ 5,845,172	5,399,425	4,384,938	3,356,548	1,935,984
Securities available-for-sale	2,805,711	2,654,605	2,570,799	2,107,390	1,201,100
Securities held-to-maturity	339,441	381,728	399,501	416,333	125,830
Loans held for sale	172,367	125,978	138,395	112,917	129,204
Loans, net of allowance for loan losses	2,007,342	1,563,789	995,103	563,353	373,183
Allowance for loan losses	18,236	13,829	10,050	7,660	4,323
Deposits	4,511,890	4,211,159	3,487,733	2,580,729	1,572,867
Borrowings	816,932	733,687	500,000	400,000	190,000
Shareholders' equity	425,756	392,598	350,982	338,919	153,773

(Continued on the next page)

(dollars in thousands)	Years ended December 31, 2007	2006	2005	2004	2003
OTHER DATA					
Assets under management	$ 2,849,541	$ 3,625,023	$ 1,391,597	$ 955,144	$ 663,029
Average interest-earning assets	$ 5,119,208	$ 4,358,457	$ 3,569,984	$ 2,459,721	$ 1,385,775
Full-time employee equivalents	501	416	347	296	246
Private client offices	20	18	15	12	9
SELECTED FINANCIAL RATIOS					
Performance Ratios:					
Return on average assets	0.50%	0.72%	0.42%	1.16%	0.17%
Return on average equity	6.67%	9.25%	4.63%	11.70%	2.14%
Yield on average interest-earning assets	5.89%	5.50%	4.41%	3.55%	3.49%
Yield on average interest-earning assets, tax-equivalent	5.90%	5.50%	4.41%	3.55%	3.49%
Average rate on deposits and borrowings	3.12%	2.79%	1.71%	0.88%	0.82%
Net interest margin	2.87%	2.80%	2.78%	2.72%	2.70%
Net interest margin, tax equivalent	2.88%	2.80%	2.78%	2.72%	2.70%
Efficiency ratio	63.69%	56.66%	69.39%	65.04%	89.77%
Efficiency ratio excluding write-down for other than temporary impairment of securities	55.99%	56.66%	69.39%	65.04%	89.77%
Asset Quality Ratios:					
Net charge-offs to average loans	0.44%	0.03%	0.12%	0.00%	0.04%
Allowance for loan losses to total loans	0.90%	0.88%	1.00%	1.34%	1.15%
Allowance for loan losses to non-performing loans	98.26%	157.94%	113.62%	126.78%	84.27%
Non-performing loans to total loans	0.92%	0.56%	0.88%	1.06%	1.36%
Capital and Liquidity Ratios:					
Tier One Leverage Capital Ratio	7.75%	8.41%	8.67%	10.86%	8.95%
Tier One Risk-Based Capital Ratio	14.82%	16.18%	19.55%	29.27%	21.37%
Total Risk-Based Capital Ratio	15.43%	16.73%	20.08%	29.92%	21.96%
Average equity to average assets	7.55%	7.83%	9.09%	9.91%	8.03%
Average tangible equity to average assets	7.55%	7.83%	9.09%	9.91%	8.03%
Per common share data:					
Number of weighted average common shares outstanding	29,672	29,480	29,349	25,667	20,000
Book value per common share	$ 14.34	$ 13.26	$ 11.95	$ 11.56	$ 7.68

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

You should read the following discussion in conjunction with "Selected Financial Data" and our consolidated financial statements and related notes, each of which is included elsewhere in this Annual Report on Form 10-K. Some of the statements in the following discussion are forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."

Overview

We have grown to \$5.85 billion in assets, \$4.51 billion in deposits, \$425.8 million in equity capital and approximately \$2.85 billion in other assets under management as of December 31, 2007.

The growth in our profitability is based on several key factors, including:

- the significant growth of our asset base each year;
- our ability to maintain and significantly grow core deposits, a funding source at a cost that has been consistently below industry average, which has resulted in increased net interest income from 2001 onward; and
- our ability to control non-interest expense, which has contributed to a substantial improvement of our efficiency ratio from a not meaningful number in 2001 to 56.0%, excluding the write-down for other than temporary impairment of securities for the year ended December 31, 2007.

An important aspect of our growth strategy is the ability to provide personalized, high quality service and effectively manage a large number of client relationships throughout the New York metropolitan area. Since the commencement of our operations, we have successfully recruited and retained more than 215 experienced private client group professionals. We believe that our existing operations infrastructure will allow us to grow our business over the next few years both geographically within the New York metropolitan area and with respect to the size and number of client relationships without substantial additional capital expenditures.

Critical Accounting Policies

We follow financial accounting and reporting policies that are in accordance with GAAP. Some of these significant accounting policies require management to make difficult, subjective or complex judgments. However, the policies noted below could be deemed to be our "critical accounting policies" under the definition given to this term by the Securities and Exchange Commission ("SEC")—those 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.

We consider our policies related to the allowance for loan losses as critical to our financial statement presentation. The total allowance for loan losses includes activity related to allowances calculated in accordance with Statement of Financial Accounting Standards (SFAS) No. 114, *Accounting by Creditors for Impairment of a Loan,* and SFAS No. 5, *Accounting for Contingencies.* The allowance for loan losses is established through a provision for loan losses charged to current earnings. The amount maintained in the allowance reflects management's continuing evaluation of the losses inherent in the loan portfolio. The allowance for loan losses is comprised of two components: specific reserves assigned to certain classified loans individually evaluated for impairment and reserves calculated based on formulas for pools of loans. Factors contributing to the determination of specific reserves include the creditworthiness of the borrower and, more specifically, changes in the expected future receipt of principal and interest payments and/or in the value of pledged collateral. A reserve is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. For purposes of determining formulas for pools of loans, the portfolio is segregated by product types in order to recognize differing risk profiles among categories, and then further segregated by credit grades. See "Credit Quality" for further discussion of the risk factors considered by management in establishing the allowance for loan losses.

We also consider our policies related to income taxes to be critical to our financial statement presentation. We utilize the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based upon the difference between the values of the assets and liabilities as reflected in the financial statements and their related tax basis using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. As changes in tax law or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation reserve is provided against deferred tax assets unless it is more likely than not that such deferred tax assets will be realized.

Additionally, we consider our policies related to the evaluation of investments for other than temporary impairment to be critical to our financial statement presentation. SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and SEC SAB No. 59, *Accounting for Noncurrent Marketable Equity Securities*, provide guidance on determining when an investment is other than temporarily impaired. Investments are reviewed quarterly for indicators of other than temporary impairment – a determination which requires significant judgment. In making this judgment, we employ a methodology that considers available quantitative and qualitative evidence in evaluating potential impairment of our investments. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, the probability of a near-term recovery in value and our intent and ability to hold the investment for a sufficient period of time, until maturity if necessary, to allow for a recovery in value. We also consider specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, operational and financing cash flow factors and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded through current earnings and a new cost basis in the investment is established. If market, industry and/or investee conditions deteriorate, we may incur future impairments.

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements"* ("SFAS No. 157"). The Statement establishes a single definition of fair value, sets up a framework for measuring it, and requires additional disclosures about the use of fair value to measure assets and liabilities. SFAS No. 157 also emphasizes that fair value is a market-based measurement by establishing a three level "fair value hierarchy" that ranks the quality and reliability of inputs used in valuation models, i.e., the lower the level the more reliable the input. The hierarchy provides the basis for the Statement's new disclosure requirements which are dependent upon the frequency of an item's measurement (recurring versus nonrecurring). SFAS No. 157 is effective for fair-value measures already required or permitted by other standards for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Its provisions will generally be applied prospectively. We adopted the requirements of SFAS No. 157 on January 1, 2008 with no material impact on our consolidated financial statements.

In February 2008, the FASB issued two Staff Positions on SFAS No. 157. The first issued on February 12th, FASB Staff Position No. FAS 157-2, *"Effective Date of FASB Statement No. 157"* ("FSP FAS 157-2") delays the effective date of Statement 157 for all nonrecurring fair value measurements of nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. FSP FAS 157-2 states that a recurring measurement is one which happens at least annually and defines nonfinancial assets and liabilities as all assets and liabilities other than those meeting the definition of a financial asset or liability in SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities."* The FSP is effective upon issuance. We do not anticipate adoption to have a material impact on our consolidated financial statements.

The second issued on February 14th, FASB Staff Position No. 157-1, *"Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13"* (FSP FAS 157-1) excludes SFAS No. 13, *"Accounting for Leases"* as well as other pronouncements that address fair value measurements on lease classification or measurement under Statement 13, from the scope of SFAS No. 157. The FSP is effective upon the initial adoption of Statement No. 157. We adopted FSP FAS 157-1 on January 1, 2008 with no impact to our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities: Including an amendment of FASB Statement No. 115"* ("SFAS No. 159"). SFAS No. 159 permits entities to elect to measure certain financial assets and liabilities and firm commitments at fair value with subsequent changes in fair value reported in earnings. The fair value option ("FVO") election is: applied instrument by instrument with some exceptions; irrevocable; and applied to an entire instrument, not only to specific risks, specific cash flows, or portions of that instrument. An entity may elect the FVO for existing eligible instruments at the date of initial adoption. The difference between an instrument's fair and carrying values upon initial adoption should be included as a cumulative-effect adjustment to the beginning balance of retained earnings. The Statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007 (January 1, 2008). To date, we have not elected to apply the FVO to any of our financial assets or liabilities in the preparation of our consolidated financial statements.

In November 2007, the SEC issued SAB No. 109, *"Written Loan Commitments Recorded at Fair Value Through Earnings"* ("SAB 109"). SAB 109 requires that fair value measurement of derivative and other written loan commitments that are accounted for at fair value through earnings should include the expected net future cash flows related to the associated servicing of the loan. SAB 109 should be applied prospectively to commitments accounted for at fair value that are issued or modified beginning after December 15, 2007. We adopted the requirements of SAB 109 on January 1, 2008 with no impact on our consolidated financial statements.

In December 2007, the FASB issued two Statements related to the accounting for business combinations: SFAS No. 141 (revised 2007), *"Business Combinations"* ("SFAS No. 141(R)") and SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51"* ("SFAS No. 160"). SFAS Nos. 141(R) and 160 will require: more assets acquired and liabilities assumed to be measured at fair value at acquisition; liabilities related to contingent consideration to be remeasured at fair value in subsequent reporting periods; acquisition-related costs to be expensed by the acquirer in preacquisition periods; and noncontrolling interests in subsidiaries (formerly minority interests) initially to be measured at fair value and classified as a separate component of consolidated equity. Both Statements are effective for fiscal years beginning on or after December 15, 2008 and should be applied prospectively. However, SFAS No. 160 requires the presentation and disclosure requirements to be applied retrospectively. Both Statements prohibit early adoption. At this time, we do not anticipate that the adoption of either Statement will have a material impact on our consolidated financial statements.

Lines of Business

We operate two principal lines of business, the Bank and Signature Securities. The Bank offers a wide variety of business and personal banking products and services. Signature Securities offers investment, brokerage, asset management and insurance products and services.

Management's approach to evaluating the operating performance of each line of business considers that these business lines both serve our target market, and a key part of our business strategy is seamless integration of banking and brokerage services for the client. Certain synergies and operational overlap exist between the two lines, where feasible and as allowed within regulatory guidelines. The development of our business and the value of overall client relationships to us, as a whole, are also considered.

We measure and report results for both the banking and broker-dealer lines of business. The following tables present certain information regarding our reportable segments:

	At or for the years ended December 31,		
(in thousands)	**2007**	**2006**	**2005**
The Bank			
Interest income	$ 301,396	239,494	157,450
Interest expense	154,799	117,554	58,358
Fee and other income	4,162	17,146	13,864
Non-interest expense (1)	107,309	80,679	79,775
Income tax expense	16,852	24,605	16,881
Net income	$ 26,598	33,802	16,300
Total assets	$ 5,845,566	5,400,331	4,385,205
SSG			
Interest income	$ 209	163	86
Interest expense	16	55	36
Fee and other income (2)	4,584	4,182	4,814
Fee income from the Bank	4,011	2,689	3,138
Non-interest expense	8,080	7,397	8,430
Income tax expense	27	24	3
Net income (loss)	$ 681	(442)	(431)
Total assets	$ 4,301	2,766	2,493

(1) For purposes of this disclosure, non-interest expense includes the provision for loan losses.
(2) Represents fee and other income from external clients.

Signature Securities' assets predominantly consist of cash and short-term investments to support its operational needs. Signature Securities' assets under management of $1.18 billion, as of December 31, 2007, represent fixed income securities, equity securities, money market mutual funds, mutual funds and other assets of its clients. See Note 20 to our audited consolidated financial statements for further information regarding our lines of business.

Results of Operations

The following is a discussion and analysis of our results of operations for the year ended December 31, 2007 compared to the year ended December 31, 2006 and for the year ended December 31, 2006 compared to the year ended December 31, 2005.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net Income

Net income for the year ended December 31, 2007 was $27.3 million, or $0.91 diluted earnings per share, compared to $33.4 million, or $1.12 diluted earnings per share, for the year ended December 31, 2006.

The return on average equity for the year ended December 31, 2007 was 6.67% compared to 9.25% for the year ended December 31, 2006. The return on average assets was 0.50% for the year ended December 31, 2007 compared to 0.72% for the year ended December 31, 2006.

	Years Ended December 31,	
(in thousands)	**2007**	**2006**
Interest income	$ 301,605	239,657
Interest expense	154,815	117,609
Net interest income	146,790	122,048
Provision for loan losses	12,316	4,145
Non-interest income	8,746	21,328
Write-down for other than temporary impairment of securities	(21,404)	-
Non-interest income excluding write-down for other than temporary impairment of securities	30,150	21,328
Non-interest expense	99,062	81,242
Income tax expense	16,879	24,629
Net income	$ 27,279	33,360

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities. The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2007 and December 31, 2006:

	Years ended December 31,					
	2007			*2006*		
(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	$ 67,695	3,435	5.07%	31,656	1,699	5.37%
Investment securities	3,166,886	158,589	5.01%	3,017,081	140,093	4.64%
Commercial loans and commercial mortgages (1) (2) (3)	1,508,236	111,693	7.41%	986,093	73,264	7.43%
Residential mortgages (1) (2)	171,193	9,705	5.67%	118,617	6,595	5.56%
Consumer loans (1) (2)	120,537	13,109	10.88%	132,816	13,135	9.89%
Loans held for sale	84,661	5,341	6.31%	72,194	4,871	6.75%
Total interest-earning assets	5,119,208	301,872	5.90%	4,358,457	239,657	5.50%
Non-interest-earning assets	299,206			248,055		
Total assets	$ 5,418,414			4,606,512		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing checking	292,305	6,460	2.21%	236,286	3,810	1.61%
Money market accounts	2,245,086	92,322	4.11%	1,804,086	63,314	3.51%
Time deposits	352,869	17,177	4.87%	295,957	12,946	4.37%
Non-interest-bearing deposits	1,241,491	-	-	1,060,882	-	-
Total deposits	4,131,751	115,959	2.81%	3,397,211	80,070	2.36%
Borrowings	831,364	38,856	4.67%	824,024	37,539	4.56%
Total deposits and borrowings	4,963,115	154,815	3.12%	4,221,235	117,609	2.79%
Other non-interest-bearing liabilities and shareholders' equity	455,299			385,277		
Total liabilities and shareholders' equity	$ 5,418,414			4,606,512		
OTHER DATA						
Tax-equivalent basis						
Net interest income / interest rate spread		147,057	2.78%		122,048	2.71%
Net interest margin			2.88%			2.80%
Tax-equivalent adjustment / effect						
Net interest income / interest rate spread		(267)	(0.01)%		-	-
Net interest margin			(0.01)%			-
As reported						
Net interest income / interest rate spread		146,790	2.77%		122,048	2.71%
Net interest margin			2.87%			2.80%
Ratio of average interest-earning assets to average interest-bearing liabilities			103.15%			103.25%

(1) Non-performing loans are included in average loan balances.

(2) Loan interest income includes net amortization of deferred fees and costs of approximately $3,175,000 and $2,377,000 for the years ended December 31, 2007 and 2006, respectively.

(3) Includes interest income on certain tax-exempt assets presented on a tax-equivalent basis using a 35 percent federal tax rate.

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 tables below analyze 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 are allocated proportionately to both changes in volume and changes in interest rate. For purposes of calculating the changes in our net interest income, non-performing assets are included in the appropriate balance and shown as a change due to rate.

	Year ended December 31, 2007 vs. 2006		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME			
Short-term investments	$ (198)	1,934	1,736
Investment securities	11,540	6,956	18,496
Commercial loans and commercial mortgages	(632)	38,794	38,162
Residential mortgages	187	2,923	3,110
Consumer loans	1,188	(1,214)	(26)
Loans held for sale	(371)	841	470
Total interest income	$ 11,714	50,234	61,948
INTEREST EXPENSE			
NOW and interest-bearing checking	$ 1,747	903	2,650
Money market accounts	13,531	15,477	29,008
Time deposits	1,742	2,489	4,231
Total deposits	$ 17,020	18,869	35,889
Borrowings	983	334	1,317
Total interest expense	$ 18,003	19,203	37,206

Net interest income for the year ended December 31, 2007 was $146.8 million, an increase of $24.7 million, or 20.3%, over the year ended December 31, 2006. The increase in net interest income over the twelve month period was largely driven by increases in average earnings assets and average deposits of $760.8 million and $734.5 million, respectively, as well as an increase in net interest margin on a tax-equivalent basis of eight basis points to 2.88% primarily due to an increase in loans as a percentage of assets and the reinvestment of new funds and cash flow from existing investments into higher yielding investments.

Total average investment securities for the year ended December 31, 2007 were $3.17 billion compared to $3.02 billion for the year ended December 31, 2006. The overall yield on the securities portfolio for the year ended December 31, 2007 was 5.01%, up 37 basis points from the year ended December 31, 2006. Yield expansion in the twelve month period ended December 31, 2007 was primarily the result of investing new funds and cash flow from existing investments into higher yielding investments. Additionally, yields on the portfolio were also favorably affected by lower premium amortization and a more favorable market environment. Our portfolio primarily consists of high quality government agency mortgage-backed securities, collateralized debt obligations and collateralized mortgage obligations. We continue to mitigate extension risk through our overall strategy of purchasing relatively short duration securities that, by their nature, have lower yields. At December 31, 2007, the baseline average duration of our investment securities portfolio was approximately 2.01 years, compared to 2.01 years at December 31, 2006.

Total commercial loans and commercial mortgages averaged $1.51 billion for the year ended December 31, 2007, an increase of $522.1 million or 53.0% over the year ended December 31, 2006. The average yield on this portfolio decreased to 7.41%, down two basis points. The decrease in average yield is mostly due to the decrease in the U.S. prime rate and LIBOR that occurred during the latter half of 2007. This decrease led to an immediate repricing for most of our variable rate loans. In order to assist in monitoring and controlling credit risk, we primarily lend to existing clients with whom we have deposit and/or brokerage relationships. We target our lending to privately-owned businesses, their owners and senior managers who are generally high net worth individuals who meet our credit standards. We primarily extend variable rate loans in which the interest rate fluctuates with a predetermined indicator such as the U.S. prime rate or LIBOR. Our use of variable rate loans is designed to reduce our exposure to interest rate risks.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA Section 7(a) loans. Once purchased, we typically warehouse the guaranteed loan for approximately 30 to 180 days and classify them as loans held for sale. From this warehouse we aggregate like SBA loans by similar characteristics into pools for securitization to the secondary market. The timing of the purchase and sale of such loan pools drives the quarter-to-quarter fluctuations in average balances of loans held for sale, which averaged $84.7 million and $72.2 million for the years ended December 31, 2007 and 2006, respectively. Most SBA Section 7(a) loans have adjustable rates and float at a spread to the prime rate.

Average total deposits and borrowings grew $741.9 million, or 17.6%, to $4.96 billion during the year ended December 31, 2007 from $4.22 billion for the year ended December 31, 2006. Overall cost of funding was 3.12% during 2007, increasing 33 basis points from 2.79% in 2006. The increase in overall cost of funding was primarily driven by the highly competitive deposit market environment.

For the year ended December 31, 2007, average non-interest-bearing demand deposits were $1.24 billion as compared to $1.06 billion for the year ended December 31, 2006, an increase of $180.6 million, or 17.0%. Non-interest-bearing demand deposits continue to represent a significant component of our deposit mix, representing 28.8% of all deposits at December 31, 2007. Additionally, average NOW and interest-bearing checking and money market accounts totaled $2.54 billion for the year ended December 31, 2007, an increase of $497.0 million, or 24.4%, over the year ended December 31, 2006. These core deposits have provided us with a source of stable, low cost funding which has positively affected our net interest margin and income. Average time deposits, which were relatively short-term in nature and totaled $352.9 million for the year ended December 31, 2007, carried an average cost of 4.87%. We do not actively compete for such time deposits as our experience indicates that clients in this market are typically attracted by rate as opposed to service, thereby making such deposits more costly than our average core deposits.

For the year ended December 31, 2007, average total borrowings were $831.4 million compared to $824.0 million for the year ended December 31, 2006, an increase of $7.3 million or 0.9%. The average cost of total borrowings was 4.67% and 4.56% for the years ended December 31, 2007 and 2006, respectively. At December 31, 2007, total borrowings represent approximately 15.3% of all funding compared to 14.8% at December 31, 2006.

Allowance for Loan Losses

The allowance for loan losses increased $4.4 million to $18.2 million for the year ended December 31, 2007 from $13.8 million for the year ended December 31, 2006. This increase is primarily due to an increase in loans outstanding and non-current loans.

The following table allocates the allowance for loan losses based on our judgment of inherent losses in each respective area according to our methodology for allocating reserves.

	December 31,			
	2007		2006	
(dollars in thousands)	**Amount**	**% to Total Allowance by Category**	**Amount**	**% to Total Allowance by Category**
Risk rated commercial and industrial loans and commercial real estate loans	$ 17,173	94.17%	13,119	94.87%
Residential mortgages	173	0.95%	164	1.19%
Home equity lines of credit	117	0.64%	85	0.61%
Consumer and other	773	4.24%	461	3.33%
Total	$ 18,236	100.00%	13,829	100.00%

Non-Interest Income

For the year ended December 31, 2007, non-interest income was $8.7 million, a decrease of $12.6 million or 59.0% when compared with 2006. The decrease was primarily attributable to a $21.4 million other than temporary impairment write-down on investment securities. The decrease was partially offset by an increase of $4.5 million in commissions mostly associated with a growth in off-balance sheet money market deposits. Additionally, fees and service charges increased $3.0 million as a result of client expansion and increased client activity. Excluding the effect of the other than temporary impairment write-down, non-interest income for 2007 increased $8.8 million, or 41.4%.

The securities written down in the fourth quarter consisted of six collateralized debt obligations (CDOs) issued in 2004-2005 and six asset-backed securities (ABSs) issued principally in 2004-2005 with total amortized costs of $40.0 million and $23.3 million, respectively, prior to the impairment write-down. The estimated market values of the CDOs and ABSs at December 31, 2007 totaled $23.2 million and $18.7 million, respectively, representing declines in value of $16.8 million on the CDOs and $4.6 million on the ABSs. All principal and interest payments have been made to date in accordance with the terms of each security and, except for a $0.4 million ABS, none of the securities have been downgraded (substantially all of the securities, based on dollar values, are rated AA). Although the securities have performed in accordance with their terms and maintained their ratings, the securities were determined to be other than temporarily impaired based on the extent and duration of the decline in market value below amortized cost, giving consideration to the current illiquid conditions and the uncertainty of a near-term recovery in value. The securities were written down to their market values at December 31, 2007 and the impairment write-down totaling $21.4 million was charged to fourth quarter non-interest income.

Non-Interest Expense

Non-interest expense increased $17.8 million, or 21.9%, to $99.1 million for the year ended December 31, 2007 from $81.2 million for the year ended December 31, 2006. This increase was driven by a $10.2 million increase in salaries and benefits mainly attributable to the addition of seven new private client banking teams since December 31, 2006, along with a $1.5 million increase in occupancy expenses due to the opening of two new offices in the last year. In addition, other general and administrative expenses increased $6.1 million primarily due to increased client-related expenses, including the operating expense associated with short-term escrow deposits, along with additional costs of $2.0 million related to FDIC deposit assessment fees enacted in 2007. We expect the FDIC deposit assessment fees to continue for the foreseeable future.

Stock-Based Compensation

On January 1, 2006, we began accounting for our stock-based compensation plan in accordance with the requirements of SFAS No. 123 (Revised 2004), *"Share-Based Payment"* ("SFAS No. 123R") applying the modified prospective method. Under the modified prospective method, financial statements for prior interim periods and fiscal years did not reflect any restated amounts. Accordingly, compensation expense is recognized in our statement of operations for all stock-based compensation awards over the requisite service period with a corresponding credit to equity, specifically additional paid-in capital.

As of December 31, 2007, there were 999 nonvested options with a related unrecognized compensation cost of $2,000 that consist entirely of options granted to our independent directors in March 2005. The remaining unrecognized compensation cost will be expensed over the next three months. During the years ended December 31, 2007 and 2006, we recognized compensation expense of $11,000 each year for nonvested options.

As of December 31, 2007, there was $3.5 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 1.83 years. During the years ended December 31, 2007 and 2006, we recognized compensation expense of $1.9 million and $1.0 million, respectively, for nonvested restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2007 and 2006 was $1.2 million and $1.5 million, respectively.

Income Taxes

The provision for income taxes for the years ended December 31, 2007 and 2006 was an expense of $16.9 million and $24.6 million, respectively. The 2007 and 2006 provisions were calculated based on statutory tax rates. The decrease in income tax expense is primarily due to a decrease in our pre-tax income. The decrease in expense was also partially due to a reduction in taxes resulting from the activities of our Real Estate Investment Trust ("REIT"), which reduced our effective tax rate by 376 basis points in 2007.

The components of income tax expense for the years ended December 31, 2007 and 2006 are set forth in the following table:

	Years Ended December 31,	
(in thousands)	**2007**	**2006**
Current expense	$ 28,704	27,570
Deferred income tax benefit	(11,825)	(2,941)
Total income tax expense	$ 16,879	24,629

In April 2007, the State of New York enacted new tax legislation effective for the calendar tax year beginning January 1, 2007. The new legislation reduced corporate income tax rates from 7.5% to 7.1%, which will not materially impact our tax expense. Additionally, for companies with assets in excess of $8 billion, the new law includes a four-year phase out of the tax benefit received on income from REIT subsidiaries. Based on our current asset size and anticipated growth, we do not expect the new legislation to impact our 2008 income tax expense.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Net income for the year ended December 31, 2006 was $33.4 million, or $1.12 diluted earnings per share, compared to $15.9 million, or $0.53 diluted earnings per share, for the year ended December 31, 2005. Returns on average equity and average assets for the year ended December 31, 2006 were 9.25% and 0.72%, respectively, compared to 4.63% and 0.42%, respectively, for the year ended December 31, 2005.

(in thousands)		Years Ended December 31, 2006	2005
Interest income	$	239,657	157,536
Interest expense		117,609	58,394
Net interest income		122,048	99,142
Provision for loan losses		4,145	3,310
Non-interest income		21,328	18,678
Non-interest expense		81,242	81,757
Income tax expense		24,629	16,884
Net income	$	33,360	15,869

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities.

The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2006 and December 31, 2005:

	Years ended December 31,					
	2006			*2005*		
(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	$ 31,656	1,699	5.37%	21,912	727	3.32%
Investment securities	3,017,081	140,093	4.64%	2,721,841	106,021	3.90%
Commercial loans and commercial mortgages (1) (2)	986,093	73,264	7.43%	587,771	35,804	6.09%
Residential mortgages (1) (2)	118,617	6,595	5.56%	71,863	3,776	5.25%
Consumer loans (1) (2)	132,816	13,135	9.89%	89,134	7,583	8.51%
Loans held for sale	72,194	4,871	6.75%	77,463	3,625	4.68%
Total interest-earning assets	4,358,457	239,657	5.50%	3,569,984	157,536	4.41%
Non-interest-earning assets	248,055			200,022		
Total assets	$ 4,606,512			3,770,006		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing checking	236,286	3,810	1.61%	202,415	1,438	0.71%
Money market accounts	1,804,086	63,314	3.51%	1,559,905	33,388	2.14%
Time deposits	295,957	12,946	4.37%	261,168	7,697	2.95%
Non-interest-bearing deposits	1,060,882	-	-	891,059	-	-
Total deposits	3,397,211	80,070	2.36%	2,914,547	42,523	1.46%
Borrowings	824,024	37,539	4.56%	491,613	15,871	3.23%
Total deposits and borrowings	4,221,235	117,609	2.79%	3,406,160	58,394	1.71%
Other non-interest-bearing liabilities and shareholders' equity	385,277			363,846		
Total liabilities and shareholders' equity	$ 4,606,512			3,770,006		
OTHER DATA						
Net interest income / interest rate spread		122,048	2.71%		99,142	2.70%
Net interest margin			2.80%			2.78%
Ratio of average interest-earning assets to average interest-bearing liabilities			103.25%			104.81%

(1) Non-performing loans are included in average loan balances.

(2) Loan interest income includes net amortization of deferred fees and costs of approximately $2,377,000 and $1,615,000 for the years ended December 31, 2006 and 2005, respectively.

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 tables below analyze 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 prior period's average balance). Changes that are caused by a combination of interest rate and volume are allocated proportionately to both changes in volume and changes in interest rate. For purposes of calculating the changes in our net interest income, non-performing assets are included in the appropriate balance and shown as a change due to rate.

	Year ended December 31, 2006 vs. 2005		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME			
Short-term investments	$ 649	323	972
Investment securities	22,572	11,500	34,072
Commercial loans and commercial mortgages	13,196	24,264	37,460
Residential mortgages	362	2,457	2,819
Consumer loans	1,836	3,716	5,552
Loans held for sale	1,493	(247)	1,246
Total interest income	$ 40,108	42,013	82,121
INTEREST EXPENSE			
NOW and interest-bearing checking	$ 2,131	241	2,372
Money market accounts	24,700	5,226	29,926
Time deposits	4,224	1,025	5,249
Total deposits	$ 31,055	6,492	37,547
Borrowings	10,937	10,731	21,668
Total interest expense	$ 41,992	17,223	59,215

Net interest income for the year ended December 31, 2006 was $122.0 million, an increase of $22.9 million, or 23.1%, over the year ended December 31, 2005. The increase in net interest income over the twelve month period was largely driven by increases in average earnings assets and average deposits of $788.5 million and $482.7 million, respectively, as well as an increase in net interest margin of two basis points to 2.80%.

Total average investment securities for the year ended December 31, 2006 were $3.02 billion compared to $2.72 billion for the year ended December 31, 2005. The overall yield on the securities portfolio for the year ended December 31, 2006 was 4.64%, up 74 basis points from the year ended December 31, 2005. Yield expansion in the twelve month period was primarily the result of investing new funds and cash flow from existing investments into higher yielding investments. Additionally, yields on the portfolio were also favorably affected by lower premium amortization and a more favorable market environment. Our portfolio primarily consists of high quality government agency mortgage-backed securities and collateralized mortgage obligations. We continue to mitigate extension risk through our overall strategy of purchasing relatively short duration securities that, by their nature, have lower yields. At December 31, 2006, the baseline average duration of our investment securities portfolio was approximately 2.01 years, compared to 1.76 years at December 31, 2005.

Total commercial loans and commercial mortgages averaged $986.1 million for the year ended December 31, 2006, an increase of $398.3 million or 67.8% over the year ended December 31, 2005. The average yield on this portfolio increased to 7.43%, up 134 basis points. The increase in average yield is mostly due to the increase in the Federal funds rate of 100 basis points that occurred throughout 2006 and a corresponding increase in our prime rate. In order to assist in monitoring and controlling credit risk, we primarily lend to existing clients with whom we have deposit and/or brokerage relationships. We target our lending to privately-owned businesses, their owners and senior managers who are generally high net worth individuals who meet our credit standards. We primarily extend variable rate loans in which the interest rate fluctuates with a predetermined indicator such as the U.S. prime rate or LIBOR. Our use of variable rate loans is designed to reduce our exposure to risks associated with interest rate fluctuations.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA Section 7(a) loans. Once purchased, we typically warehouse the guaranteed loan for approximately 30 to 180 days and classify them as loans held for sale. From this warehouse we aggregate like SBA loans by similar characteristics into pools for securitization to the secondary market. The timing of the purchase and sale of such loan pools drives the quarter-to-quarter fluctuations in average balances of loans held for sale, which averaged $72.2 million and $77.5 million for the years ended December 31, 2006 and 2005, respectively. Most SBA Section 7(a) loans have adjustable rates and float at a spread to the prime rate.

Average total deposits and borrowings grew $815.1 million, or 23.9%, to $4.22 billion during the year ended December 31, 2006 from $3.41 billion for the year ended December 31, 2005. Overall cost of funding was 2.79% during 2006, increasing 108 basis points from 1.71% in 2005. The increase in overall cost of funding was primarily driven by the increase in the Federal funds rate and the highly competitive deposit market environment.

For the year ended December 31, 2006, average non-interest-bearing demand deposits were $1.06 billion as compared to $891.1 million for the year ended December 31, 2005, an increase of $169.8 million, or 19.1%. Non-interest-bearing demand deposits continue to represent a significant component of our deposit mix, representing 37.7% of all deposits at December 31, 2006. Additionally, average NOW and interest-bearing checking and money market accounts totaled $2.04 billion for the year ended December 31, 2006, an increase of $278.1 million, or 15.8%, over the year ended December 31, 2005. These core deposits have provided us with a source of stable, low cost funding which has positively affected our net interest margin and income. Average time deposits, which were relatively short-term in nature and totaled $296.0 million for the year ended December 31, 2006, carried an average cost of 4.37%. We do not actively compete for such time deposits as our experience indicates that clients in this market are typically attracted by rate as opposed to service, thereby making such deposits more costly than our average core deposits.

For the year ended December 31, 2006, average total borrowings were $824.0 million compared to $491.6 million for the year ended December 31, 2005, an increase of $332.4 million or 67.6%. The average cost of total borrowings was 4.56% and 3.23% for the years ended December 31, 2006 and 2005, respectively. The increase in average cost of total borrowings for the year ended December 31, 2006, compared to the year ended December 31, 2005, is mostly attributable to the increase in prevailing short-term market interest rates during 2006. At December 31, 2006, total borrowings represent approximately 14.8% of all funding compared to 12.5% at December 31, 2005.

Allowance for Loan Losses

The allowance for loan losses increased $3.8 million to $13.8 million for the year ended December 31, 2006 from $10.1 million for the year ended December 31, 2005. This increase is primarily due to an increase in loans outstanding.

The following table allocates the allowance for loan losses based on our judgment of inherent losses in each respective area according to our methodology for allocating reserves.

	December 31,			
	2006		*2005*	
(dollars in thousands)	**Amount**	**% to Total Allowance by Category**	**Amount**	**% to Total Allowance by Category**
Risk rated commercial and industrial loans and commercial real estate loans	$ 13,119	94.87%	9,435	93.88%
Residential mortgages	164	1.19%	72	0.72%
Home equity lines of credit	85	0.61%	69	0.69%
Consumer and other	461	3.33%	474	4.71%
Total	$ 13,829	100.00%	10,050	100.00%

Non-Interest Income

For the year ended December 31, 2006, non-interest income was $21.3 million, an increase of $2.7 million or 14.2% when compared with 2005. This increase was primarily the result of an increase of $1.9 million in commissions and an increase of $1.5 million in fees and service charges. The increase was partially offset by a decrease of $608,000 in net gains on sales of securities and loans. The increases in commissions and fees and service charges are reflective of our growth in clients and client activity.

Non-Interest Expense

Non-interest expense decreased $515,000, or 0.63%, to $81.2 million for the year ended December 31, 2006 from $81.8 million for the year ended December 31, 2005.

The decrease in non-interest expense was primarily driven by a $2.9 million decrease in salaries and benefits, which were $49.2 million for the year ended December 31, 2006. In 2005, a special one-time bonus payment of cash and stock totaling $12.0 million directly contributed by Bank Hapoalim, our former parent company, was included in our salaries and benefits expense. Excluding this one-time special bonus, salaries and benefits would have increased $9.1 million. The majority of this increase was due to the addition of nine new private client groups. At December 31, 2006, we had 416 employees compared to 347 employees at December 31, 2005.

Occupancy and equipment expense increased $1.7 million to $9.0 million in 2006. This increase was predominantly due to the addition of three private client offices during the year. At December 31, 2006, we had 18 private client offices compared to 15 at December 31, 2005.

Other general and administrative expenses for the year ended December 31, 2006 were $23.0 million, an increase of $664,000, or 3.0%, from $22.4 million for the year ended December 31, 2005.

The modest increase in other general and administrative expenses is principally attributable to volume-related operational costs required for our expanding business.

Stock-Based Compensation

On January 1, 2006, we began accounting for our stock-based compensation plan in accordance with the requirements of SFAS No. 123 (Revised 2004), *"Share-Based Payment"* ("SFAS No. 123R") applying the modified prospective method. Under this method of adoption, financial statements for prior interim periods and fiscal years will not reflect any restated amounts. Accordingly, compensation expense is now recognized in our statement of operations for all stock-based compensation awards over the requisite service period with a corresponding credit to equity, specifically additional paid-in capital.

Prior to our adoption of SFAS No. 123R, we accounted for our stock-based compensation plan in accordance with the requirements specified in SFAS No. 123, "*Accounting for Stock-Based Compensation*", as amended by SFAS No. 148, "*Accounting for Stock-Based Compensation—Transition and Disclosure*" which established a fair value-based method of accounting for employee stock compensation plans. Under this method, compensation cost was measured at the grant date based on the value of the award and was recognized over the service period, which was generally the vesting period. As permitted under these statements, we elected to apply the intrinsic value method in accounting for our option plan in accordance with Accounting Principles Board ("APB") Opinion No. 25, "*Accounting for Stock Issued to Employees*." Accordingly, compensation expense was not recognized in our statements of operations, other than for restricted stock awards. Restricted stock awards were recorded as unearned compensation, a component of shareholders' equity, at fair value at the date of grant, and were amortized to compensation expense over the awards' specified vesting periods. Under SFAS No. 148, issuers applying the intrinsic value method were also required to disclose the pro-forma impact on net income and earnings per share as if compensation expense had been determined using the fair value-based method.

On December 20, 2005, our Compensation Committee of our Board of Directors and our Board of Directors approved the accelerated vesting and exercisability of all outstanding unvested and unexercisable stock options to purchase our common shares held by employee directors, officers, employees and consultants. As a result, options to purchase 1,039,466 common shares, which would have vested and become exercisable from time to time through November 2008, became fully vested and immediately exercisable as of December 20, 2005. The number of shares and exercise prices of the options subject to acceleration were unchanged. The accelerated options had exercise prices ranging between $15.50 and $28.97 per share, with a total weighted average exercise price per share of $17.25. The accelerated options included 866,329 options held by directors and executive officers and 173,137 held by other officers and employees. The accelerated vesting resulted in an additional $2.5 million of pro-forma net compensation expense in the fourth quarter of 2005. In addition, we recognized compensation expense in the amount of $30,000 in accordance with FASB Interpretation No. 44, *"Accounting for Certain Transactions involving Stock Compensation - an interpretation of APB Opinion No. 25"* ("FIN 44") during the fourth quarter of 2005.

As of December 31, 2006, there were 1,998 nonvested options with a related unrecognized compensation cost of $14,000 that consist entirely of options granted to our independent directors in March 2005. The remaining unrecognized compensation cost will be expensed over the next 15 months. During the years ended December 31, 2006 and 2005, we recognized compensation expense of $11,000 and zero, respectively, for nonvested options.

To date, none of our outstanding options were granted on a backdated basis and it is against our policy to backdate option grants.

As of December 31, 2006, there was $2.1 million of total unrecognized compensation cost related to nonvested restricted shares that is expected to be recognized over a weighted-average period of 1.95 years. During the years ended December 31, 2006 and 2005, we recognized compensation expense of $1.0 million and $743,000, respectively, for nonvested restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2006 and 2005 was $1.5 million and $973,000, respectively.

Income Taxes

The provision for income taxes for the years ended December 31, 2006 and 2005 was an expense of $24.6 million and $16.9 million, respectively. The 2006 and 2005 provisions were calculated based on statutory tax rates. The increase in income taxes was predominantly driven by the increase in income before income taxes.

The components of income tax expense for the years ended December 31, 2006 and 2005 are set forth in the following table:

	Years Ended December 31,		
(in thousands)		**2006**	**2005**
Current expense	$	27,570	17,720
Deferred income tax benefit		(2,941)	(836)
Total income tax expense	$	24,629	16,884

Financial Condition

Securities Portfolio

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

At December 31, 2007, our total securities portfolio was $3.15 billion compared to $3.04 billion at December 31, 2006. The $108.8 million increase is primarily the result of the investment of additional deposits. Our portfolio primarily consists of government agency mortgage-backed securities and collateralized mortgage obligations. The mortgage-backed portfolio consists of adjustable hybrid securities, fixed rate balloon and seasoned 15-year structures. The collateralized mortgage obligations portion of our portfolio primarily consists of short duration planned amortization and sequential structures. The commercial mortgage-backed portfolio mainly consists of AAA rated securities collateralized by commercial and multifamily real estate with supportive credit enhancement. Our asset-backed portfolio primarily consists of intermediate term fixed rate AAA and floating rate AA/A rated credit card, auto home equity collateralized securities and collateralized debt obligations. Overall, approximately 91% of our securities portfolio had a AAA credit rating and over 99% had a credit rating of A or better, as of December 31, 2007.

Unrealized depreciation on AFS securities, net of tax effect, decreased from $20.6 million at December 31, 2006 to $18.1 million at December 31, 2007, as reflected in accumulated other comprehensive loss. The decrease was primarily due to a $21.4 million other than temporary impairment write-down on investment securities recognized in the fourth quarter of 2007. This decrease was significantly offset by a rise in unrealized depreciation on other debt securities.

The securities written down in the fourth quarter consisted of six collateralized debt obligations (CDOs) issued in 2004-2005 and six asset-backed securities (ABSs) issued principally in 2004-2005 with total amortized costs of $40.0 million and $23.3 million, respectively, prior to the impairment write-down. The estimated market values of the CDOs and ABSs at December 31, 2007 totaled $23.2 million and $18.7 million, respectively, representing declines in value of $16.8 million on the CDOs and $4.6 million on the ABSs. All principal and interest payments have been made to date in accordance with the terms of each security and, except for a $0.4 million ABS, none of the securities have been downgraded (substantially all of the securities, based on dollar values, are rated AA). Although the securities have performed in accordance with their terms and maintained their ratings, the securities were determined to be other than temporarily impaired based on the extent and duration of the decline in market value below amortized cost, giving consideration to the current illiquid conditions and the uncertainty of a near-term recovery in value. The securities were written down to their market values at December 31, 2007 and the impairment write-down totaling $21.4 million was charged to fourth quarter non-interest income.

The baseline average duration of the investment portfolio was 2.01 years at December 31, 2007. The weighted average life of the investment portfolio was 2.81 years at December 31, 2007. The estimated effect of possible changes in interest rates on our earnings and equity is discussed below under “Quantitative and Qualitative Disclosures About Market Risk.”

The following table summarizes the components of our available-for-sale and held-to-maturity securities portfolios at December 31, 2007, 2006 and 2005:

	December 31,					
	2007		*2006*		*2005*	
(in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
AVAILABLE-FOR-SALE						
US Treasuries	$ 7,984	8,058	7,930	7,932	7,973	7,960
US Government agency	106,752	106,895	117,770	117,073	75,812	74,866
Mortgage-backed securities - agency	553,490	556,946	458,657	453,589	416,363	408,564
Collateralized mortgage obligations - agency	1,034,374	1,037,922	1,018,093	1,005,971	1,089,305	1,073,071
Collateralized mortgage obligations - private	669,774	666,985	571,849	567,036	487,573	481,327
Other debt securities	453,680	417,174	505,650	491,897	524,121	514,340
Equity securities (1)	12,125	11,731	11,615	11,107	11,127	10,671
Total available-for-sale	$2,838,179	2,805,711	2,691,564	2,654,605	2,612,274	2,570,799
HELD-TO-MATURITY						
US Government agency	$ 117,560	117,634	137,111	135,971	146,141	143,801
Mortgage-backed securities - agency	22,200	22,048	27,278	26,642	33,385	32,602
Collateralized mortgage obligations - agency	61,854	61,350	73,646	71,912	62,624	61,199
Collateralized mortgage obligations - private	34,679	33,833	37,552	36,891	30,728	30,190
Other debt securities	103,148	101,040	106,141	102,125	126,623	122,609
Total held-to-maturity	$ 339,441	335,905	381,728	373,541	399,501	390,401

(1) Equity securities represent Community Reinvestment Act (“CRA”) qualifying AAA credit rated closed-end bond fund investments.

The following table sets forth the credit rating distribution of our securities portfolio at December 31, 2007:

Credit Rating	**Percentage of Portfolio**
AAA	90.84%
AA	3.93%
A	4.85%
Below A and non-rated	0.38%
Total	100.00%

The following table provides an estimated market value change in our investment portfolio for various interest rate shocks at December 31, 2007:

Interest Rate Shock	**Estimated Market Value Change**
-200 basis points	3.86%
-100 basis points	2.73%
+100 basis points	(0.82%)
+200 basis points	(3.02%)

The following table shows the contractual maturity distribution and the weighted average yields of our combined available-for-sale and held-to-maturity securities portfolio as of December 31, 2007:

(dollars in thousands)	**Amortized Cost**	**Fair Value**	**Average Yield**
Less than one year			
Mortgage-backed securities	$ 5,271	5,217	3.76%
Collateralized mortgage obligations	185	185	36.23%
Other securities	203,391	178,495	6.52%
Total	$ 208,847	183,897	6.48%
One year to less than five years			
Mortgage-backed securities	$ 16,278	16,027	4.25%
Collateralized mortgage obligations	9,034	8,890	3.65%
Other securities	142,279	142,470	4.91%
Total	$ 167,591	167,387	4.78%
Five years to less than 10 years			
Mortgage-backed securities	$ 24,555	24,642	4.98%
Collateralized mortgage obligations	253,148	253,823	4.88%
Other securities	104,865	101,231	5.26%
Total	$ 382,568	379,696	4.99%
10 years and longer			
Mortgage-backed securities	$ 529,586	533,108	5.25%
Collateralized mortgage obligations	1,538,314	1,537,192	5.20%
Other securities	350,714	340,336	5.63%
Total	$ 2,418,614	2,410,636	5.27%
All maturities			
Mortgage-backed securities	$ 575,690	578,994	5.20%
Collateralized mortgage obligations	1,800,681	1,800,090	5.15%
Other securities	801,249	762,532	5.68%
Total	$ 3,177,620	3,141,616	5.29%

Loan Portfolio

The following table presents information regarding the composition of our loan portfolio, including loans held for sale, as of December 31, 2007, 2006, 2005, 2004 and 2003:

	December 31,									
	2007		2006		2005		2004		2003	
(dollars in thousands)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Commercial real estate	$ 672,408	30.68%	309,589	18.24%	145,567	12.85%	65,678	9.72%	33,446	6.73%
Residential mortgages	174,375	7.96%	164,491	9.69%	72,252	6.38%	76,479	11.32%	51,547	10.37%
Commercial and industrial	1,060,384	48.39%	968,270	57.06%	647,933	57.22%	365,598	54.12%	259,164	52.14%
Commercial - SBA guaranteed portion	165,613	7.56%	120,825	7.12%	131,531	11.62%	104,770	15.51%	119,156	23.97%
Home equity lines of credit	90,023	4.11%	84,950	5.01%	69,472	6.13%	48,712	7.21%	24,249	4.88%
Consumer	28,594	1.30%	48,804	2.88%	65,647	5.80%	14,302	2.12%	9,495	1.91%
Sub-total/Total	2,191,397	100.00%	1,696,929	100.00%	1,132,402	100.00%	675,539	100.00%	497,057	100.00%
Premiums, deferred fees, and costs	6,548		6,667		11,146		8,391		9,653	
Total	$ 2,197,945		1,703,596		1,143,548		683,930		506,710	

Total loans increased by $494.3 million, or 29.0%, to $2.20 billion at December 31, 2007, from $1.70 billion at December 31, 2006. Our total loan-to-deposit ratio, excluding loans held for sale and associated premiums on those loans, increased to 44.9% at December 31, 2007 from 37.5% at December 31, 2006. The increase in loans reflects the overall increase in private client banking teams and related client growth. We continue to predominantly restrict lending to existing clients with whom we have or expect to have deposit and/or brokerage relationships to assist us in monitoring and controlling credit risk.

At December 31, 2007, loans fully secured by cash and marketable securities represented 5.29% of outstanding loan balances. The SBA portfolio, consisting only of the guaranteed portion of the SBA loans, represented 7.6% of outstanding loan balances. Our fully unsecured loan portfolio represented 17.6% of our total outstanding loan portfolio at December 31, 2007. We generally limit unsecured lending for consumer loans to private clients who we believe possess ample net worth, liquidity and repayment capacity. The remainder of our loans are secured by real estate, company assets, personal assets and other forms of collateral.

The following loan table presents commercial loans and commercial mortgages and loans at fixed and variable rates, by maturity for the periods indicated:

	As of December 31, 2007			
(in thousands)	Within One Year	One to Five Years	After Five Years	Total
Commercial loans and commercial mortgages	$ 906,039	444,335	384,145	1,734,519
Loans at fixed rates	124,649	239,217	335,770	699,636
Loans at variable rates	781,390	205,118	48,375	1,034,883

Deferred Tax Asset/Liability

At December 31, 2007, in accordance with SFAS No. 109, "*Accounting for Income Taxes*" and after considering all available positive and negative evidence pursuant to Paragraph 25 of SFAS No.

109, management concluded that a valuation allowance was not necessary because it was more likely than not that the net deferred tax assets would be utilized. We will continue to monitor the need for a valuation allowance going forward; however, we do not expect to need one. Net deferred tax assets are reflected in other assets in our consolidated statements of financial condition.

The components of the net deferred tax asset at December 31, 2007 and 2006 are set forth in the following table:

	December 31,	
(in thousands)	**2007**	**2006**
DEFERRED TAX ASSETS		
Loan loss provision	$ 7,785	6,059
Depreciation	929	486
Unearned compensation - restricted shares	755	393
Non-accrual interest	303	584
Write-down for other than temporary impairment of securities	9,458	-
Other	1,394	1,118
Total deferred tax assets recognized in earnings	20,624	8,640
Mark-to-market on available for sale securities	14,346	16,383
Total deferred tax assets	34,970	25,023
DEFERRED TAX LIABILITY		
Prepaid expenses	282	201
Total deferred tax liability recognized in earnings	282	201
Net deferred tax asset	$ 34,688	24,822

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

Deposits

At December 31, 2007, we maintained approximately 44,000 deposit accounts representing $4.51 billion in total deposits compared to approximately 39,500 accounts and $4.21 billion in total deposits at December 31, 2006. This increase is primarily due to the deposit gathering efforts of our private client teams.

The following tables set forth information regarding the composition of our deposits and deposit products as of December 31, 2007 and 2006:

(in thousands)	*December 31,* 2007	2006
Demand - non-interest-bearing	$ 1,298,568	1,586,440
NOW	307,231	261,788
Money market and other	2,574,456	2,003,913
Time deposits less than $100,000	29,921	25,517
Time deposits equal to or greater than $100,000	301,714	333,501
Total deposits	$ 4,511,890	4,211,159

The following table presents a summary of our average deposits and average interest rates accrued as of the dates indicated:

	Years ended December 31,			
	2007		*2006*	
(dollars in thousands)	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**
NOW and interest-bearing checking accounts	$ 292,305	2.21%	236,286	1.61%
Money market accounts	2,245,086	4.11%	1,804,086	3.51%
Time deposits	352,869	4.87%	295,957	4.37%
Non-interest-bearing deposits	1,241,491	-	1,060,882	-
Total deposits	$ 4,131,751	2.81%	3,397,211	2.36%

Included in deposits at December 31, 2007 and 2006 were approximately $145.5 million and $550.3 million, respectively, of short-term escrow deposits. We have developed a core competency in catering to the needs of law firms, accounting firms, claims administrators and title companies, which allows us to obtain from our clients both on-balance sheet and off-balance sheet short-term escrow deposits that banks of our size typically do not attract.

The following table presents time deposits of $100,000 or more by their maturity as of December 31, 2007:

(dollars in thousands)	**December 31, 2007**
Three months or less	$ 197,542
Over three months through 12 months	90,470
Over one year through three years	13,048
Over three years	654

The following tables set forth information regarding the mix of our deposits and deposit products as of December 31, 2007 and 2006:

	December 31,			
	2007		*2006*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts	$ 171,083	3.79%	412,058	9.78%
Business demand deposit accounts	1,127,485	24.99%	1,174,382	27.89%
Rent security	16,339	0.36%	13,982	0.33%
Personal NOW	35,681	0.79%	33,690	0.80%
Business NOW	271,550	6.02%	228,098	5.42%
Personal money market accounts	454,457	10.07%	390,019	9.26%
Business money market accounts	2,103,660	46.63%	1,599,912	37.99%
Personal time deposits	67,179	1.49%	61,097	1.45%
Business time deposits	264,456	5.86%	297,921	7.08%
Total	$ 4,511,890	100.00%	4,211,159	100.00%
Demand deposit accounts	$ 1,298,568	28.78%	1,586,440	37.67%
NOW	307,231	6.81%	261,788	6.22%
Money market accounts	2,574,456	57.06%	2,003,913	47.58%
Time deposits	331,635	7.35%	359,018	8.53%
Total	$ 4,511,890	100.00%	4,211,159	100.00%
Personal	$ 728,400	16.14%	896,864	21.30%
Business	3,783,490	83.86%	3,314,295	78.70%
Total	$ 4,511,890	100.00%	4,211,159	100.00%

Borrowings

The following table sets forth certain information regarding our borrowings:

	At or for the year ended December 31,					
	2007		*2006*		*2005*	
(dollars in thousands)	**Amount**	**Weighted Average Rate**	**Amount**	**Weighted Average Rate**	**Amount**	**Weighted Average Rate**
Federal Home Loan Bank advances	$ 195,000	4.41%	260,000	4.53%	220,000	3.72%
Repurchase agreements	562,000	4.50%	467,000	4.62%	195,000	3.74%
Federal funds purchased	50,000	3.50%	-	-	65,000	4.01%
Other short-term borrowings	9,932	3.96%	6,687	4.99%	20,000	4.03%
Total borrowings	$ 816,932	4.41%	733,687	4.59%	500,000	3.78%
Maximum total outstanding at any month-end	$1,023,122		927,594		564,795	
Average balance	$ 831,364		824,024		491,613	
Average rate		4.67%		4.56%		3.23%

At December 31, 2007, borrowings were 15.3% of our funding liabilities. These borrowings are collateralized by our mortgage-backed and collateralized mortgage obligation securities. We also hold $8.8 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 existing financial condition, our asset size, the amount of collateral we hold at FHLB and the available borrowing capacity under our repurchase agreement lines, we estimate our available consolidated borrowing capacity to be approximately $1.74 billion at December 31, 2007.

The following table shows the maturity or re-pricing of our borrowings at December 31, 2007.

(in thousands)

Maturity or repricing period:

3 months or less	**3 - 12 months**	**1 - 3 years**	**Over 3 years**	**Total**
$ 89,932	-	222,000	505,000	816,932

Credit Quality

Non-performing Assets

Non-performing assets consist of non-performing loans totaling $18.6 million at December 31, 2007, compared to $8.8 million at December 31, 2006. The non-performing loan balance at December 31, 2007 primarily consisted of two new commercial and industrial non-performing loans. One loan, for $5.9 million, is collateralized by commercial property. The second loan is approximately $9.2 million following a charge-off of $2.0 million in the fourth quarter of 2007. The Bank is working toward a resolution following several unexpected events that occurred in the client's business. At December 31, 2006 and 2005, we had $8.8 million in non-performing assets, which primarily consisted of two other non-performing loans. There are no commitments to lend additional funds to these borrowers.

Loans are generally placed in non-accrual status upon becoming 90 days past due as to interest or principal. Single family property loans are placed in non-accrual status after becoming three payments past due as to interest or principal; single-family loans in non-accrual status at December 31, 2007 and 2006 totaled $107,000 and zero, respectively. Consumer loans that are not secured by real estate, however, are generally placed in non-accrual status when deemed uncollectible; such loans are generally charged off when they reach 120 days past due. As of December 31, 2007 and 2006, there were $4.0 million of loans 90 days past due and still accruing.

At the time a loan is placed in non-accrual 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 non-accrual does not necessarily indicate that the principal of the loan is uncollectible in whole or in part.

Additional interest income of $1.4 million, $741,000 and $671,000 would have been recorded for the years ended December 31, 2007, 2006 and 2005, respectively, had all loans been accruing according to their original terms.

At December 31, 2006, there was one non-accrual loan for $3.7 million that was restructured as troubled debt, and there was no commitment to lend additional funds to this debtor. This loan was partially paid-off in January 2007, which resulted in a charge to earnings of $807,000. This charge-off amount had been reserved for in accordance with SFAS No. 114 at December 31, 2006. There were no troubled debt restructurings at December 31, 2007 and 2005.

Summary of Loan Loss Experience

The provision for loan losses is a charge to earnings to maintain the allowance for loan losses at a level consistent with management's assessment of the loan portfolio in light of current economic conditions and market trends. We recorded a provision of $12.3 million for the year ended December 31, 2007, $4.1 million for the year ended December 31, 2006 and $3.3 million for the year ended December 31, 2005. These provisions were made to reflect management's assessment of the inherent and specific risk of loan losses relative to the growth of the portfolio.

The allowance for loan losses is comprised of specific reserves for impaired loans and a pooled formula estimate of losses inherent in the portfolio at the balance sheet date. We regularly evaluate our allowance for loan losses to maintain an allowance that we believe is appropriate based on estimated inherent and specific losses. Factors contributing to the determination of specific reserves include the creditworthiness of the borrower and, more specifically, changes in the expected future receipt of principal and interest payments and/or in the value of pledged collateral. All loans considered for our watch list are specifically reviewed for impairment as appropriate. A reserve is recorded on impaired loans when the carrying amount of the loan exceeds the discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral-dependent loans. We consider all loans on our watch list (generally rated substandard or worse) to be potential problem loans. For purposes of determining the pooled formula reserve, the portfolio is segregated by product types to recognize differing risk profiles among categories, and then further segregated by credit grades. Credit grades are assigned to all loans greater than $250,000. Each credit grade is assigned a risk factor or reserve allocation percentage. These risk factors are multiplied by the outstanding principal balance and risk-weighted by product type to calculate the reserve amount.

The risk factor or reserve allocation percentages assigned to each credit grade have been developed based on an analysis of our historical loss rates and loss rates at selected peer banks and industry data, adjusted for certain qualitative factors, and on our management's experience. Qualitative adjustments for such factors as national and local economic conditions, market interest rates, changes in credit policies and lending standards, and changes in the trend and severity of problem loans can cause the estimation of inherent losses to differ from past experience. In addition, the reserve considers the results of reviews performed by independent third-party reviewers as reflected in their confirmation of assigned credit grades within the portfolio.

The methodology used in the periodic review of reserve adequacy, which is performed at least quarterly, is designed to be dynamic and 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 collectibility of larger classified loans is regularly recalculated with new information as it becomes available. As our portfolio matures, historical loss ratios are closely monitored. Eventually, our reserve adequacy analysis will rely more on our own loss history and less on the experience of our management and peer banks. Currently, the review of reserve adequacy is performed by our senior management, assessed by a credit review function, and presented to our Board of Directors for their review and consideration on a quarterly basis.

The allowance for loan losses totaled $18.2 million at December 31, 2007, $13.8 million at December 31, 2006 and $10.1 million at December 31, 2005. This represents 0.90%, 0.88% and 1.00% of total loans (excluding loans held for sale) at December 31, 2007, 2006 and 2005, respectively.

The table below presents a summary of our loan loss experience in 2007, 2006, 2005, 2004 and 2003.

(in thousands)	**2007**	**2006**	**2005**	**2004**	**2003**
Charge-offs	$ 7,973	383	949	56	160
Recoveries	64	17	29	38	48
Net charge-offs	$ 7,909	366	920	18	112

The charge-offs realized in 2007 of $8.0 million were primarily to three loan relationships. One loan for $3.7 million that originally became non-accrual in 2005 was restructured in 2006. This loan partially paid-off in 2007, resulting in a charge-off of $807,000. Another for $6.7 million originally became non-accrual in 2003 and resulted in a partial charge-off of $3.4 million in 2007. The third for $11.2 million became non-accrual in December 2007, resulting in a charge-off of $2.0 million. All three loans were commercial and industrial loans. The remaining charge-offs of $1.8 million were due to various smaller credits.

Allowance for Loan Losses

The following table allocates the allowance for loan losses in the respective area based on our methodology for allocating reserves.

	December 31,									
	2007		*2006*		*2005*		*2004*		*2003*	
(dollars in thousands)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Risk rated commercial and industrial loans and commercial real estate loans	$ 17,173	94.17%	13,119	94.87%	9,435	93.88%	6,488	84.70%	4,104	94.93%
Residential mortgages	173	0.95%	164	1.19%	72	0.72%	73	0.95%	52	1.20%
Home equity lines of credit	117	0.64%	85	0.61%	69	0.69%	49	0.64%	24	0.56%
Consumer and other	773	4.24%	461	3.33%	474	4.71%	1,050	13.71%	143	3.31%
Total	$ 18,236	100.00%	13,829	100.00%	10,050	100.00%	7,660	100.00%	4,323	100.00%

Contractual Obligations

The following table sets forth our significant contractual obligations as of December 31, 2007:

	Payments due by period				
(in thousands)	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**	**Total**
Information technology contract	$ 3,124	6,626	7,169	1,901	18,820
Borrowings	69,932	222,000	305,000	220,000	816,932
Operating leases	8,846	19,307	18,764	37,214	84,131
Total contractual cash obligations	$ 81,902	247,933	330,933	259,115	919,883

Off-Balance Sheet Arrangements

In the normal course of business, we have various outstanding commitments and contingent liabilities that are 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.

A summary of commitments and contingent liabilities as of December 31, 2007 and 2006 is as follows:

		December 31,	
(in thousands)		**2007**	**2006**
Unused commitments to extend credit	$	548,664	380,976
Financial standby letters of credit		189,279	128,296
Commercial and similar letters of credit		9,386	24,908
Other		769	822
Total	$	748,098	535,002

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, commercial properties, residential properties, accounts receivable, property, plant and equipment and inventory.

In accordance with FASB Interpretation ("FIN") No. 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others - an Interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB No. 34,*" we recognize a liability at the inception of the guarantee that is equivalent to the fee received from the guarantor. This liability is amortized over the life of the guarantee on a straight-line basis. At December 31, 2007 and December 31, 2006, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of $619,000 and $511,000, respectively. None of these commitments were to creditors that are considered substandard; therefore, a liability for off-balance sheet credit losses has not been established.

Standby letters of credit are conditional commitments issued by us to guarantee the performance of a client's obligation to a third party. They are primarily used to support clients' business trade transactions and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients.

At December 31, 2007 and 2006, we had commitments to sell residential mortgage loans and SBA loans of $2.9 million and $960,000, 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.

We are required by FDIC regulations to maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8%, at least one-half of which must be in the form of Tier 1 capital, and a ratio of Tier 1 capital to total risk-weighted assets of 4%. Tier 1 capital is generally defined as the sum of core capital elements less goodwill and certain other deductions. Core capital includes common shareholders' equity, non-cumulative perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries. Supplementary capital, which qualifies as Tier 2 capital and counts towards total capital subject to certain limits, includes allowances for loan losses, perpetual preferred stock, subordinated debt and certain hybrid instruments.

We are also required to maintain a certain leverage capital ratio - the ratio of Tier 1 capital (net of intangibles) to adjusted total assets. Banks that have received the highest rating of five categories used by regulators to rate banks and are not anticipating or experiencing any significant growth must maintain a leverage capital ratio of at least 3.0%. All other institutions must maintain a minimum leverage capital ratio of 4.0%.

For an institution to be considered "well capitalized" by the FDIC, it must maintain a minimum leverage capital ratio of 5.0% and a minimum risk-based capital ratio of 10.0%, of which at least 6.0% must be Tier 1 capital.

The actual capital amounts and ratios set forth in the following table demonstrate that we are "well capitalized" under the capital adequacy guidelines outlined above:

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well Capitalized*	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2007:						
Total capital (to risk-weighted assets)	$461,721	15.43%	239,407	8.00%	299,259	10.00%
Tier I capital (to risk-weighted assets)	443,485	14.82%	119,704	4.00%	179,555	6.00%
Tier I leverage capital (to average assets)	443,485	7.75%	228,758	4.00%	285,948	5.00%
As of December 31, 2006:						
Total capital (to risk-weighted assets)	$426,494	16.73%	203,983	8.00%	254,979	10.00%
Tier I capital (to risk-weighted assets)	412,665	16.18%	101,991	4.00%	152,987	6.00%
Tier I leverage capital (to average assets)	412,665	8.41%	196,236	4.00%	245,295	5.00%

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. Our primary source of liquidity has been core deposit growth. For the years ended December 31, 2007, 2006 and 2005, our primary source of liquidity has been core deposit growth.

Additionally, we have borrowing sources available to supplement deposit flows. These borrowing sources include the FHLB and securities sold under repurchase agreements.

Credit availability at the FHLB is based on our financial condition, asset size and the amount of collateral we hold at the FHLB. At December 31, 2007, our FHLB borrowings included $195.0 million in advances with an average rate of 4.41% that mature by September 1, 2017.

Also, we have repurchase agreement lines with several leading financial institutions totaling $2.20 billion. At December 31, 2007, we had $562.0 million of securities sold under repurchase agreements to six of these institutions.

Based on our financial condition, our asset size, the amount of collateral we hold at FHLB and the available capacity under our repurchase agreement lines, we estimate our available consolidated borrowing capacity to be approximately $1.74 billion as of December 31, 2007.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is defined as the sensitivity of income, fair market 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. Our Board of Directors has delegated the day-to-day oversight of this function to 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 reduce or increase the 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 interest rate scenarios. Based on these simulations, we quantify interest rate risk and develop and implement appropriate strategies. At December 31, 2007, we used a simulation model to analyze net interest income sensitivity to a parallel and sustained shift in interest rates derived from the current treasury and LIBOR yield curves. For rising interest rate scenarios, the base market interest rate forecast was increased by 100 and 200 basis points and, for falling interest rate scenarios, the base market interest rate forecast was decreased by 100 and 200 basis points.

The interest rate sensitivity of net interest income, forecasted for one year based on balances at December 31, 2007, is reflected in the following table:

(dollars in thousands)	**Adjusted Net Interest Income**	**Percentage Change from Base**
Interest Rate Scenario:		
Up 200 basis points	$ 149,958	(5.41)
Up 100 basis points	155,910	(1.66)
Base	158,537	-
Down 100 basis points	154,954	(2.26)
Down 200 basis points	148,530	(6.31)

We also use a simulation model to measure the impact market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. At December 31, 2007, we used a simulation model to analyze the market value of equity sensitivity to a parallel and sustained shift in interest rates derived from the current treasury and LIBOR yield curves. For rising interest rate scenarios, the base market interest rate forecast was increased by 100 and 200 basis points and, for falling interest rate scenarios, the base market interest rate forecast was decreased by 100 and 200 basis points.

The following table indicates the sensitivity of market value of equity to the interest rate movements described above:

(dollars in thousands)	**Sensitivity**	**Percentage Change from Base**
Interest Rate Scenario:		
Up 200 basis points	$ (106,994)	(16.32)
Up 100 basis points	(51,338)	(7.83)
Base	-	-
Down 100 basis points	37,605	5.74
Down 200 basis points	64,369	9.82

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. Furthermore, the computations do not take into account any actions that we may undertake in response to future changes in interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief 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 in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, including this report.

a) Management's Report on Internal Control over Financial Reporting

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

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

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

As of December 31, 2007, management evaluated the effectiveness of internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management believes that the Company's internal control over financial reporting as of December 31, 2007 is effective using these criteria.

Management's evaluation of the effectiveness of internal control over financial reporting as of December 31, 2007 has been audited by KPMG LLP, an independent registered public accounting firm that has also audited the Company's consolidated financial statements as of and for the year ended December 31, 2007.

b) Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Signature Bank:

We have audited Signature Bank's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Signature Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Signature Bank's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because management's assessment and our audit were conducted to also meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), management's assessment and our audit of Signature Bank's internal control over financial reporting included controls over the preparation of the schedules equivalent to the basic financial statements in accordance with the instructions to Federal Financial Institutions Examination Council for Consolidated Reports of Condition and Income (call report instructions). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Signature Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We do not express an opinion or any other form of assurance on management's statement referring to compliance with laws and regulations.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Signature Bank and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in shareholders' equity , and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated February 28, 2008 expressed an unqualified opinion on those consolidated financial statements.

(signed) KPMG LLP

New York, New York
February 29, 2008

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2008.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2008.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2008.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2008.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 17, 2008.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

A. Financial Statements and Financial Statement Schedules

(1) The Consolidated Financial Statements of the Registrant are listed and filed as part of this report on pages F-1 to F-31. The Index to the Consolidated Financial Statements appears on page F-1.

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

B. Exhibit Listing

Exhibit No.	Exhibit
3.1	Restated Organization Certificate. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended June 30, 2005.)
3.2	Amended and Restated By-laws of the Registrant. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on October 17, 2007.)
4.1	Specimen Common Stock Certificate. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.1	Signature Bank 2004 Long-Term Incentive Plan. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.2	Amended and Restated Signature Bank Change of Control Plan. (Incorporated by reference to Signature Bank's Current Report on Form 8-K, filed with the Federal Deposit Insurance Corporation on September 19, 2007.)
10.3	Outsourcing Agreement, dated January 1, 2004, by and between Bank Hapoalim, Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.4	Networking Agreement, effective as of April 18, 2001, between Signature Securities and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.5	Signature Securities Group Corporation Customer Agreement, effective as of May 31, 2003, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.6	Signature Securities Group Corporation Customer Agreement, dated April 25, 2003, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)

Exhibit No.	Exhibit
10.7	Brokerage and Consulting Agreement, dated August 6, 2001, by and between Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.8	Expense Agreement, effective as of August 4, 2000, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.9	Termination of Expense Agreement, dated January 14, 2004, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.10	Lease for 1225 Franklin Avenue, dated April 5, 2002, between Franklin Avenue Plaza LLC and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.11	Sublease for 1177 Avenue of the Americas, dated as of April 4, 2001, by and between Bank Hapoalim and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.12	Amended and Restated Tax Sharing Agreement, dated as of January 1, 2004, between Hapoalim U.S.A., Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.13	Employment Agreement, dated March 22, 2004, between Signature Bank and Joseph J. DePaolo. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.14	Master Agreement for the provision of Hardware Software and/or Services, dated as of September 9, 2005, between Fidelity Information Services, Inc. and Signature Bank. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended September 30, 2005.)
14.1	Code of Ethics. (Incorporated by reference from Signature Bank's 2004 Form 10-K, filed with the Federal Deposit Insurance Corporation on March 16, 2005.)
21.1	Subsidiaries of Signature Bank.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

SIGNATURE BANK

By: /s/ JOSEPH J. DEPAOLO
Joseph J. DePaolo
President, Chief Executive Officer and Director

Date: February 29, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 29, 2008 by the following persons on behalf of the registrant in the capacities indicated.

Signature	Title
/s/ SCOTT A. SHAY (Scott A. Shay)	Chairman of the Board of Directors
/s/ JOHN TAMBERLANE (John Tamberlane)	Vice Chairman, Director
/s/ ERIC R. HOWELL (Eric R. Howell)	Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)
/s/ ALFRED B. DELBELLO (Alfred B. DelBello)	Director
/s/ YACOV LEVY (Yacov Levy)	Director
/s/ ANN KAPLAN (Ann Kaplan)	Director
/s/ ALFONSE M. D'AMATO (Alfonse M. D'Amato)	Director
/s/ JEFFREY W. MESHEL (Jeffrey W. Meshel)	Director
/s/ KATHRYN A. BYRNE (Kathryn A. Byrne)	Director

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Signature Bank:

We have audited the accompanying consolidated statements of financial condition of Signature Bank and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Signature Bank and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Signature Bank's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(signed) KPMG LLP

New York, New York
February 29, 2008

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except per share amounts)	*December 31,* 2007	2006
ASSETS		
Cash and due from banks	$ 107,788	150,227
Short-term investments	131,241	320,594
Total cash and cash equivalents	239,029	470,821
Securities available-for-sale (pledged $1,372,380 and $1,529,241 at December 31, 2007 and 2006)	2,805,711	2,654,605
Securities held-to-maturity (fair market value $335,905 and $373,541 at December 31, 2007 and 2006; pledged $136,443 and $269,387 at December 31, 2007 and 2006)	339,441	381,728
Federal Home Loan Bank stock	14,687	16,961
Loans held for sale	172,367	125,978
Loans, net	2,007,342	1,563,789
Premises and equipment, net	27,107	22,221
Accrued interest and dividends receivable	32,796	29,338
Other assets	206,692	133,984
Total assets	$ 5,845,172	5,399,425
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	1,298,568	1,586,440
Interest-bearing	3,213,322	2,624,719
Total deposits	4,511,890	4,211,159
Federal funds purchased and securities sold under agreements to repurchase	612,000	467,000
Federal Home Loan Bank advances	195,000	260,000
Other short-term borrowings	9,932	6,687
Accrued expenses and other liabilities	90,594	61,981
Total liabilities	5,419,416	5,006,827
Shareholders’ equity		
Preferred stock, par value $.01; 61,000,000 shares authorized and unissued at December 31, 2007 and 2006	-	-
Common stock, par value $.01; 64,000,000 shares authorized; 29,696,212 and 29,598,107 shares issued and outstanding at December 31, 2007 and 2006	297	296
Additional paid-in capital	370,139	366,715
Retained earnings	73,442	46,163
Net unrealized depreciation on securities available-for-sale, net of tax	(18,122)	(20,576)
Total shareholders' equity	425,756	392,598
Total liabilities and shareholders' equity	$ 5,845,172	5,399,425

See accompanying notes to consolidated financial statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share amounts)	*Years ended December 31,* 2007	2006	2005
INTEREST AND DIVIDEND INCOME			
Loans held for sale	$ 5,341	4,871	3,625
Loans, net	134,240	92,994	47,163
Securities available-for-sale	141,710	123,045	89,244
Securities held-to-maturity	15,624	16,003	16,199
Other short-term investments	4,690	2,744	1,305
Total interest income	301,605	239,657	157,536
INTEREST EXPENSE			
Deposits	115,959	80,070	42,523
Federal funds purchased and securities sold under agreements to repurchase	27,543	22,309	8,410
Federal Home Loan Bank advances	10,215	12,678	6,695
Other short-term borrowings	1,098	2,552	766
Total interest expense	154,815	117,609	58,394
Net interest income before provision for loan losses	146,790	122,048	99,142
Provision for loan losses	12,316	4,145	3,310
Net interest income after provision for loan losses	134,474	117,903	95,832
NON-INTEREST INCOME			
Commissions	12,699	8,215	6,356
Fees and service charges	12,288	9,285	7,767
Net gains on sales of securities and loans	2,767	1,765	2,373
Write-down on other than temporary impairment of securities	(21,404)	-	-
Other income	2,396	2,063	2,182
Total non-interest income	8,746	21,328	18,678
NON-INTEREST EXPENSE			
Salaries and benefits	59,464	49,231	52,127
Occupancy and equipment	10,452	8,987	7,270
Other general and administrative	29,146	23,024	22,360
Total non-interest expense	99,062	81,242	81,757
Income before income taxes	44,158	57,989	32,753
Income tax expense	16,879	24,629	16,884
Net income	$ 27,279	33,360	15,869
PER COMMON SHARE DATA			
Earnings per share – basic	$ 0.92	1.13	0.54
Earnings per share – diluted	$ 0.91	1.12	0.53

See accompanying notes to consolidated financial statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands)		Common stock	Additional paid-in capital	Unearned compensation	(Accumulated deficit) / Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at December 31, 2004	$	293	348,553	(783)	(3,066)	(6,078)	338,919
Common stock issued		-	7	-	-	-	7
Stock options exercised		-	435	-	-	-	435
Restricted stock activity, net		1	640	103	-	-	744
Proceeds from special bonus (1)		-	11,982	-	-	-	11,982
Comprehensive loss:							
Net income		-	-	-	15,869	-	15,869
Net change in unrealized depreciation on securities available-for-sale, net of tax		-	-	-	-	(16,974)	(16,974)
Total comprehensive loss							(1,105)
Balance at December 31, 2005	$	294	361,617	(680)	12,803	(23,052)	350,982
Cumulative effect of change in accounting principle (adoption of SFAS No. 123R)		-	(680)	680	-	-	-
Stock options activity, net		1	4,253	-	-	-	4,254
Restricted stock activity, net		1	1,525	-	-	-	1,526
Comprehensive income:							
Net income		-	-	-	33,360	-	33,360
Net change in unrealized depreciation on securities available-for-sale, net of tax		-	-	-	-	2,476	2,476
Total comprehensive income							35,836
Balance at December 31, 2006	$	296	366,715	-	46,163	(20,576)	392,598
Stock options activity, net		1	1,475	-	-	-	1,476
Restricted stock activity, net		-	1,949	-	-	-	1,949
Comprehensive income:							
Net income		-	-	-	27,279	-	27,279
Net change in unrealized depreciation on securities available-for-sale, net of tax		-	-	-	-	2,454	2,454
Total comprehensive income							29,733
Balance at December 31, 2007	$	297	370,139	-	73,442	(18,122)	425,756

(1) Proceeds of cash and stock of $11.982 million directly contributed by Hapoalim U.S.A. Holding Company, Inc. for payment of one-time special bonus to early employees.

See accompanying notes to consolidated financial statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	*Years ended December 31,* 2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 27,279	33,360	15,869
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	3,934	2,934	2,028
Provision for loan losses	12,316	4,145	3,310
Write-down for other than temporary impairment of securities	21,404	-	-
Accretion of investment securities discount	(5,768)	(3,314)	(1,316)
Amortization of investment securities premium	7,473	10,349	15,795
Recognition of stock-based compensation	1,908	1,031	743
Net gains on sales of securities and loans	(2,767)	(1,765)	(2,373)
Net (increase) decrease in loans held for sale	(46,075)	12,682	(25,038)
Net increase in accrued interest and dividends receivable	(3,458)	(8,521)	(8,015)
Deferred income tax benefit	(11,825)	(2,941)	(836)
Net (increase) decrease in other assets	(55,356)	10,292	(90,855)
Net increase in accrued expenses and other liabilities	28,126	13,892	9,323
Net cash (used in) provided by operating activities	(22,809)	72,144	(81,365)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities available-for-sale ("AFS")	(950,644)	(839,528)	(1,428,338)
Proceeds from sales of securities AFS	139,063	125,821	230,984
Maturities, redemptions, calls and principal repayments on securities AFS	629,324	628,656	696,499
Purchase of securities held-to-maturity ("HTM")	(56,683)	(53,021)	(57,942)
Maturities, redemptions, calls and principal repayments on securities HTM	106,392	69,506	72,788
Decrease (increase) of Federal Home Loan Bank stock	2,274	(2,493)	(218)
Increase in loans	(455,869)	(572,831)	(435,060)
Net purchases of premises and equipment	(8,820)	(7,370)	(5,627)
Net cash used in investing activities	(594,963)	(651,260)	(926,914)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) increase in non-interest-bearing deposits	(287,872)	309,233	517,904
Net increase in interest-bearing deposits	588,603	414,193	389,100
Net increase in borrowings	83,245	233,687	100,000
Tax benefit from stock-based compensation	487	1,866	-
Issuance of common stock and exercise of options	1,517	4,749	442
Proceeds from special bonus	-	-	11,982
Net cash provided by financing activities	385,980	963,728	1,019,428
Net (decrease) increase in cash and cash equivalents	(231,792)	384,612	11,149
Cash and cash equivalents at beginning of year	470,821	86,209	75,060
Cash and cash equivalents at end of year	$ 239,029	470,821	86,209
Supplemental disclosures of cash flow information:			
Interest paid during the year	$ 154,218	114,483	57,396
Income taxes paid during the year	28,401	27,187	15,528
Additional income taxes that would have been paid during the year in the absence of the stock-based compensation related benefit	487	1,866	-
Non-cash investing activities:			
Transfer of securities from available-for-sale to held-to-maturity, at fair value	$ 8,248	-	-

See accompanying notes to consolidated financial statements.

(1) Organization

Signature Bank and subsidiaries ("we," "us" or the "Bank") is a New York State chartered bank, which received its charter from the New York State Banking Department on April 5, 2001. The Bank commenced business on May 1, 2001.

Signature Securities Group Corporation ("SSG" or "Signature Securities"), a wholly owned subsidiary of Signature Bank, was incorporated on May 26, 2000 in the State of New York and is a registered broker and dealer in securities under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The accompanying consolidated financial statements of the Bank have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and practices within the banking industry. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain reclassifications have been made to prior year financial information to conform to the December 31, 2007 presentation. Specifically, we have reclassified certain items relating to loans purchased with the intent to sell that had originally been classified as cash flows from investing activities and are now classified as cash flows from operating activities.

The net cash flows related to these loans amounted to $7.6 million, $1.5 million and $3.6 million for the years ended December 31, 2007, 2006 and 2005, respectively. The reclassifications solely affect the subtotals of cash flows from operating and investing activities presented in the Consolidated Statements of Cash Flows, but they do not impact the net increase in cash and cash equivalents. Furthermore, there is no affect on the Consolidated Statements of Operations, Consolidated Statements of Financial Condition, or Consolidated Statements of Changes in Shareholders' Equity for the period. Accordingly, our historical revenues, net income, earnings per share, total assets and regulatory capital remain unchanged.

(b) General Accounting Policy

The accompanying consolidated financial statements are presented on the accrual basis of accounting.

(c) Management's Use of Estimates

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

(d) Cash and Cash Equivalents

For the purpose of presentation in the statements of cash flows, we have defined cash and cash equivalents as cash and due from banks and short-term investments with original maturities of 90 days or less. Short-term investments consist of Federal funds sold, interest-bearing deposits with banks and money market mutual funds.

Cash and cash equivalents at December 31, 2007 consisted of cash and due from banks of $107.8 million, Federal funds sold of $100.0 million, interest-bearing deposits with banks of $28.0 million and Fidelity U.S. Government money market funds of $3.3 million.

We are required by the Federal Reserve System to maintain non-interest bearing cash reserves equal to a percentage of certain deposits. The reserve requirement amounted to $46.3 million and $38.3 million at December 31, 2007 and 2006, respectively.

(e) Securities Available-for-Sale

The designation of a security as available-for-sale is made at the time of acquisition. The available-for-sale classification includes debt and equity securities which are carried at estimated fair value. Unrealized gains or losses on securities available-for-sale are included as a separate component of shareholders' equity. Amortization of premiums and accretion of discounts are recognized using the level yield method. Realized gains and losses on sales of securities are computed using the specific identification method.

(f) Securities Held-to-Maturity

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

(g) Loans Held for Sale

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

(h) Loans, Net

Loans are carried at the principal amount outstanding, less unearned discounts, net of deferred loan origination fees and costs and the allowance for loan losses. Unearned income and net deferred loan fees and costs are accreted into interest income over the loan term, using the straight-line method which approximates the level yield method.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured or in process of collection. Other personal loans are typically charged-off no later than when 180 days past due. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest previously accrued but not collected for loans that are placed on non-accrual or charged-off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

(i) Allowance for Loan Losses

The total allowance for loan losses includes activity related to allowances calculated in accordance with Statement of Financial Accounting Standards (SFAS) No. 114, *Accounting by Creditors for Impairment of a Loan*, and SFAS No. 5, *Accounting for Contingencies*. The allowance for loan losses is established through a provision for loan losses charged to current earnings. The amount maintained in the allowance reflects management's continuing evaluation of losses inherent in the loan portfolio. The allowance for loan losses is comprised of two components: specific reserves assigned to certain classified loans individually evaluated for impairment, and reserves calculated based on formulas for pools of loans. Factors contributing to the determination of specific reserves include the creditworthiness of the borrower and, more specifically, changes in the expected future receipt of principal and interest payments and/or in the value of pledged collateral. A reserve is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. For purposes of determining formulas for pools of loans, the portfolio is segregated by product types in order to recognize differing risk profiles among categories, and then further segregated by credit grades.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, prevailing economic conditions and industry data. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

(j) Loan Origination and Commitment Fees

Loan origination and commitment fees are deferred and amortized into interest income on a basis that approximates the level yield method. Net revolving lines of credit commitment fees are recognized in income on the straight-line method over the period the revolving line is active. Any fees that are unamortized at the time a loan is paid off or a commitment is closed are recognized into income immediately.

(k) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of furniture, fixtures, and equipment is computed by the straight-line method over the estimated useful lives of the related assets. Furniture and fixtures are normally amortized over seven years and equipment, computer hardware and computer software are normally amortized over five years. Amortization of leasehold improvements is computed by the straight-line method over their estimated useful lives or the terms of the leases, whichever is shorter.

(l) Securities Sold Under Agreements to Repurchase

Qualifying securities sold under agreements to repurchase are treated as financings and the obligations to repurchase securities sold are reflected as liabilities in the consolidated statements of financial condition and are carried at the amounts at which the securities will be subsequently repurchased. The dollar amount of securities underlying the agreements remains in the asset accounts, although the securities underlying the agreements are delivered to the counterparties who arranged the transactions. In certain instances, the counterparties may have sold, loaned, or disposed of the securities to other parties in the normal course of their operations, and have agreed to resell to us substantially similar securities at the maturity of the agreements.

(m) Income Taxes

We will file consolidated Federal, New York State, and New York City tax returns for the year ended December 31, 2007. Additionally, SSG files other state and local returns on a separate basis.

Income tax expense consists of current and deferred income tax expense (benefit). Deferred income tax expense (benefit) is determined by recognizing deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and certain unused carry-forward deductions and credits. The realization of deferred tax assets and liabilities is assessed and a valuation allowance provided for that portion of the asset or liability for which it is more likely than not that it will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled and carry-forward deductions and credits are utilized.

(n) Stock-Based Compensation

In March 2004, the Bank adopted the Signature Bank 2004 Long-Term Incentive Plan (the “2004 equity incentive plan”) for grants to be made to participants, including officers, employees and consultants. The purpose of the 2004 equity incentive plan is to give the Bank a competitive advantage in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide the Bank and its subsidiaries with a stock plan providing incentives directly related to increases in shareholder value.

On January 1, 2006, the Bank began accounting for its stock-based compensation plan in accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), *“Share-Based Payment”* (“SFAS No. 123R”) applying the modified prospective method. Under the modified prospective method, financial statements for prior interim periods and fiscal years did not reflect any restated amounts. Accordingly, compensation expense is recognized in our statement of operations for all stock-based compensation awards over the requisite service period with a corresponding credit to equity, specifically additional paid-in capital.

The present impact of SFAS No. 123R may not be representative of the effect it will have on income in future years due to the possibility that additional option grants may be made.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The assumptions used for the grants made in 2005 and 2004 are as follows:

	November 2005 Grants	**October 2005 Grants**	**July 2005 Grants**	**May 2005 Grants**	**March 2005 Grants**	**March 2004 Grants**
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	28.40%	28.47%	28.54%	30.99%	31.13%	31.53%
Risk free interest rate	4.41%	4.38%	4.05%	4.06%	4.37%	3.56%
Expected option life	7 Years	7 Years	7 Years	7 Years	7 Years	6 Years

(o) Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average common shares outstanding during the year.

Diluted earnings per share is computed using the same method as basic earnings per share, but includes the potential dilutive effect of stock options outstanding and the unvested portions of restricted stock awards. The dilutive effect is calculated using the treasury stock method.

(p) Disclosures About Fair Value of Financial Instruments

SFAS No. 107 "*Disclosures About Fair Value of Financial Instruments*" ("SFAS No. 107") requires that we disclose estimated fair values for our financial instruments. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. SFAS No. 107 has no effect on the financial position or results of operations in the current year or any future period. Furthermore, the fair values disclosed under SFAS No. 107 are not representative of our total value. Fair value estimates, methods and assumptions are set forth below.

The carrying amounts for cash and cash equivalents are reasonable estimates of fair value. The fair value of securities is estimated based on quoted market prices as published by various quotation services, or if quoted market prices are not available, on dealer quotes.

Federal Home Loan Bank stock is carried at cost which approximates its fair value.

Loans, net, most of which bear floating interest rates re-priced at regular intervals, had a carrying value of $2.01 billion and an estimated fair value of $2.11 billion at December 31, 2007. The estimated fair value was based on the discounted value of contractual cash flows using interest rates that approximated those offered for loans with similar maturities and collateral requirements.

Deposits are mostly non-interest-bearing or NOW and money market deposits that bear floating interest rates that are re-priced at regular intervals. Therefore, the difference between the carrying value and fair value is not material. 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 its core deposit relationships represent a relatively stable, low-cost source of funding that has a substantial intangible value separate from the value of the deposit balances. Time deposits, 94.0% of which mature within one year, had both a carrying value and an estimated fair value of $331.6 million at December 31, 2007. 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 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 following table summarizes the carrying and estimated fair values of our borrowings:

	December 31,			
	2007		2006	
(in thousands)	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Repurchase agreements	$ 562,000	561,725	467,000	465,331
Federal funds purchased	50,000	50,000	-	-
Federal Home Loan Bank advances	195,000	195,172	260,000	259,416
Other short-term borrowings	9,932	9,932	6,687	6,687
Total borrowings	$ 816,932	816,829	733,687	731,434

(q) Segment Reporting

SFAS No. 131 "*Disclosures about Segments of an Enterprise and Related information*" ("SFAS No. 131") requires public companies to report certain financial information about operating segments for which such information is available and utilized by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Specific information to be reported for individual operating segments includes a measure of segment profit and loss, certain specific revenue and expense items and segment assets. As presented in Note 20, we have identified two operating segments, the Bank and SSG.

(r) New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements"* ("SFAS No. 157"). The Statement establishes a single definition of fair value, sets up a framework for measuring it, and requires additional disclosures about the use of fair value to measure assets and liabilities. SFAS No. 157 also emphasizes that fair value is a market-based measurement by establishing a three level "fair value hierarchy" that ranks the quality and reliability of inputs used in valuation models, i.e., the lower the level the more reliable the input. The hierarchy provides the basis for the Statement's new disclosure requirements which are dependent upon the frequency of an item's measurement (recurring versus nonrecurring). SFAS No. 157 is effective for fair-value measures already required or permitted by other standards for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Its provisions will generally be applied prospectively. We adopted the requirements of SFAS No. 157 on January 1, 2008 with no material impact on our consolidated financial statements.

In February 2008, the FASB issued two Staff Positions on SFAS No. 157. The first issued on February 12th, FASB Staff Position No. FAS 157-2, *"Effective Date of FASB Statement No. 157"* ("FSP FAS 157-2") delays the effective date of Statement 157 for all nonrecurring fair value measurements of nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. FSP FAS 157-2 states that a recurring measurement is one which happens at least annually and defines nonfinancial assets and liabilities as all assets and liabilities other than those meeting the definition of a financial asset or liability in SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities."* The FSP is effective upon issuance. We do not anticipate adoption to have a material impact on our consolidated financial statements.

The second issued on February 14th, FASB Staff Position No. 157-1, *"Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13"* (FSP FAS 157-1) excludes SFAS No. 13, *"Accounting for Leases"* as well as other pronouncements that address fair value measurements on lease classification or measurement under Statement 13, from the scope of SFAS No. 157. The FSP is effective upon the initial adoption of Statement No. 157. We adopted FSP FAS 157-1 on January 1, 2008 with no impact to our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities: Including an amendment of FASB Statement No. 115"* ("SFAS No. 159"). SFAS No. 159 permits entities to elect to measure certain financial assets and liabilities and firm commitments at fair value with subsequent changes in fair value reported in earnings. The fair value option ("FVO") election is: applied instrument by instrument with some exceptions; irrevocable; and applied to an entire instrument, not only to specific risks, specific cash flows, or portions of that instrument. An entity may elect the FVO for existing eligible instruments at the date of initial adoption. The difference between an instrument's fair and carrying values upon initial adoption should be included as a cumulative-effect adjustment to the beginning balance of retained earnings. The Statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007 (January 1, 2008). To date, we have not elected to apply the FVO to any of our financial assets or liabilities in the preparation of our consolidated financial statements.

In November 2007, the SEC issued SAB No. 109, *"Written Loan Commitments Recorded at Fair Value Through Earnings"* ("SAB 109"). SAB 109 requires that fair value measurement of derivative and other written loan commitments that are accounted for at fair value through earnings should include the expected net future cash flows related to the associated servicing of the loan. SAB 109 should be applied prospectively to commitments accounted for at fair value that are issued or modified beginning after December 15, 2007. We adopted the requirements of SAB 109 on January 1, 2008 with no impact on our consolidated financial statements.

In December 2007, the FASB issued two Statements related to the accounting for business combinations: SFAS No. 141 (revised 2007), *"Business Combinations"* ("SFAS No. 141(R)") and SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51"* ("SFAS No. 160"). SFAS Nos. 141(R) and 160 will require: more assets acquired and liabilities assumed to be measured at fair value at acquisition; liabilities related to contingent consideration to be remeasured at fair value in subsequent reporting periods; acquisition-related costs to be expensed by the acquirer in preacquisition periods; and noncontrolling interests in subsidiaries (formerly minority interests) initially to be measured at fair value and classified as a separate component of consolidated equity. Both Statements are effective for fiscal years beginning on or after December 15, 2008 and should be applied prospectively. However, SFAS No. 160 requires the presentation and disclosure requirements to be applied retrospectively. Both Statements prohibit early adoption. At this time, we do not anticipate that the adoption of either Statement will have a material impact on our consolidated financial statements.

(3) Securities Available-for-Sale

The following tables present information related to our portfolio of securities available-for-sale at December 31, 2007 and 2006:

	December 31,							
	2007				*2006*			
(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Market Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
U.S. Treasury obligations	$ 7,984	74	-	8,058	7,930	3	(1)	7,932
U.S. Government agency obligations	1,694,616	13,633	(6,486)	1,701,763	1,594,520	2,737	(20,624)	1,576,633
Other securities	1,135,579	3,066	(42,755)	1,095,890	1,089,114	1,988	(21,062)	1,070,040
Total	$ 2,838,179	16,773	(49,241)	2,805,711	2,691,564	4,728	(41,687)	2,654,605

Other securities consist of collateralized mortgage obligations, collateralized debt obligations, commercial mortgage backed securities, asset backed securities, corporate bonds, closed-end mutual funds and interest-only strip securities.

Gross realized gains on sales of available-for-sale securities for the years ended December 31, 2007, 2006 and 2005 were $235,000, $188,000 and $534,000, respectively.

Gross realized losses on sales of available-for-sale securities for the years ended December 31, 2007, 2006 and 2005 were $67,000, $47,000 and $260,000, respectively.

During the fourth quarter of 2007, the Bank recognized a $12.7 million other than temporary impairment write-down on securities available-for-sale.

The available-for-sale securities written down in the fourth quarter consisted of four collateralized debt obligations (CDOs) issued in 2004-2005 and six asset-backed securities (ABSs) issued principally in 2004-2005 with total amortized costs of $23.0 million and $23.3 million, respectively, prior to the impairment write-down. The estimated market values of the CDOs and ABSs at December 31, 2007 totaled $14.9 million and $18.7 million, respectively, representing declines in value of $8.1 million on the CDOs and $4.6 million on the ABSs. All principal and interest payments have been made to date in accordance with the terms of each security and, except for a $0.4 million ABS, none of the securities have been downgraded (substantially all of the securities, based on dollar values, are rated AA). Although the securities have performed in accordance with their terms and maintained their ratings, the securities were other than temporarily impaired based on the extent and duration of the decline in market value below amortized cost, giving consideration to the current illiquid conditions and the uncertainty of a near-term recovery in value. The securities were written down to their market values at December 31, 2007 and the impairment write-down totaling $12.7 million was charged to fourth quarter non-interest income.

At December 31, 2007 and 2006, we had available-for-sale securities of $1.37 billion and $1.53 billion, respectively, pledged as collateral for debtor-in-possession accounts in excess of FDIC insurance, clients' treasury tax and loan deposits, public deposits, securities sold under agreements to repurchase and advances with the Federal Home Loan Bank of New York.

Trade date security purchases of $15.0 million and $11.7 million were included in accrued expenses and other liabilities at December 31, 2007 and 2006, respectively.

The amortized cost and estimated fair value of securities available-for-sale at December 31, 2007, by contractual maturity, are presented in the table below. Expected maturities will differ from contractual maturities since borrowers may have the right to call or prepay obligations without penalties.

	December 31, 2007	
(in thousands)	Amortized Cost	Fair Market Value
Within one year or less	$ 157,977	133,088
Over one year through five years	112,704	112,439
After five years through ten years	334,580	331,851
Over ten years	2,232,918	2,228,333
Total	$ 2,838,179	2,805,711

The following table presents information regarding securities available-for-sale with temporary unrealized losses outstanding for the periods indicated.

	Less than 12 months		12 months or longer		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2007						
U.S. Government agency obligations	$ 194,102	(1,149)	452,894	(5,337)	646,996	(6,486)
Other securities	381,919	(13,804)	341,142	(28,951)	723,061	(42,755)
Total	$ 576,021	(14,953)	794,036	(34,288)	1,370,057	(49,241)
December 31, 2006						
U.S. Treasury obligations	$ 1,951	(1)	-	-	1,951	(1)
U.S. Government agency obligations	293,219	(1,417)	969,403	(19,207)	1,262,622	(20,624)
Other securities	224,271	(1,584)	524,480	(19,478)	748,751	(21,062)
Total	$ 519,441	(3,002)	1,493,883	(38,685)	2,013,324	(41,687)

We generally invest in U.S. Treasury, U.S. Government agency obligations and investment grade securities. The fair value of these investments fluctuates based on several factors, including credit quality and general interest rate changes. The unrealized losses in our securities portfolio are primarily due to the prevailing interest rate environment. We have evaluated our portfolio and deem the unrealized losses to be temporary in nature given the credit quality of the securities and the nature of the temporary impairment being predominantly due to the current interest rate environment. As we have the ability to hold those investments to maturity, we do not expect to recognize these unrealized losses. At December 31, 2007, we had 385 securities with an unrealized loss, 115 of which were for less than 12 months and 270 of which were for more than 12 months.

(4) Securities Held-to-Maturity

The following tables present information related to our portfolio of securities held-to-maturity at December 31, 2007 and 2006:

	December 31,							
	2007				2006			
(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Market Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
U.S. Government agency obligations	$ 201,614	363	(945)	201,032	238,035	242	(3,752)	234,525
Other securities	137,827	-	(2,954)	134,873	143,693	-	(4,677)	139,016
Total	$ 339,441	363	(3,899)	335,905	381,728	242	(8,429)	373,541

Other securities consists of collateralized mortgage obligations, commercial mortgage backed securities, asset backed securities and collateralized debt obligations.

At December 31, 2007 and 2006, we had held-to-maturity securities of $136.4 million and $269.4 million, respectively, pledged as collateral for debtor-in-possession accounts in excess of FDIC insurance, clients' treasury tax and loan deposits, public deposits, securities sold under agreements to repurchase and advances with the Federal Home Loan Bank of New York

During the fourth quarter of 2007, the Bank recognized a $8.8 million other than temporary impairment write-down on held-to-maturity securities.

The held-to-maturity securities written down in the fourth quarter consisted of two collateralized debt obligations (CDOs) issued in 2004-2005 with total amortized cost of $17.0 million, prior to the impairment write-down. The estimated market values of the CDOs at December 31, 2007 totaled $8.2 million, representing a decline in value of $8.8 million on the CDOs. All principal and interest payments have been made to date in accordance with the terms of each security and, none of the securities have been downgraded (substantially all of the securities, based on dollar values, are rated AA). Although the securities have performed in accordance with their terms and maintained their ratings, the securities were other than temporarily impaired based on the extent and duration of the decline in market value below amortized cost, giving consideration to the current illiquid conditions and the uncertainty of a near-term recovery in value. The securities were written down to their market values at December 31, 2007 and the impairment write-down totaling $8.8 million was charged to fourth quarter non-interest income.

The amortized cost and estimated fair value of securities held-to-maturity at December 31, 2007, by contractual maturity, are presented in the table below. Expected maturities will differ from contractual maturities since borrowers may have the right to call or prepay obligations without penalties.

(in thousands)	Amortized Cost	Fair Market Value
Within one year or less	$ 50,870	50,809
Over one year through five years	54,887	54,948
After five years through ten years	47,988	47,845
Over ten years	185,696	182,303
Total	$ 339,441	335,905

The following table presents information regarding securities held-to-maturity with temporary unrealized losses outstanding for the periods indicated.

	Less than 12 months		12 months or longer		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2007						
U.S. Government agency obligations	$ 23,052	(189)	81,415	(757)	104,467	(946)
Other securities	14,849	(281)	111,777	(2,672)	126,626	(2,953)
Total	$ 37,901	(470)	193,192	(3,429)	231,093	(3,899)
December 31, 2006						
U.S. Government agency obligations	$ 25,555	(347)	191,743	(3,405)	217,298	(3,752)
Other securities	24,895	(270)	114,122	(4,407)	139,017	(4,677)
Total	$ 50,450	(617)	305,865	(7,812)	356,315	(8,429)

We generally invest in U.S. Treasury, U.S. Government agency obligations and investment grade securities. The fair value of these investments fluctuates based on several factors, including credit quality and general interest rate changes. The unrealized losses in our securities portfolio are primarily due to the prevailing interest rate environment. We have evaluated our portfolio and deem the unrealized losses to be temporary in nature given the credit quality of the securities and the nature of the temporary impairment being predominantly due to the current interest rate environment. As we have the ability to hold those investments to maturity, we do not expect to recognize these unrealized losses. At December 31, 2007, we had 47 securities with an unrealized loss, 4 of which were for less than 12 months and 43 of which were for more than 12 months.

(5) Federal Home Loan Bank Stock

As a member of the Federal Home Loan Bank ("FHLB") of New York, Signature Bank is required to maintain a specified minimum investment in the FHLB's Class B capital stock. The minimum stock investment requirement is the sum of the membership stock purchase requirement, determined on an annual basis at the end of each calendar year, and the activity-based stock purchase requirement, determined on a daily basis.

At December 31, 2007 and 2006, Signature Bank was in compliance with the FHLB's minimum investment requirement with stock investments of $14.7 million and $17.0 million, respectively, carried at cost on the Consolidated Statement of Financial Condition. Outstanding FHLB borrowings at December 31, 2007 and 2006 were collateralized by $8.8 million and $11.7 million, respectively, of FHLB capital stock.

(6) Loans Held for Sale

Loans held for sale at December 31, 2007 and 2006 were $172.4 million and $126.0 million, respectively. Gains on sales associated with the securitization of pooled loans and sale of mortgage loans for the years ended December 31, 2007, 2006 and 2005 amounted to $2.6 million, $1.6 million and $2.1 million, respectively.

We are an active participant in the Small Business Administration (SBA) loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA 7(a) loans.

Most SBA 7(a) loans have adjustable rates and float at a spread over prime and reset monthly or quarterly. The guaranteed portions of SBA loans are backed by the full faith and credit of the U.S. Government and therefore have no credit risk and carry a 0% risk weight for capital purposes.

We utilize the services of SSG to act as agent for and consultant to the Bank on the purchase, assembly, and sale of SBA loans and pools.

We warehouse loans for generally up to 180 days until there are enough loans of similar characteristics to securitize the pool. In order to meet the SBA's rate requirement, we may strip excess servicing from loans with different coupons to create a pool at a common rate. This results in the creation of two assets: a par pool, which is sold to accredited investors, and an interest-only strip, which we maintain as an available-for-sale security. The interest-only strip represents the portion of the coupon stripped from a loan.

(7) Loans, Net

The types of loans at December 31, 2007 and 2006 are summarized as follows:

	December 31,	
(in thousands)	**2007**	**2006**
Commercial and industrial	$ 1,734,519	1,281,857
Other consumer	118,617	133,753
Mortgage loans on residential real estate	174,375	163,532
	2,027,511	1,579,142
Less:		
Net deferred fees and costs	(1,933)	(1,524)
Allowance for loan losses	(18,236)	(13,829)
Net loans	$ 2,007,342	1,563,789

Of the commercial and industrial loans outstanding, $26.5 million on December 31, 2007 and $14.6 million on December 31, 2006 are commercial overdrafts. Of the other consumer loans, $2.3 million on December 31, 2007 and $1.9 million on December 31, 2006 are personal overdrafts.

Loans to related parties include loans to directors and their related companies and our executive officers. Such loans are made in the ordinary course of business on substantially the same terms as loans to other individuals and businesses of comparable risks. Related party loans were $602,000 and $105,000 at December 31, 2007 and 2006, respectively.

Non-accrual loans at December 31, 2007 and 2006 totaled $18.6 million and $8.8 million, respectively. The interest income that would have been earned on non-accrual loans outstanding at December 31, 2007, 2006 and 2005 in accordance with their original terms was approximately $1.4 million, $741,000 and $671,000 for the years then ended, respectively. Interest income realized on these loans was $580,000, $38,000 and $85,000 for the years ended December 31, 2007, 2006 and 2005, respectively. In addition, there were no commitments to lend additional funds on non-accrual loans.

(8) Allowance for Loan Losses

Changes in the allowance for loan losses for the years ended December 31, 2007, 2006 and 2005 are as follows:

	December 31,		
(in thousands)	**2007**	**2006**	**2005**
Balance at beginning of year	$ 13,829	10,050	7,660
Provision for loan losses	12,316	4,145	3,310
Loans charged off	(7,973)	(383)	(949)
Recoveries of loans previously charged off	64	17	29
Balance at end of year	$ 18,236	13,829	10,050

We had impaired loans in the amount of $18.6 million, $8.8 million and $8.8 million with a related allowance for loan losses determined in accordance with SFAS No. 114 of $4.9 million, $4.8 million and $4.2 million at December 31, 2007, 2006 and 2005, respectively. These reserves are included in the overall allowance for loan losses. Interest income recorded on impaired loans for the years ended December 31, 2007, 2006 and 2005 was $580,000, $38,000 and $84,000, respectively. The amount of interest income that would have been recorded if the loans were not considered to be impaired during the years ended December 31, 2007, 2006 and 2005 was $1.4 million, $740,000 and $666,000, respectively. Average impaired loans for the years ended December 31, 2007, 2006 and 2005 totaled $7.6 million, $8.9 million and $6.8 million, respectively.

At December 31, 2006, there was one loan for $3.7 million that was restructured as troubled debt, and there was no commitment to lend additional funds to this debtor. This loan was partially paid-off in January 2007, which resulted in a charge $807,000 to the allowance for loan losses. This charge-off amount had been reserved for in accordance with SFAS No. 114 at December 31, 2006. There were no troubled debt restructurings at December 31, 2007 and 2005.

(9) Premises and Equipment

Premises and equipment are summarized as follows at:

	December 31,	
(in thousands)	**2007**	**2006**
Leasehold improvements	$ 26,820	22,428
Furniture, fixtures and equipment	13,694	9,266
	40,514	31,694
Less accumulated depreciation and amortization	(13,407)	(9,473)
Premises and equipment, net	$ 27,107	22,221

Depreciation and amortization expense amounted to $3.9 million, $2.9 million and $2.0 million for the years ended December 31, 2007, 2006 and 2005, respectively.

(10) Deposits

The types of deposits are summarized as follows at:

(in thousands)	*December 31,* 2007	2006
Demand - non-interest-bearing	$ 1,298,568	1,586,440
NOW	307,231	261,788
Money market and other	2,574,456	2,003,913
Time deposits	331,635	359,018
Total deposits	$ 4,511,890	4,211,159

The aggregate amount of time deposits in denominations of $100,000 or more at December 31, 2007 and 2006 were $301.7 million and $333.5 million, respectively. The related interest expense on these types of deposits for the years ended December 31, 2007 and 2006 amounted to $15.9 million and $12.0 million, respectively.

At December 31, 2007, the scheduled maturities of time deposits are as follows:

(in thousands)	**December 31, 2007**
2008	$ 311,854
2009	15,125
2010	1,279
2011	1,121
2012	2,256
Total time deposits	$ 331,635

At December 31, 2007 and 2006, we had approximately $3.8 million and $1.2 million, respectively, in deposits from our directors.

(11) Incentive Savings Plan

We have a 401(k) program under which employees may make personal contributions of up to 25% of their pretax earnings by means of payroll deductions. We match 100% of the first 3% of compensation contributed to the plan and 50% of the next 4% of compensation contributed. Our contributions, included in employee benefits expense, were $1.5 million, $1.2 million and $1.0 million, respectively, for the years ended December 31, 2007, 2006 and 2005.

(12) Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

The following is a summary of Federal funds purchased at or for the years ended:

(dollars in thousands)	*December 31,* 2007	2006
Year-end balance	$ 50,000	$ -
Maximum amount outstanding at any month-end	$ 240,000	$ 184,000
Average outstanding balance	$ 62,105	$ 117,969
Weighted-average interest rate paid	5.26%	4.90%
Weighted-average interest rate at year-end	3.50%	-

The following is a summary of securities sold under agreements to repurchase at or for the years ended:

(dollars in thousands)	*December 31,* 2007	2006
Year-end balance	$ 562,000	$ 467,000
Maximum amount outstanding at any month-end	$ 567,000	$ 467,000
Average outstanding balance	$ 528,880	$ 367,658
Weighted-average interest rate paid	4.59%	4.47%
Weighted-average interest rate at year-end	4.50%	4.62%

(13) Federal Home Loan Bank Advances

The following is a summary of Federal Home Loan Bank advances at or for the years ended:

(dollars in thousands)	*December 31,* 2007	2006
Year-end balance	$ 195,000	$ 260,000
Maximum amount outstanding at any month-end	$ 315,000	$ 335,000
Average outstanding balance	$ 219,773	$ 288,454
Weighted-average interest rate paid	4.65%	4.40%
Weighted-average interest rate at year-end	4.41%	4.53%

The following is a summary of Federal Home Loan Bank advances outstanding at December 31, 2007:

		December 31, 2007	
(dollars in thousands)		**Amount**	**Rate**
PAYABLE DATE			
August 8, 2010	$	25,000	4.78%
August 10, 2010		15,000	4.36%
October 4, 2010		20,000	3.97%
July 24, 2011		15,000	4.81%
August 15, 2011		15,000	4.60%
September 7, 2011		25,000	4.57%
February 23, 2012		15,000	4.45%
February 23, 2012		15,000	4.56%
February 5, 2014		15,000	4.59%
December 1, 2016		10,000	3.92%
September 1, 2017		25,000	3.87%
Total advances	$	195,000	4.41%

(14) Other Short-Term Borrowings

The following is a summary of Federal Reserve Treasury Tax and Loan borrowings at or for the years ended:

(dollars in thousands)		**2007**		**2006**
Year-end balance	$	9,932	$	6,687
Maximum amount outstanding at any month-end	$	137,449	$	169,037
Average outstanding balance	$	20,607	$	49,943
Weighted-average interest rate paid		5.33%		5.11%
Weighted-average interest rate at year-end		3.96%		4.99%

(15) Income Taxes

The Bank will file consolidated Federal, New York State, and New York City tax returns for the year ended December 31, 2007. Additionally, SSG files other state and local returns on a separate basis.

The provision for income taxes for the years ended December 31, 2007, 2006 and 2005 was an expense of $16.9 million, $24.6 million, and $16.9 million, respectively, and was calculated based on statutory tax rates. The provision for the year ended December 31, 2007 includes a deferred tax benefit of $11.8 million.

The components of income tax expense for the years ended December 31, 2007, 2006 and 2005 are set forth in the following table:

(in thousands)	Years ended December 31, 2007	2006	2005
FEDERAL			
Current expense	$ 21,771	18,663	12,094
Deferred income tax benefit	(8,319)	(2,111)	(440)
Total	$ 13,452	16,552	11,654
STATE AND LOCAL			
Current expense	$ 6,933	8,907	5,626
Deferred income tax benefit	(3,506)	(830)	(396)
Total	$ 3,427	8,077	5,230
TOTAL			
Current expense	$ 28,704	27,570	17,720
Deferred income tax benefit	(11,825)	(2,941)	(836)
Total	$ 16,879	24,629	16,884

Management continues to believe that a valuation allowance is not necessary at December 31, 2007 given that we had experienced “core” profitability since recognition of the deferred tax assets. We will continue to monitor the need for a valuation allowance going forward. Net deferred tax assets are reflected in other assets in the Consolidated Statements of Financial Condition.

The components of the net deferred tax asset at December 31, 2007 and 2006 are set forth in the following table:

(in thousands)	December 31, 2007	2006
DEFERRED TAX ASSETS		
Loan loss provision	$ 7,785	6,059
Depreciation	929	486
Unearned compensation - restricted shares	755	393
Non-accrual interest	303	584
Write-down for other than temporary impairment of securities	9,458	-
Other	1,394	1,118
Total deferred tax assets recognized in earnings	20,624	8,640
Mark-to-market on available for sale securities	14,346	16,383
Total deferred tax assets	34,970	25,023
DEFERRED TAX LIABILITY		
Prepaid expenses	282	201
Total deferred tax liability recognized in earnings	282	201
Net deferred tax asset	$ 34,688	24,822

The following table presents a reconciliation of statutory federal income tax expense to combined effective income tax expense for the years ended December 31, 2007, 2006 and 2005:

	Years ended December 31,					
	2007		2006		2005	
(in thousands)	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**
Statutory federal income tax expense	$ 15,446	35%	20,296	35%	11,463	35%
State and local income taxes, net of federal income tax benefit	2,227	5	5,251	9	3,590	11
Non-deductible executive compensation	-	-	-	-	2,375	7
Tax exempt income	(966)	(2)	(724)	(1)	(764)	(2)
Other items, net	172	*	(194)	(1)	220	1
Effective income tax expense	$ 16,879	38%	24,629	42%	16,884	52%

* - Less than 1%.

(16) Equity Incentive Plan

We have an equity incentive plan designed to assist in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide us and our subsidiaries and affiliates with a stock plan providing incentives directly related to increases in our shareholder value.

Activity related to the equity incentive plan for the years ended December 31, 2007 and 2006 is summarized as follows:

	Years ended December 31,	
	2007	**2006**
Shares available for future awards at beginning of the year	770,258	727,085
Options		
Granted	-	-
Forfeited or expired	-	334
Exercised (shares sold to cover tax withholding and/or option price)	40,427	97,821
Restricted stock		
Granted	(104,455)	(74,162)
Forfeited	1,984	3,380
Vested (shares sold to cover tax withholding)	10,651	15,800
Shares available for future awards at end of the year (1)	718,865	770,258

(1) Pursuant to the 2004 equity incentive plan, a maximum of 500,000 restricted shares may be issued during its term. At December 31, 2007, there were 258,167 restricted shares available for issuance.

Stock Options

As of December 31, 2007, there were 999 nonvested options with a related unrecognized compensation cost of $2,000 that consist entirely of options granted to our independent directors in March 2005. The remaining unrecognized compensation cost will be expensed over the next three months. During the years ended December 31, 2007 and 2006, we recognized compensation expense of $11,000 each year for nonvested options.

The following table summarizes information regarding the stock option portion of the equity incentive plan for the years ended December 31, 2007 and 2006:

	Years ended December 31,					
	2007			*2006*		
	Shares Underlying Options		**Weighted Average Exercise Price**	**Shares Underlying Options**		**Weighted Average Exercise Price**
Balance outstanding at beginning of year	1,280,666	$	16.80	1,455,283	$	16.77
Granted	-		-	-		-
Exercised	(61,549)		16.74	(174,283)		16.54
Forfeited or expired	-		-	(334)		15.50
Balance outstanding at end of year	1,219,117	$	16.80	1,280,666	$	16.80

The following is a summary of outstanding and exercisable stock options as of December 31, 2007:

	Options Outstanding		*Options Exercisable*	
Exercise Price	**At December 31, 2007**	**Weighted Average Remaining Contractual Life**	**At December 31, 2007**	**Weighted Average Exercise Price**
$15.50	1,068,700	6.22 years	1,068,700	$15.50
24.09	10,000	7.38 years	10,000	24.09
24.98	1,750	7.80 years	1,750	24.98
26.11	128,167	7.22 years	127,168	26.11
26.87	9,100	7.55 years	9,100	26.87
28.97	1,400	7.89 years	1,400	28.97
	1,219,117	6.35 years	1,218,118	$16.79

Restricted Stock

The following table summarizes information regarding the restricted stock portion of the equity incentive plan for the years ended December 31, 2007 and 2006:

	Years ended December 31,					
	2007			*2006*		
	Shares	**Weighted Average Grant Price**		**Shares**	**Weighted Average Grant Price**	
Balance outstanding at beginning of year	92,109	$	31.50	66,754	$	19.39
Granted	104,455		32.98	74,162		33.74
Vested	(36,556)		29.68	(45,427)		17.41
Forfeited	(1,984)		33.62	(3,380)		30.73
Balance outstanding at end of year	158,024	$	32.88	92,109	$	31.50

As of December 31, 2007, there was $3.5 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 1.83 years. During the years ended December 31, 2007 and 2006, we recognized compensation expense of $1.9 million and $1.0 million, respectively, for nonvested restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2007 and 2006 was $1.2 million and $1.5 million, respectively.

(17) Earnings Per Share

The following table shows the computation of basic and diluted earnings per common and common equivalent share for the years ended December 31, 2007 and 2006:

(in thousands, except per share amounts)	*Years ended December 31,*		
		2007	**2006**
Net income	$	27,279	33,360
Common and common equivalent shares:			
Weighted average common shares outstanding		29,672	29,480
Weighted average common equivalent shares		420	393
Weighted average common and common equivalent shares		30,092	29,873
Basic earnings per share	$	0.92	1.13
Diluted earnings per share	$	0.91	1.12

(18) Commitments and Contingent Liabilities

In the normal course of business, we have various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements.

(a) Lease Commitments

We have entered into noncancelable operating lease agreements for premises and equipment with expiration dates through the year 2021. Our premises are used principally for private client offices and administrative operations.

Rental expense for our premises for the years ended December 31, 2007, 2006 and 2005 amounted to $8.2 million, $7.1 million and $6.0 million, respectively.

The required minimum rental payments under the terms of the noncancelable leases at December 31, 2007 (in thousands) are summarized as follows:

(in thousands)	**December 31, 2007**
2008	$ 8,845
2009	9,642
2010	9,666
2011	9,307
2012	9,457
Thereafter	37,214
Total	$ 84,131

(b) Information Technology Services Contract

On September 9, 2005, we entered into a Master Agreement for the Provision of Hardware, Software and/or Services (the “Agreement”) with Fidelity Information Services, Inc. (“Fidelity”). Under the terms of the agreement, Fidelity provided us with hardware, software and account processing services related to our core banking applications. More particularly, Fidelity is providing us with enterprise banking services, core data processing services and managed operations services. Additionally, Fidelity also provides us with implementation and training services for the software and hardware provided under the Agreement.

The Agreement allows us to continue to use our existing core banking applications, which were previously supported by Bank Hapoalim, and will now be supported directly by Fidelity.

The term of the Agreement is 84 months from the date of execution and terminates in June 2013. We began making monthly payments on July 1, 2006 and incurred contractual costs of $1.5 million in 2006 and $3.0 million in 2007. We have the right to terminate the Agreement upon a change of control of us, or a failure by Fidelity to meet the terms of the Agreement, subject to certain penalties.

(c) Financial Instruments with Off-Balance Sheet Risks

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.

A summary of our commitments and contingent liabilities is as follows:

	December 31,	
(in thousands)	**2007**	**2006**
Unused commitments to extend credit	$ 548,664	380,976
Financial standby letters of credit	189,279	128,296
Commercial and similar letters of credit	9,386	24,908
Other	769	822
Total	$ 748,098	535,002

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, commercial properties, residential properties, accounts receivable, property, plant and equipment and inventory.

In accordance with Financial Accounting Standards Board Interpretation (“FIN”) No. 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others - an Interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB No. 34,*" we recognize a liability at the inception of the guarantee that is equivalent to the fee received from the guarantor. This liability is amortized over the life of the guarantee on a straight-line basis. At December 31, 2007 and 2006, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of $619,000 and $511,000, respectively. None of these commitments were to creditors that are considered sub-standard; therefore, a liability for off-balance sheet credit losses has not been established.

Standby letters of credit are conditional commitments issued by us to guarantee the performance of a client’s obligation to a third party. They are primarily used to support clients' business trade transactions and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients.

At December 31, 2007 and 2006, we had commitments to sell residential mortgage loans and SBA loans of $2.9 million and $960,000, respectively. Such amounts represent fair value at December 31, 2007 and 2006, respectively.

(19) Regulatory Matters

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

In addition, we are subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") which imposes a number of mandatory supervisory measures. Among other matters, FDICIA established five capital categories ranging from "well capitalized" to "critically under capitalized." Such classifications are used by regulatory agencies to determine a bank's deposit insurance premium, approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under the provisions of FDICIA, a "well capitalized" bank must maintain minimum leverage, Tier 1 and Total Capital ratios of 5%, 6% and 10%, respectively.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). As of December 31, 2007 and 2006, we met all capital adequacy requirements to which we were subject.

The most recent notification from the Federal Deposit Insurance Corporation categorized us as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, we must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

Our actual capital amounts and ratios are presented in the table below.

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well Capitalized*	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2007:						
Total capital (to risk-weighted assets)	$461,721	15.43%	239,407	8.00%	299,259	10.00%
Tier I capital (to risk-weighted assets)	443,485	14.82%	119,704	4.00%	179,555	6.00%
Tier I leverage capital (to average assets)	443,485	7.75%	228,758	4.00%	285,948	5.00%
As of December 31, 2006:						
Total capital (to risk-weighted assets)	$426,494	16.73%	203,983	8.00%	254,979	10.00%
Tier I capital (to risk-weighted assets)	412,665	16.18%	101,991	4.00%	152,987	6.00%
Tier I leverage capital (to average assets)	412,665	8.41%	196,236	4.00%	245,295	5.00%

A depository institution, under federal law, is prohibited from paying a dividend if such dividend would cause the depository institution to be "undercapitalized" as determined by federal bank regulatory agencies. The relevant federal regulatory agencies and the state regulatory agency, the New York State Banking Department, also have the authority to prohibit a bank from engaging in what, in the opinion of such regulatory body, constitutes an unsafe or unsound practice in conducting its business. The payment of dividends could, depending upon our financial condition, be deemed to constitute such an unsafe or unsound practice.

(20) Segment Reporting

We operate two principal lines of business, the Bank and SSG. The Bank offers a wide variety of business and personal banking products and services. SSG offers investment, brokerage, asset management and insurance products and services.

The following tables present certain information regarding our reportable segments:

	At or for the years ended December 31,		
(in thousands)	**2007**	**2006**	**2005**
The Bank			
Interest income	$ 301,396	239,494	157,450
Interest expense	154,799	117,554	58,358
Fee and other income	4,162	17,146	13,864
Non-interest expense (1)	107,309	80,679	79,775
Income tax expense	16,852	24,605	16,881
Net income	$ 26,598	33,802	16,300
Total assets	$ 5,845,566	5,400,331	4,385,205
SSG			
Interest income	$ 209	163	86
Interest expense	16	55	36
Fee and other income (2)	4,584	4,182	4,814
Fee income from the Bank	4,011	2,689	3,138
Non-interest expense	8,080	7,397	8,430
Income tax expense	27	24	3
Net income (loss)	$ 681	(442)	(431)
Total assets	$ 4,301	2,766	2,493

(1) For purposes of this disclosure, non-interest expense includes the provision for loan losses.
(2) Includes fee and other income from external clients.

The following table sets forth reconciliations of net interest income, fee and other income, non-interest expense, net income (loss), and total assets for reportable segments to the consolidated financial statement totals:

	At or for the years ended December 31,		
(in thousands)	**2007**	**2006**	**2005**
Net interest income:			
Bank	$ 146,597	121,940	99,092
SSG	193	108	50
Consolidated	$ 146,790	122,048	99,142
Fee and other income:			
Bank	$ 4,162	17,146	13,864
SSG	8,595	6,871	7,952
Eliminations	(4,011)	(2,689)	(3,138)
Consolidated	$ 8,746	21,328	18,678
Non-interest expense (1):			
Bank	$ 107,309	80,679	79,775
SSG	8,080	7,397	8,430
Eliminations	(4,011)	(2,689)	(3,138)
Consolidated	$ 111,378	85,387	85,067
Net income (loss):			
Bank	$ 26,598	33,802	16,300
SSG	681	(442)	(431)
Consolidated	$ 27,279	33,360	15,869
Total assets:			
Bank	$ 5,845,566	5,400,331	4,385,205
SSG	4,301	2,766	2,493
Eliminations	(4,695)	(3,672)	(2,760)
Consolidated	$ 5,845,172	5,399,425	4,384,938

(1) For purposes of this disclosure, non-interest expense includes the provision for loan losses.

(21) Other Comprehensive Loss

The following table presents the components of accumulated other comprehensive loss included in shareholders' equity:

(dollars in thousands)	**Pre-tax Amount**	**Tax Effect**	**After-tax Amount**
December 31, 2007			
Net unrealized loss on securities available-for-sale	$ (32,468)	14,346	(18,122)
Total other comprehensive loss	$ (32,468)	14,346	(18,122)
December 31, 2006			
Net unrealized loss on securities available-for-sale	$ (36,959)	16,383	(20,576)
Total other comprehensive loss	$ (36,959)	16,383	(20,576)

(This page has been left blank intentionally.)

Exhibit Index

Exhibit No.	Exhibit
3.1	Restated Organization Certificate. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended June 30, 2005.)
3.2	Amended and Restated By-laws of the Registrant. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on October 17, 2007.)
4.1	Specimen Common Stock Certificate. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.1	Signature Bank 2004 Long-Term Incentive Plan. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.2	Amended and Restated Signature Bank Change of Control Plan. (Incorporated by reference to Signature Bank's Current Report on Form 8-K, filed with the Federal Deposit Insurance Corporation on September 19, 2007.)
10.3	Outsourcing Agreement, dated January 1, 2004, by and between Bank Hapoalim, Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.4	Networking Agreement, effective as of April 18, 2001, between Signature Securities and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.5	Signature Securities Group Corporation Customer Agreement, effective as of May 31, 2003, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.6	Signature Securities Group Corporation Customer Agreement, dated April 25, 2003, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.7	Brokerage and Consulting Agreement, dated August 6, 2001, by and between Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.8	Expense Agreement, effective as of August 4, 2000, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.9	Termination of Expense Agreement, dated January 14, 2004, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)

Exhibit No.	Exhibit
10.10	Lease for 1225 Franklin Avenue, dated April 5, 2002, between Franklin Avenue Plaza LLC and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.11	Sublease for 1177 Avenue of the Americas, dated as of April 4, 2001, by and between Bank Hapoalim and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.12	Amended and Restated Tax Sharing Agreement, dated as of January 1, 2004, between Hapoalim U.S.A., Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.13	Employment Agreement, dated March 22, 2004, between Signature Bank and Joseph J. DePaolo. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.14	Master Agreement for the provision of Hardware Software and/or Services, dated as of September 9, 2005, between Fidelity Information Services, Inc. and Signature Bank. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended September 30, 2005.)
14.1	Code of Ethics. (Incorporated by reference from Signature Bank's 2004 Form 10-K, filed with the Federal Deposit Insurance Corporation on March 16, 2005.)
21.1	Subsidiaries of Signature Bank.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 21.1

SIGNATURE BANK

LIST OF SUBSIDIARIES AS OF FEBRUARY 28, 2008

(all subsidiaries are 100% owned by Signature Bank, except as indicated)

Subsidiary	State or Jurisdiction Under Which Organized
SB Insurance Agency, Inc.	New York
Signature Securities Group Corporation	New York
Signature Preferred Capital, Inc. (1)	New York
Tandem CDE, Inc.	New York

(1) Signature Bank owns 100% of Signature Preferred Capital, Inc. ("SPC") common shares and 88% of SPC preferred shares issued and outstanding as of February 28, 2008.

EXHIBIT 31.1

CERTIFICATIONS

I, Joseph J. DePaolo, the President and Chief Executive Officer of Signature Bank, certify that:

1. I have reviewed this annual report on Form 10-K of Signature Bank for the fiscal year ended December 31, 2007;

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)) 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 audit 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: February 29, 2008

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo
President, Chief Executive Officer
and Director

EXHIBIT 31.2

CERTIFICATIONS

I, Eric R. Howell, the Senior Vice President and Chief Financial Officer of Signature Bank, certify that:

1. I have reviewed this annual report on Form 10-K of Signature Bank for the fiscal year ended December 31, 2007;

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)) 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 audit 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: February 29, 2008

/s/ ERIC R. HOWELL

Eric R. Howell
Senior Vice President and
Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Signature Bank, a New York bank (the "Company"), does hereby certify, to the best of such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2007 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 29, 2008

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo
President, Chief Executive Officer
and Director

Dated: February 29, 2008

/s/ ERIC R. HOWELL

Eric R. Howell
Senior Vice President and
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

corporate information

Board of Directors

Scott A. Shay
Chairman of the Board
Signature Bank

Kathryn A. Byrne
Partner
Weiser, LLP

Alfonse M. D'Amato
Managing Director
Park Strategies, LLC
Former US Senator

Alfred B. DelBello
Partner
DelBello Donnellan Weingarten
Wise & Wiederkerhr, LLP

Joseph J. DePaolo
President and Chief Executive Officer
Signature Bank

Ann F. Kaplan
Chair
Circle Financial Group

Yacov Levy
Managing Partner
KerenTwo, LLC

Jeffrey W. Meshel
Chairman & Co-founder
Paradigm Capital Group
and Paradigm 5

John Tamberlane
Vice Chairman
Signature Bank

Senior Management

Scott A. Shay
Chairman of the Board of Directors

Joseph J. DePaolo
President &
Chief Executive Officer

John Tamberlane
Vice Chairman

Mark T. Sigona
Executive Vice President &
Chief Operating Officer

Michael J. Merlo
Executive Vice President &
Chief Credit Officer

Michael Sharkey
Senior Vice President &
Chief Technology Officer

Eric R. Howell
Senior Vice President &
Chief Financial Officer

Peter S. Quinlan
Senior Vice President &
Treasurer

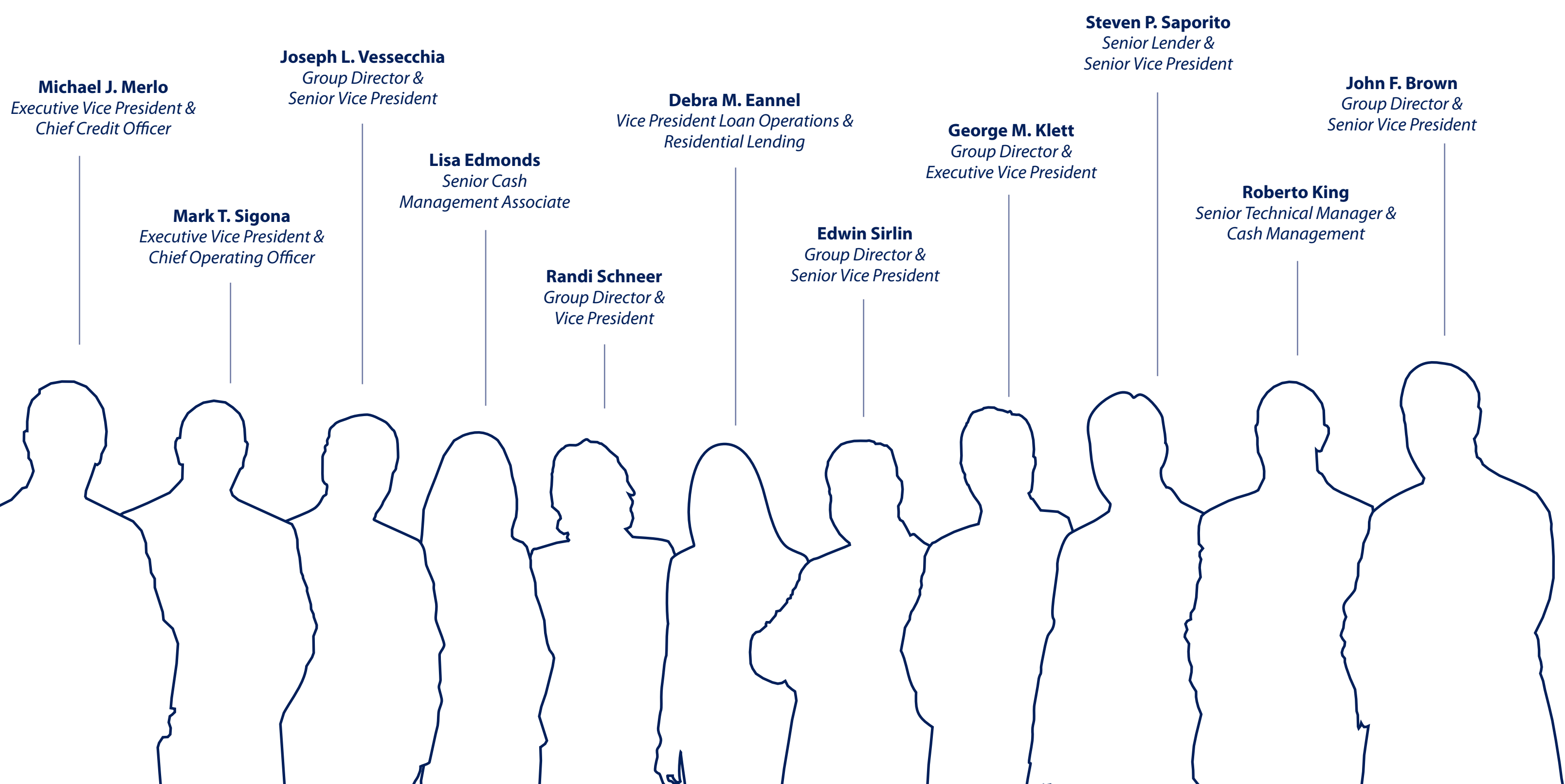
Advisory Board

Stanley Kreitman
Chairman, Geneva Financial Corp.
Director, Medallion Financial Corp.
Director, Capital Lease Funding

Lewis S. Ranieri
Director, CA, Inc.
Chairman, Franklin Bank Corp.
Founder & Managing Partner,
Hyperion Partners and Ranieri Partners

Michael Steinhardt
Retired Hedge Fund Manager
Philanthropist
Founding Member, Steinhardt Partners

John P. Sullivan
Managing Director
CapGen Financial



corporate information

Locations

Manhattan

1020 Madison Avenue, 4th Floor

950 Third Avenue, 9th Floor

300 Park Avenue

565 Fifth Avenue, 12th Floor

261 Madison Avenue

200 Park Avenue South, Suite 501

71 Broadway

111 Broadway, 8th Floor
(Accommodation Office)

Brooklyn

6321 New Utrecht Avenue
Borough Park

84 Broadway, Williamsburg

26 Court Street, Downtown

Bronx

421 Hunts Point Avenue
Hunts Point

Queens

36-36 33rd Street, 4th Floor
Long Island City

78-27 37th Avenue, 2nd Floor
Jackson Heights

Westchester

1C Quaker Ridge Road
New Rochelle

360 Hamilton Avenue, 6th Floor
White Plains

Long Island

923 Broadway, Woodmere

1225 Franklin Avenue, 2nd Floor
Garden City

279 Sunrise Highway
Rockville Centre

58 South Service Road
Melville

80 Cuttermill Road
Great Neck

Opening Soon
100 Jericho Quadrangle
Jericho

Signature Securities Group
Institutional Trading
(services limited to institutional clients)

9 Greenway Plaza, Suite 3030
Houston, TX 77046

Corporate Headquarters
Signature Bank
565 Fifth Avenue
New York, NY 10017
646 822 1500
866 SIG LINE (866 744 5463)
www.signatureny.com

Counsel
Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
212 373 3000

Independent Auditors
KPMG LLP
757 Third Avenue
New York, NY 10017
212 758 9700

Stock Transfer Agent & Registrar
American Stock Transfer
59 Maiden Lane
New York, NY 10038
212 936 5100

Stock Trading Information
The Bank's common stock is traded on the NASDAQ National Market under the symbol SBNY.

Annual Meeting
The annual meeting of stockholders will be held on Thursday, April 17, 2008,
10:00 AM at:
The Roosevelt Hotel
45 East 45th Street
New York, NY 10017
212 661 9600

Form 10-K
A copy of the Bank's Annual Report on Form 10-K filed with the FDIC is available without charge by download from www.signatureny.com, or by written request to:
Signature Bank
Attention: Investor Relations
565 Fifth Avenue
New York, NY 10017

Certain statements in this Annual Report that are not historical facts constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on the Bank's current expectations, speak only as of the date of this Annual Report and are susceptible to a number of risks, uncertainties and other factors. The Bank's actual results, performance and achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. For those statements, the Bank claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. See "Private Securities Litigation Reform Act Safe Harbor Statement" and "Item 1A. Business–Risk Factors," appearing in the Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, included herein.

SIGNATURE BANK

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New York, NY 10017
1866 SIG LINE
www.signatureny.com

SBNY
NASDAQ
LISTED