FORM 10-Q

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON D.C. 20429

[X] Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended: September 30, 2008

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

For the transition period from ___________ to __________

FDIC Certificate Number 57053

SIGNATURE BANK

(Exact name of Company as specified in its charter)

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

(646) 822-1500

(Company's telephone number, including area code)

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

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

Large accelerated filer [X] 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 [X] No

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

CLASS OF COMMON STOCK	NUMBER OF SHARES OUTSTANDING –11/07/08
$.01 Par Value	**35,182,946**

SIGNATURE BANK

Form 10-Q

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PART I. Financial Statements

Item 1. Financial Statements (unaudited)

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except per share amounts)		September 30, 2008 (unaudited)	December 31, 2007
ASSETS			
Cash and due from banks	$	118,314	107,788
Short-term investments		4,073	131,241
Total cash and cash equivalents		122,387	239,029
Securities available-for-sale (pledged $1,684,076 at September 30, 2008 and $1,109,980 at December 31, 2007)		2,779,395	2,805,711
Securities held-to-maturity (fair market value $233,793 at September 30, 2008 and $335,905 at December 31, 2007; pledged $168,646 at September 30, 2008 and $136,443 at December 31, 2007)		244,608	339,441
Federal Home Loan Bank stock		18,411	14,687
Loans held for sale		197,451	172,367
Loans, net		3,054,004	2,007,342
Premises and equipment, net		30,829	27,107
Accrued interest and dividends receivable		34,780	32,796
Other assets		217,590	206,692
Total assets	$	6,699,455	5,845,172
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Non-interest-bearing		1,390,313	1,298,568
Interest-bearing		3,574,998	3,213,322
Total deposits		4,965,311	4,511,890
Federal funds purchased and securities sold under agreements to repurchase		794,000	612,000
Federal Home Loan Bank advances		260,000	195,000
Other short-term borrowings		30,103	9,932
Accrued expenses and other liabilities		82,192	90,594
Total liabilities		6,131,606	5,419,416
Shareholders' equity			
Preferred stock, par value $.01; 61,000,000 shares authorized and unissued at September 30, 2008 and December 31, 2007		-	-
Common stock, par value $.01; 64,000,000 shares authorized; 35,182,946 and 29,696,212 shares issued and outstanding at September 30, 2008 and December 31, 2007		352	297
Additional paid-in capital		521,344	370,139
Retained earnings		103,339	73,442
Net unrealized depreciation on securities available-for-sale, net of tax		(57,186)	(18,122)
Total shareholders' equity		567,849	425,756
Total liabilities and shareholders' equity	$	6,699,455	5,845,172

See accompanying notes to consolidated financial statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(dollars in thousands, except per share amounts)	*Three months ended September 30,* 2008	2007	*Nine months ended September 30,* 2008	2007
INTEREST AND DIVIDEND INCOME				
Loans held for sale	$ 1,220	1,287	3,764	4,019
Loans, net	42,648	35,357	112,026	98,455
Securities available-for-sale	34,666	36,004	103,044	104,555
Securities held-to-maturity	2,878	3,879	9,989	11,501
Other short-term investments	441	1,361	2,994	2,834
Total interest income	81,853	77,888	231,817	221,364
INTEREST EXPENSE				
Deposits	20,620	31,103	66,200	82,764
Federal funds purchased and securities sold under agreements to repurchase	7,701	6,574	21,082	20,832
Federal Home Loan Bank advances	3,369	1,932	8,041	8,019
Other short-term borrowings	65	39	125	1,032
Total interest expense	31,755	39,648	95,448	112,647
Net interest income before provision for loan losses	50,098	38,240	136,369	108,717
Provision for loan losses	5,781	2,175	18,218	5,322
Net interest income after provision for loan losses	44,317	36,065	118,151	103,395
NON-INTEREST INCOME				
Commissions	4,716	3,165	14,048	9,129
Fees and service charges	3,276	3,135	10,268	8,947
Net gains on sales of securities and loans	2,873	624	6,640	1,899
Write-down for other than temporary impairment of securities	(7,973)	-	(9,614)	-
Other income	816	570	1,990	1,755
Total non-interest income	3,708	7,494	23,332	21,730
NON-INTEREST EXPENSE				
Salaries and benefits	19,695	15,564	55,575	44,572
Occupancy and equipment	3,502	2,640	9,886	7,577
Other general and administrative	9,563	7,341	26,576	21,835
Total non-interest expense	32,760	25,545	92,037	73,984
Income before income taxes	15,265	18,014	49,446	51,141
Income tax expense	6,070	7,271	19,549	20,833
Net income	$ 9,195	10,743	29,897	30,308
PER COMMON SHARE DATA				
Earnings per share – basic	$ 0.30	0.36	0.99	1.02
Earnings per share – diluted	$ 0.29	0.36	0.98	1.01

See accompanying notes to consolidated financial statements.

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

(in thousands)		Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
	Nine months ended September 30, 2007					
Balance at December 31, 2006	$	296	366,715	46,163	(20,576)	392,598
Stock options activity, net		1	1,286	-	-	1,287
Restricted stock activity, net		-	1,413	-	-	1,413
Comprehensive income:						
Net income		-	-	30,308	-	30,308
Net change in unrealized depreciation on securities available-for-sale, net of tax		-	-	-	(4,525)	(4,525)
Unrealized holding loss on securities transferred to held-to-maturity, net of tax		-	-	-	(1,590)	(1,590)
Total comprehensive income						24,193
Balance at September 30, 2007	$	297	369,414	76,471	(26,691)	419,491

(in thousands)		Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
	Nine months ended September 30, 2008					
Balance at December 31, 2007	$	297	370,139	73,442	(18,122)	425,756
Common stock issued		54	147,972	-	-	148,026
Stock options activity, net		-	385	-	-	385
Restricted stock activity, net		1	2,848	-	-	2,849
Comprehensive loss:						
Net income		-	-	29,897	-	29,897
Net change in unrealized depreciation on securities available-for-sale, net of tax		-	-	-	(39,064)	(39,064)
Total comprehensive loss						(9,167)
Balance at September 30, 2008	$	352	521,344	103,339	(57,186)	567,849

See accompanying notes to consolidated financial statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)		*Nine months ended September 30,* 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$	29,897	30,308
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		3,358	2,925
Provision for loan losses		18,218	5,322
Write-down for other than temporary impairment of securities		9,614	-
Net amortization/accretion of premium/(discount)		23,312	15,153
Stock-based compensation expense		2,987	1,369
Net gains on sales of securities and loans		(6,640)	(1,899)
Purchases and originations of loans held for sale		(458,478)	(540,573)
Proceeds from sales and principal repayments of loans held for sale		411,680	457,010
Net increase in accrued interest and dividends receivable		(1,984)	(5,397)
Deferred income tax benefit		(11,075)	(295)
Net decrease in other assets		31,161	22,443
Net decrease in accrued expenses and other liabilities		(8,491)	(2,753)
Net cash provided by (used in) operating activities		43,559	(16,387)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities available-for-sale ("AFS")		(1,025,459)	(713,225)
Proceeds from sales of securities AFS		489,503	80,467
Maturities, redemptions, calls and principal repayments on securities AFS		488,847	491,003
Purchase of securities held-to-maturity ("HTM")		(59,676)	(41,683)
Maturities, redemptions, calls and principal repayments on securities HTM		153,314	84,351
(Purchase) redemption of Federal Home Loan Bank stock		(3,724)	3,174
Net increase in loans		(1,064,880)	(330,709)
Net purchases of premises and equipment		(7,080)	(5,622)
Net cash used in investing activities		(1,029,155)	(432,244)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) increase in non-interest-bearing deposits		91,745	(432,356)
Net increase in interest-bearing deposits		361,676	611,399
Net increase (decrease) in short-term borrowings		137,171	(4,352)
Proceeds from the issuance of long-term borrowings		140,000	395,000
Repayment of long-term borrowings		(10,000)	(380,000)
Tax benefit from stock-based compensation		89	461
Issuance of common stock and exercise of options		148,273	1,331
Net cash provided by financing activities		868,954	191,483
Net decrease in cash and cash equivalents		(116,642)	(257,148)
Cash and cash equivalents at beginning of period		239,029	470,821
Cash and cash equivalents at end of period	$	122,387	213,673
Supplemental disclosures of cash flow information:			
Interest paid during the period	$	95,079	111,936
Income taxes paid during the period		28,281	19,049
Non-cash investing activities:			
Transfer of securities from available-for-sale to held-to-maturity, at fair value	$	-	14,151

See accompanying notes to consolidated financial statements.

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

1. Basis of Presentation and Consolidation

The accompanying unaudited consolidated financial statements of the Bank have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and practices within the banking industry. In the opinion of management, these financial statements have been prepared to reflect all adjustments necessary to present fairly the financial position and results of operations as of the dates and for the periods shown. All significant intercompany accounts and transactions have been eliminated in consolidation.

You should read these unaudited consolidated financial statements and related management's discussion and analysis together with the financial information in our 2007 Annual Report on Form 10-K, previously filed with the Federal Deposit Insurance Corporation ("FDIC"). There have not been any significant changes in the factors or methodology used in determining our accounting estimates or applied in our critical accounting policies since December 31, 2007 that are material in relation to our financial condition or results of operations.

2. 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 are deemed to be our "critical accounting policies" under the definition given to this term by the Securities and Exchange Commission ("SEC") - those policies that are most important to the presentation of a company's financial condition and results of operations, and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

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 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 probable losses inherent in the loan portfolio. The allowance for loan losses is comprised of two components: specific allowances assigned to certain classified loans individually evaluated for impairment and allowances calculated based on formulas for pools of loans. Factors contributing to the determination of specific allowances 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. An allowance 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 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*, FSP FAS 115-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,* 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 full recovery of our investment. 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.

Additionally, 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 allowance is provided against deferred tax assets unless it is more likely than not that such deferred tax assets will be realized.

The judgments used by management in applying the critical accounting policies discussed above may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. Specifically, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan losses in future periods, and the inability to collect on outstanding loans could result in increased loan losses. In addition, the valuation of certain securities in our investment portfolio could be negatively impacted by illiquidity or dislocation in marketplaces resulting in significantly depressed market prices thus leading to further impairments.

3. Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"), which is effective for fair-value measures already required or permitted by other accounting standards for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. SFAS No. 157:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date;
- Establishes a framework for measuring fair value;
- Expands disclosures about instruments measured at fair value; and
- Establishes a three-level hierarchy for fair value measurements based on the inputs used in the valuation. The hierarchy provides the basis for certain of the new disclosure requirements which are dependent upon the frequency of an item's measurement at fair value (recurring versus nonrecurring).

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

- Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities. Accordingly, valuation of these assets and liabilities does not entail a significant degree of judgment. Examples include most U.S. Government securities and exchange-traded equity securities.
- Level 2 – Valuations are based on either quoted prices in markets that are not considered to be active or significant inputs to the methodology that are observable, either directly or indirectly. Examples include U.S. Agency securities, municipal bonds, corporate bonds, certain residential and commercial mortgage-backed securities, deposits, and most structured notes.
- Level 3 – Valuations are based on inputs to the methodology that are unobservable and significant to the fair value measurement. These inputs reflect management's own judgments about the assumptions that market participants would use in pricing the assets and liabilities. Examples include certain commercial loans, certain

residential and commercial mortgage-backed securities, private equity investments, and complex over-the-counter derivatives.

Valuation Methodology

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

We utilize independent third-party pricing sources to value investment securities. Two independent third-party pricing sources are employed to value positions and validate market values. If there is a large price discrepancy between the two pricing services for an individual security, we utilize industry market spread data to assist in determining the most appropriate fair value.

The valuations provided by the pricing services are derived from quoted market prices or using matrix pricing. Matrix pricing is a valuation technique consistent with the market approach of determining fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices of specific securities, but rather on the securities' relationship to other benchmark quoted securities. Most of our securities portfolio is priced using this method.

Our available-for-sale securities portfolio includes collateralized debt obligations ("CDOs") with a current fair value of $11.2 million, which are classified as Level 2. Collateral data of the underlying positions are valued utilizing ABX and CMBX index data. For most CDO positions, the collateral valuations are compared to values obtained from cash flow models that use readily observable inputs such as yield curves, interest rates, volatilities and credit curves to assess appropriateness.

Securities are classified within Level 3 of the valuation hierarchy in cases where there is limited activity or less transparency around inputs to the valuation. In these cases, the valuations are determined based upon in-depth analysis of the cash flow structure and credit analysis for each position. Relative market spreads are utilized to discount the cash flow to determine current market values. Our Level 3 classifications at September 30, 2008 primarily consist of bank-collateralized pooled trust preferred securities transferred in the current quarter from Level 2 due to the lack of observable data and absence of market transactions driven by the highly illiquid market for these securities.

Assets Measured at Fair Value on a Recurring Basis

The following table presents the financial instruments carried at fair value as of September 30, 2008, classified according to the SFAS No. 157 valuation hierarchy:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value as of September 30, 2008
Securities available-for-sale	$ -	2,752,801	26,594	2,779,395

Changes in Level 3 Fair Value Measurements

The following table presents information for recurring assets classified by the Bank within Level 3 of the valuation hierarchy for the three and nine months ended September 30, 2008:

	Securities Available-for-sale		
(in thousands)	**Three Months Ended September 30, 2008**		**Nine Months Ended September 30, 2008**
Beginning balance	$	-	-
Transfers into Level 3 at fair value on September 30, 2008		26,594	26,594
Ending balance	$	26,594	26,594

Assets Measured at Fair Value on a Non-recurring Basis

Certain assets are measured at fair value on a non-recurring basis. These instruments are not measured at fair value on an on-going basis but are subject to fair value adjustments only in certain circumstances, such as when there is evidence of impairment or when an adjustment is required to reduce the carrying value to the lower of cost or fair value. These assets include collateral-dependent impaired loans, securities held-to-maturity, loans held-for-sale, and certain long-lived assets. The effect of non-recurring fair value adjustments for the third quarter of 2008 was a $13,000 reduction in the allowance for loan losses on impaired loans with a total carrying value of $17.8 million. For the nine months ended September 30, 2008, the effect of non-recurring fair value adjustments was a $635,000 other than temporary impairment write-down on a security held-to-maturity and a $3.6 million provision for losses on impaired loans.

4. Securities

The following table summarizes the components of our available-for-sale and held-to-maturity securities portfolios at September 30, 2008 and December 31, 2007:

		At September 30, 2008		*At December 31, 2007*	
(in thousands)		**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
AVAILABLE-FOR-SALE					
US Treasuries	$	-	-	7,984	8,058
Debentures of FHLB, FNMA, and FHLMC		15,000	14,999	106,752	106,895
Mortgage-backed securities:					
U.S. Government Agency		45,630	45,422	46,590	46,863
Government-sponsored enterprises		659,741	661,290	506,900	510,083
Collateralized mortgage obligations:					
U.S. Government Agency		74,823	74,171	89,704	89,402
Government-sponsored enterprises		1,075,439	1,079,242	944,670	948,520
Private		633,263	585,500	669,774	666,985
Other debt securities		358,836	306,819	453,680	417,174
Equity securities (1)		12,543	11,952	12,125	11,731
Total available-for-sale	$	2,875,275	2,779,395	2,838,179	2,805,711
HELD-TO-MATURITY					
Debentures of FHLB, FNMA, and FHLMC	$	35,435	34,775	117,560	117,634
Mortgage-backed securities:					
U.S. Government Agency		19,331	19,171	5,026	4,994
Government-sponsored enterprises		7,834	7,680	17,174	17,054
Collateralized mortgage obligations:					
Government-sponsored enterprises		83,167	82,455	61,854	61,350
Private		17,995	15,963	34,679	33,833
Other debt securities		80,846	73,749	103,148	101,040
Total held-to-maturity	$	244,608	233,793	339,441	335,905

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

During the third quarter of 2008, we recognized an $8.0 million other than temporary impairment write-down on a single Lehman Brothers senior debenture with a total amortized cost of $10.0 million prior to the impairment write-down. The security was written down to its estimated fair value of $2.0 million at September 30, 2008, and the impairment write-down was charged to third quarter non-interest income.

During the second quarter of 2008, we recognized a $937,000 other than temporary impairment write-down on one asset-backed security (“ABS”) issued in 2004 with a total amortized cost of $1.8 million prior to the impairment write-down. The security was written down to its estimated fair value of $826,000 at June 30, 2008, and the impairment write-down was charged to second quarter non-interest income.

During the first quarter of 2008, we recognized a $703,000 other than temporary impairment write-down on securities, consisting of one CDO issued in 2005 and one ABS issued in 2003 with total amortized costs of $6.0 million and $68,000, respectively, prior to the impairment write-down. The estimated fair values of the CDO and ABS at March 31, 2008 were $5.4 million and zero, respectively, representing declines in value during the quarter of $635,000 on the CDO and $68,000 on the ABS. Both of these securities, which were previously written down in the fourth quarter of 2007, were downgraded to below investment grade giving rise to the further write-down. The securities were written down to their fair values at March 31, 2008 and the impairment write-down totaling $703,000 was charged to first quarter non-interest income. All principal and interest payments have been made to date in accordance with the terms of each security written down during 2008 with the exception of the Lehman Brothers senior debenture. Additionally, we have not recognized any discount accretion in income during 2008 with respect to debt securities for which impairment write-downs were recognized in 2008 or 2007.

During the fourth quarter of 2007, the Bank recognized other than temporary write-downs totaling $21.4 million on securities, consisting of six CDOs issued in 2004-2005 and six 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. As of September 30, 2008, all principal and interest payments had been made to date in accordance with the terms of each security. Although the securities had 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 fair values at December 31, 2007 and the impairment write-down totaling $21.4 million was charged to fourth quarter 2007 non-interest income.

We generally invest in U.S. Treasury, U.S. Government agency, 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, wider credit spreads on securities, and reduced levels of liquidity in the mortgage and credit markets. We have evaluated our portfolio and, other than as described above, we have deemed the unrealized losses at September 30, 2008 to be temporary declines in value based on the credit quality of the securities and the impairment being predominantly due to the current market environment. Additionally, we have the positive intent and ability to hold securities for a sufficient period of time, until maturity if necessary, to allow for a full recovery of our investment.

The following table presents information regarding securities available-for-sale, categorized by type of security and length of time that individual securities have been in a continuous unrealized loss position at the dates indicated:

(in thousands)	*Less than 12 months* Fair Value	Unrealized Losses	*12 months or longer* Fair Value	Unrealized Losses	*Total* Fair Value	Unrealized Losses
September 30, 2008						
Debentures of FHLB, FNMA, and FHLMC	$ 14,999	(1)	-	-	14,999	(1)
Mortgage-backed securities:						
U.S. Government Agency	22,772	(298)	4,300	(87)	27,072	(385)
Government-sponsored enterprises	186,975	(1,449)	58,476	(879)	245,451	(2,328)
Collateralized mortgage obligations:						
U.S. Government Agency	25,389	(330)	21,525	(604)	46,914	(934)
Government-sponsored enterprises	373,788	(2,357)	56,079	(1,309)	429,867	(3,666)
Private	442,424	(33,723)	99,266	(14,192)	541,690	(47,915)
Other debt securities	91,431	(26,721)	208,303	(32,160)	299,734	(58,881)
Equity securities (1)	-	-	11,952	(591)	11,952	(591)
Total	$ 1,157,778	(64,879)	459,901	(49,822)	1,617,679	(114,701)
December 31, 2007						
Debentures of FHLB, FNMA, and FHLMC	$ 14,991	(9)	26,921	(109)	41,912	(118)
Mortgage-backed securities:						
U.S. Government Agency	13,174	(132)	329	(11)	13,503	(143)
Government-sponsored enterprises	22,690	(70)	132,565	(1,785)	155,255	(1,855)
Collateralized mortgage obligations:						
U.S. Government Agency	32,568	(230)	27,057	(218)	59,625	(448)
Government-sponsored enterprises	110,678	(707)	266,023	(3,214)	376,701	(3,921)
Private	185,347	(3,762)	149,040	(1,739)	334,387	(5,501)
Other debt securities	196,572	(10,043)	180,371	(26,818)	376,943	(36,861)
Equity securities (1)	-	-	11,731	(393)	11,731	(393)
Total	$ 576,020	(14,953)	794,037	(34,287)	1,370,057	(49,240)

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

The following table presents information regarding securities held-to-maturity, categorized by type of security and length of time that individual securities have been in a continuous unrealized loss position at the dates indicated:

	Less than 12 months		12 months or longer		Total	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
September 30, 2008						
Debentures of FHLB, FNMA, and FHLMC	$ 34,775	(660)	-	-	34,775	(660)
Mortgage-backed securities:						
U.S. Government Agency	7,680	(155)	-	-	7,680	(155)
Government-sponsored enterprises	15,208	(150)	2,668	(25)	17,876	(175)
Collateralized mortgage obligations:						
Government-sponsored enterprises	68,813	(865)	239	(1)	69,052	(866)
Private	15,431	(3,441)	15,963	(2,032)	31,394	(5,473)
Other debt securities	9,183	(931)	41,193	(3,054)	50,376	(3,985)
Total	$ 151,090	(6,202)	60,063	(5,112)	211,153	(11,314)
December 31, 2007						
Debentures of FHLB, FNMA, and FHLMC	$ -	-	35,779	(92)	35,779	(92)
Mortgage-backed securities:						
U.S. Government Agency	4,994	(32)	-	-	4,994	(32)
Government-sponsored enterprises	-	-	13,646	(153)	13,646	(153)
Collateralized mortgage obligations:						
Government-sponsored enterprises	18,058	(157)	31,990	(513)	50,048	(670)
Private	14,849	(281)	18,984	(565)	33,833	(846)
Other debt securities	-	-	92,792	(2,107)	92,792	(2,107)
Total	$ 37,901	(470)	193,191	(3,430)	231,092	(3,900)

5. Loans, net

The types of loans at September 30, 2008 and December 31, 2007 are summarized as follows:

(in thousands)	September 30, 2008	December 31, 2007
Loans secured by real estate:		
Commercial property	$ 1,009,133	441,759
Multi-family residential property	565,926	135,834
1-4 family residential property	237,032	209,489
Construction and land	168,029	116,040
Home equity lines of credit	113,385	90,023
Total loans secured by real estate	2,093,505	993,145
Other loans:		
Commercial and industrial	935,800	968,155
Consumer	58,087	66,211
Total other loans	993,887	1,034,366
Less:		
Net deferred fees and costs	(2,415)	(1,933)
Allowance for loan losses	(30,973)	(18,236)
Net loans	$ 3,054,004	2,007,342

Non-accrual loans at September 30, 2008 and December 31, 2007 totaled $30.8 million and $18.6 million, respectively. The interest income that would have been earned on non-accrual loans in accordance with their original terms was approximately $576,000 and $2.6 million for the three and nine months ended September 30, 2008, respectively. Interest income recorded on these loans for the three and nine months ended September 30, 2008 was $6,000 and $553,000, respectively. We have a commitment to lend an additional $134,000 on one non-accrual loan.

6. Allowance for Loan Losses

Changes in the allowance for loan losses are as follows:

	Three months ended September 30,		*Nine months ended September 30,*	
(in thousands)	2008	2007	2008	2007
Balance at beginning of period	$ 27,820	12,238	18,236	13,829
Provision for loan losses	5,781	2,175	18,218	5,322
Loans charged off	(2,684)	(815)	(5,696)	(5,592)
Recoveries of loans previously charged off	56	15	215	54
Balance at end of period	$ 30,973	13,613	30,973	13,613

Impaired loans at September 30, 2008 and December 31, 2007 totaled $30.8 million and $18.6 million, respectively, with related allowances for losses of $8.7 million and $4.9 million, respectively. These allowances were determined in accordance with SFAS No. 114 and were included in the overall allowance for loan losses. Average impaired loans for the quarters ended September 30, 2008 and 2007 totaled $30.0 million and $2.6 million, respectively. Average impaired loans for the nine months ended September 30, 2008 and 2007 totaled $29.6 million and $4.9 million, respectively.

Interest income recorded on impaired loans for the three months ended September 30, 2008 and 2007 was $6,000 and zero, respectively. The amount of interest income that would have been recorded if the loans were not considered to be impaired during the three months ended September 30, 2008 and 2007 was $576,000 and $68,000, respectively.

Interest income recorded on impaired loans for the nine months ended September 30, 2008 and 2007 was $553,000 and $38,000, respectively. The amount of interest income that would have been recorded if the loans were not considered to be impaired during the nine months ended September 30, 2008 and 2007 was $2.6 million and $390,000, respectively.

7. Deposits

The types of deposits are summarized as follows at:

(in thousands)		**September 30, 2008**	**December 31, 2007**
Demand - non-interest-bearing	$	1,390,313	1,298,568
NOW		271,392	307,231
Money market and other		2,793,765	2,574,456
Time deposits		509,841	331,635
Total deposits	$	4,965,311	4,511,890

8. Borrowings

Federal Funds Purchased

The following is a summary of Federal Funds purchased at or for the three months ended:

(dollars in thousands)		**September 30, 2008**	**December 31, 2007**
Period-end balance	$	167,000	50,000
Maximum amount outstanding at any month-end	$	205,000	50,000
Average outstanding balance	$	179,147	18,011
Weighted-average interest rate paid		2.16%	4.58%
Weighted-average interest rate at period-end		2.24%	3.50%

Securities Sold Under Agreements to Repurchase

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

(dollars in thousands)		**September 30, 2008**	**December 31, 2007**
Period-end balance	$	627,000	562,000
Maximum amount outstanding at any month-end	$	627,000	562,000
Average outstanding balance	$	598,467	562,598
Weighted-average interest rate paid		4.50%	4.62%
Weighted-average interest rate at period-end		4.35%	4.50%

Federal Home Loan Bank Advances

The following is a summary of Federal Home Loan Bank ("FHLB") advances at or for the three months ended:

(dollars in thousands)		September 30, 2008	December 31, 2007
Period-end balance	$	260,000	195,000
Maximum amount outstanding at any month-end	$	430,000	195,000
Average outstanding balance	$	387,935	195,054
Weighted-average interest rate paid		3.47%	4.50%
Weighted-average interest rate at period-end		3.95%	4.41%

Other Short-Term Borrowings

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

(dollars in thousands)		September 30, 2008	December 31, 2007
Period-end balance	$	30,103	9,932
Maximum amount outstanding at any month-end	$	30,103	9,932
Average outstanding balance	$	12,652	5,887
Weighted-average interest rate paid		2.05%	4.56%
Weighted-average interest rate at period-end		2.09%	3.96%

9. Earnings Per Share

The following table shows the computation of basic and diluted earnings per common and common equivalent share for the three and nine months ended September 30, 2008 and 2007:

		Three months ended September 30,		*Nine months ended September 30,*	
(in thousands, except per share amounts)		**2008**	**2007**	**2008**	**2007**
Net income	$	9,195	10,743	29,897	30,308
Common and common equivalent shares:					
Weighted average common shares outstanding		30,837	29,689	30,109	29,664
Weighted average common equivalent shares		412	391	366	390
Weighted average common and common equivalent shares		31,249	30,080	30,475	30,054
Basic earnings per share	$	0.30	0.36	0.99	1.02
Diluted earnings per share	$	0.29	0.36	0.98	1.01

10. Stock-Based Compensation

In March 2004, we adopted the Signature Bank 2004 Long-Term Incentive Plan (the "2004 equity incentive plan" or "the Plan") for grants to be made to participants, including our officers, employees and consultants. The 2004 equity incentive plan was subsequently amended and restated upon receiving required shareholder approval at the 2008 Annual Shareholders Meeting held on April 17, 2008. The purpose of our 2004 equity incentive plan is to give us a competitive advantage in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide us and our subsidiaries with a stock plan providing incentives directly related to increases in our shareholder value.

We account for our stock-based compensation plan in accordance with the requirements of SFAS No. 123 (Revised 2004), *Share-Based Payment* ("SFAS No. 123R"). 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. Compensation expense is measured based on grant date fair value and is included in salaries and benefits (non-interest expense). The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The fair value of restricted stock grants is measured based on the market price of the shares at the date of grant.

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 that will vest over several years.

Activity related to the equity incentive plan for the three and nine months ended September 30, 2008 is summarized as follows:

	Three months ended	*Nine months ended*
	September 30, 2008	**September 30, 2008**
Shares available for future awards at beginning of the period	1,367,344	718,865
Additional shares approved at the 2008 Annual Meeting of Shareholders	-	1,213,550
Options		
Granted	-	-
Forfeited	-	-
Shares sold to cover tax withholding and/or option price upon exercise	1,382	13,414
Restricted stock		
Granted	-	(596,867)
Forfeited	2,212	3,224
Shares sold to cover tax withholding upon vesting	-	18,752
Shares available for future awards at end of the period	1,370,938	1,370,938

Stock Options

During the quarter and nine months ended September 30, 2008, we recognized compensation expense of zero and $2,000, respectively, for stock options. As of September 30, 2008, all outstanding options, including those granted to our independent directors in March 2005, were fully vested and exercisable. Accordingly, no additional compensation cost will be expensed for these options.

The following table summarizes information regarding the stock option component of the equity incentive plan for the three and nine months ended September 30, 2008:

	Three months ended September 30, 2008		*Nine months ended September 30, 2008*	
	Shares Underlying Options	**Weighted Average Exercise Price**	**Shares Underlying Options**	**Weighted Average Exercise Price**
Outstanding at beginning of period	1,203,950	$ 16.78	1,219,117	$ 16.80
Granted	-	-	-	-
Exercised	(2,033)	15.50	(17,200)	17.78
Forfeited or expired	-	-	-	-
Outstanding at end of period	1,201,917	$ 16.79	1,201,917	$ 16.79

The following is a summary of outstanding and exercisable stock options as of September 30, 2008:

Exercise Price	**At September 30, 2008**	**Weighted Average Remaining Contractual Life**
$ 15.50	1,055,667	5.47 years
24.09	7,500	6.63 years
24.98	1,750	7.05 years
26.11	126,500	6.47 years
26.87	9,100	6.80 years
28.97	1,400	7.14 years
$ 16.79	1,201,917	5.60 years

Restricted Stock

The following table summarizes information regarding the restricted stock component of the equity incentive plan for the three and nine months ended September 30, 2008:

	Three months ended September 30, 2008		*Nine months ended September 30, 2008*	
	Shares	**Weighted Average Grant Price**	**Shares**	**Weighted Average Grant Price**
Outstanding at beginning of period	686,595	$ 27.71	158,024	$ 32.88
Granted	-	-	596,867	26.87
Vested	(2,250)	35.60	(69,534)	32.13
Forfeited	(2,212)	29.85	(3,224)	30.95
Outstanding at end of period	682,133	$ 27.71	682,133	$ 27.71

As of September 30, 2008, there was $16.5 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 6.32 years. During the three and nine months ended September 30, 2008, we recognized compensation expense of $1.2 million and $3.0

million, respectively, for nonvested restricted shares. The total fair value of restricted shares that vested during the three and nine months ended September 30, 2008 was $80,000 and $1.9 million, respectively.

11. Segment Reporting

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.

The following table presents certain information regarding our reportable segments:

(in thousands)	*At or for the three months ended September 30,* 2008	2007	*At or for the nine months ended September 30,* 2008	2007
The Bank				
Interest income	$ 81,826	77,838	231,710	221,211
Interest expense	31,755	39,648	95,448	112,632
Non-interest income	1,826	6,317	17,949	18,523
Non-interest expense (1)	36,589	26,756	105,187	76,616
Income tax expense	6,055	7,271	19,494	20,806
Net income	$ 9,253	10,480	29,530	29,680
Total assets	$ 6,699,718	5,614,258	6,699,718	5,614,258
Signature Securities				
Interest income	$ 27	50	107	153
Interest expense	-	-	-	15
Non-interest income (2)	1,882	1,177	5,383	3,207
Fee income from the Bank	790	1,045	2,904	2,964
Non-interest expense	2,742	2,009	7,972	5,654
Income tax expense	15	-	55	27
Net income (loss)	$ (58)	263	367	628
Total assets	$ 3,607	3,387	3,607	3,387

(1) For purposes of this disclosure, non-interest expense includes the provision for loan losses.
(2) Represents 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 unaudited consolidated financial statement totals:

(in thousands)	At or for the three months ended September 30, 2008	2007	At or for the nine months ended September 30, 2008	2007
Net interest income:				
Bank	$ 50,071	38,190	136,262	108,579
Signature Securities	27	50	107	138
Consolidated	$ 50,098	38,240	136,369	108,717
Non-interest income:				
Bank	$ 1,826	6,317	17,949	18,523
Signature Securities	2,672	2,222	8,287	6,171
Eliminations	(790)	(1,045)	(2,904)	(2,964)
Consolidated	$ 3,708	7,494	23,332	21,730
Non-interest expense (1):				
Bank	$ 36,589	26,756	105,187	76,616
Signature Securities	2,742	2,009	7,972	5,654
Eliminations	(790)	(1,045)	(2,904)	(2,964)
Consolidated	$ 38,541	27,720	110,255	79,306
Net income (loss):				
Bank	$ 9,253	10,480	29,530	29,680
Signature Securities	(58)	263	367	628
Consolidated	$ 9,195	10,743	29,897	30,308
Total assets:				
Bank	$ 6,699,718	5,614,258	6,699,718	5,614,258
Signature Securities	3,607	3,387	3,607	3,387
Eliminations	(3,870)	(3,928)	(3,870)	(3,928)
Consolidated	$ 6,699,455	5,613,717	6,699,455	5,613,717

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

12. Recent Accounting Pronouncements

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). We did not elect to apply the FVO to any additional financial assets or liabilities that are presented in our consolidated financial statements.

In November 2007, the SEC issued Staff Accounting Bulletin 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 transaction 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.

In February 2008, the FASB issued Staff Position No. 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* ("FSP FAS 140-3"). Under FSP FAS 140-3, a contemporaneous transfer of a financial asset and a related repurchase financing between the same counterparties are accounted for as a linked transaction, unless specific criteria are met. A repurchase financing is defined as a transaction in which the buyer (transferee) of a financial asset obtains financing from the seller (transferor) and transfers the financial asset back to the seller as collateral until the financing is repaid. Under FSP FAS 140-3, the asset transfer and the related repurchase financing must not be accounted for as separate transactions unless both of the following conditions apply at the inception of the transaction: the two transactions have a valid and distinct business or economic purpose for being entered into separately and the repurchase financing does not result in the initial transferor regaining control over the financial asset. The FSP also provides guidance on the accounting treatment for the resulting separate or linked transactions. FSP FAS 140-3 is effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Earlier application is not permitted. The FSP applies prospectively to initial transfers executed on or after the beginning of the fiscal year in which it is initially adopted. We do not anticipate that the adoption of FSP FAS 140-3 will have a material impact on our consolidated financial statements.

In August 2008, the FASB issued a revised Exposure Draft, *Earnings per Share – an Amendment of FASB Statement No. 128.* The proposed Statement seeks to improve financial reporting by clarifying and simplifying the method of calculating earnings per share ("EPS") and promoting international convergence of accounting standards by eliminating major differences between SFAS No. 128, *Earnings per Share* and International Accounting Standard ("IAS") 33, *Earnings per Share*. Some of the amendments proposed by the Exposure Draft include the following: the dilutive effect caused by the exercise or conversion of instruments measured at fair value with changes in fair value recognized in earnings each period, would be excluded from diluted EPS; an entity would be required to assume that an instrument that can be settled in cash or shares will be settled in shares; and an entity would be required to use end-of-period market price, instead of an average market price, when determining the number of incremental common shares to include in the computation of diluted EPS under the treasury stock and reverse treasury stock methods. The new standard would be retrospectively applied to all prior period EPS data. An effective date for the proposed Statement will be determined after the conclusion of the comment period on December 5, 2008. At this time, we do not anticipate that the adoption of the proposed Statement will have a material impact on our computation of EPS.

In October 2008, the FASB issued Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active"* ("FSP FAS 157-3"). FSP FAS 157-3 clarifies the application of SFAS No. 157 in an inactive market environment and provides an example which illustrates key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The FSP allows for the use of an entity's own assumptions about future cash flows with appropriately risk-adjusted discount rates to estimate fair value when relevant observable inputs are not available. The FSP does not change the principles established by SFAS No. 157 and is effective upon issuance, including prior periods for which financial statements have not been issued. We adopted FSP FAS 157-3 as of September 30, 2008 with no material impact to our consolidated financial statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

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 the 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;
- performance and liquidity 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;
- hiring of new private client banking teams;
- 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 the risks discussed under the section entitled “Item 1A. Risk Factors” in our Annual Report Form 10-K for the year ended December 31, 2007 as well as:

- general business conditions, economic uncertainty or slowdown, including the recent significant slowdown in the housing sector and the overall economy;
- 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 or sold in the whole loan secondary markets, which can materially affect charge-off levels and required credit loss reserve levels;
- changes in accounting principles, policies, and guidelines;
- adverse changes or conditions in capital or financial markets, which can adversely affect our ability to sell loans on a timely basis or at prices which are acceptable to us, as well as other aspects of our financial performance;
- adverse changes, conditions, or volatility 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, funding requirements, and investments;
- 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.

Company Background

We are a New York-based full-service commercial bank with 21 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.

Recent Developments

On August 28, 2008, we received approval to open our 22nd private client office and our first in Staten Island, New York.

On September 12, 2008, we completed a public offering of 5.4 million shares of our common stock, which added net proceeds of approximately $148.0 million to our capital. The net proceeds will support a significant level of team growth, fund the opening of new offices and permit us to originate and retain loans of a size and type that will allow us to accommodate the needs of our targeted clients, which are privately owned businesses, their owners and their senior managers. See Part II. Other Information, Item 2. – Unregistered Sales of Equity Securities and Use of Proceeds for additional information.

The financial services industry is facing unprecedented challenges in the face of the current economic crisis. The global and U.S. economies are experiencing significantly reduced business activity as a result of, among other factors, disruptions in the financial system during the past year. In response to the financial crises, there have been several recent announcements of Federal programs designed to purchase assets from, provide equity capital to, and guarantee the liquidity of the industry. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the "EESA") was signed into law, authorizing the U.S. Treasury to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities, and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. We do not expect to participate in the sale of any of our assets into these programs. EESA also immediately increases the FDIC deposit insurance limit from $100,000 to $250,000 through December 31, 2009.

On October 14, 2008, the U.S. Treasury announced that it will purchase equity stakes in a wide variety of banks and thrifts. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the "TARP Capital Purchase Program"), the U.S. Treasury will make $250 billion of capital available (from $700 billion authorized by the EESA) to the U.S. financial institutions in the form of preferred stock. In conjunction with the purchase of preferred stock, the U.S. Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions will be required to adopt the U.S. Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the TARP Capital Purchase Program. The U.S. Treasury also announced that nine large financial institutions have already agreed to participate in the TARP Capital Purchase Program.

On October 28, 2008, we submitted an application for voluntary participation in the TARP Capital Purchase Program. Our application was for an amount equal to approximately 3.0% of risk-weighted assets or $120.0 million. We anticipate that our application will be approved shortly by the U.S. Treasury, however, we have no assurances that our application will be approved.

RESULTS OF OPERATIONS

FINANCIAL SUMMARY

(dollars in thousands, except ratios and per share amounts)	*Three months ended* September 30, 2008	September 30, 2007	*Nine months ended* September 30, 2008	September 30, 2007
PER SHARE				
Net income - basic	$ 0.30	$ 0.36	$ 0.99	$ 1.02
Net income - diluted	$ 0.29	$ 0.36	$ 0.98	$ 1.01
Average shares outstanding - basic	30,837	29,689	30,109	29,664
Average shares outstanding - diluted	31,249	30,080	30,475	30,054
Book value	$ 16.14	$ 14.13	$ 16.14	$ 14.13
SELECTED FINANCIAL DATA				
Return on average total assets	0.56%	0.78%	0.65%	0.76%
Return on average shareholders' equity	7.36%	10.31%	8.04%	9.98%
Efficiency ratio (1)	60.89%	55.86%	57.63%	56.72%
Efficiency ratio excluding write-down for other than temporary impairment of securities (1)	53.03%	55.86%	54.36%	56.72%
Yield on interest-earning assets	5.32%	5.92%	5.34%	5.90%
Yield on interest-earning assets, tax-equivalent basis (2)	5.32%	5.92%	5.35%	5.90%
Cost of deposits and borrowings	2.12%	3.11%	2.26%	3.10%
Net interest margin	3.25%	2.91%	3.14%	2.90%
Net interest margin, tax-equivalent basis (2)	3.26%	2.91%	3.15%	2.90%

(1) The efficiency ratio is calculated by dividing non-interest expense by the sum of net interest income before provision for loan losses and other non-interest income.
(2) Presented using a 35 percent federal tax rate.

CAPITAL RATIOS

	September 30, 2008	June 30, 2008	December 31, 2007	September 30, 2007
Tier one leverage	9.64%	7.64%	7.75%	8.06%
Tier one risk-based	15.35%	12.63%	14.82%	15.16%
Total risk-based	16.11%	13.39%	15.43%	15.63%

Net Income

Net income for the third quarter of 2008 was $9.2 million, or $0.29 diluted earnings per share, compared with net income of $10.7 million, or $0.36 diluted earnings per share, for the third quarter of 2007. Returns on average shareholders’ equity and average total assets for the third quarter of 2008 were 7.36% and 0.56%, respectively, compared to returns on average shareholders’ equity and average total assets of 10.31% and 0.78%, respectively, for the third quarter of 2007. Excluding the after tax effect of the $8.0 million other than temporary impairment write-down recognized during the third quarter of 2008 on a single Lehman Brothers senior debenture, net income for the quarter would have been $13.6 million, or $0.44 diluted earnings per share.

Net income for the nine months ended September 30, 2008 was $29.9 million, or $0.98 diluted earnings per share, compared with net income of $30.3 million, or $1.01 diluted earnings per share, for the same period last year. Returns on average shareholders’ equity and average total assets for the nine months ended September 30, 2008 were 8.04% and 0.65%, respectively, compared to returns on average shareholders' equity and average total assets of 9.98% and 0.76%, respectively, for the same period last year. Excluding the after tax effect of the other than temporary impairment write-down on the Lehman Brothers debenture, net income for the nine months ended September 30, 2008 would have been $34.3 million or $1.13 diluted earnings per share.

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 three months ended September 30, 2008 and September 30, 2007:

	Three months ended September 30, 2008			*Three months ended September 30, 2007*		
(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	$ 16,823	100	2.36%	82,674	1,067	5.12%
Investment securities	3,092,908	37,885	4.90%	3,193,354	40,177	5.03%
Commercial loans and commercial mortgages (1) (2) (3)	2,576,421	37,440	5.78%	1,565,798	29,710	7.53%
Residential mortgages (1) (2)	179,112	2,537	5.67%	170,548	2,440	5.72%
Consumer loans (1) (2)	126,662	2,701	8.48%	120,276	3,207	10.58%
Loans held for sale	133,502	1,220	3.64%	84,453	1,287	6.05%
Total interest-earning assets	6,125,428	81,883	5.32%	5,217,103	77,888	5.92%
Non-interest-earning assets	349,180			281,303		
Total assets	$ 6,474,608			5,498,406		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing checking	294,899	1,562	2.11%	301,816	1,455	1.91%
Money market accounts	2,622,601	15,272	2.32%	2,418,115	25,562	4.19%
Time deposits	475,652	3,786	3.17%	333,989	4,086	4.85%
Non-interest-bearing deposits	1,401,115	-	-	1,269,816	-	-
Total deposits	4,794,267	20,620	1.71%	4,323,736	31,103	2.85%
Borrowings	1,178,201	11,135	3.76%	738,522	8,545	4.59%
Total deposits and borrowings	5,972,468	31,755	2.12%	5,062,258	39,648	3.11%
Other non-interest-bearing liabilities and shareholders' equity	502,140			436,148		
Total liabilities and shareholders' equity	$ 6,474,608			5,498,406		
OTHER DATA						
Tax-equivalent basis						
Net interest income / interest rate spread		50,128	3.20%		38,240	2.81%
Net interest margin			3.26%			2.91%
Tax-equivalent adjustment / effect						
Net interest income / interest rate spread		(30)	(0.00)%		-	-
Net interest margin			(0.01)%			-
As reported						
Net interest income / interest rate spread		50,098	3.20%		38,240	2.81%
Net interest margin			3.25%			2.91%
Ratio of average interest-earning assets to average interest-bearing liabilities			102.56%			103.06%

(1) Non-performing loans are included in average loan balances.
(2) Loan interest income includes net amortization of deferred fees and costs of approximately $960,000 and $697,000 for the three months ended September 30, 2008 and 2007, respectively.
(3) Includes interest income on certain tax-exempt assets presented on a tax-equivalent basis using a 35 percent federal tax rate.

The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the nine months ended September 30, 2008 and September 30, 2007:

	Nine months ended September 30, 2008			*Nine months ended September 30, 2007*		
(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	$ 92,581	2,021	2.92%	47,270	1,895	5.36%
Investment securities	3,123,626	114,006	4.87%	3,151,423	116,995	4.95%
Commercial loans and commercial mortgages (1) (2) (3)	2,170,481	96,318	5.93%	1,442,369	81,313	7.54%
Residential mortgages (1) (2)	176,271	7,538	5.70%	170,192	7,235	5.67%
Consumer loans (1) (2)	120,735	8,451	9.35%	121,505	9,907	10.90%
Loans held for sale	113,001	3,764	4.45%	84,587	4,019	6.35%
Total interest-earning assets	5,796,695	232,098	5.35%	5,017,346	221,364	5.90%
Non-interest-earning assets	322,745			295,192		
Total assets	$ 6,119,440			5,312,538		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing checking	304,639	5,097	2.23%	289,939	4,195	1.93%
Money market accounts	2,619,541	50,718	2.59%	2,140,764	65,892	4.12%
Time deposits	394,011	10,385	3.52%	347,066	12,677	4.88%
Non-interest-bearing deposits	1,367,529	-	-	1,238,843	-	-
Total deposits	4,685,720	66,200	1.89%	4,016,612	82,764	2.75%
Borrowings	957,720	29,248	4.08%	848,150	29,883	4.71%
Total deposits and borrowings	5,643,440	95,448	2.26%	4,864,762	112,647	3.10%
Other non-interest-bearing liabilities and shareholders' equity	476,000			447,776		
Total liabilities and shareholders' equity	$ 6,119,440			5,312,538		
OTHER DATA						
Tax-equivalent basis						
Net interest income / interest rate spread		136,650	3.09%		108,717	2.80%
Net interest margin			3.15%			2.90%
Tax-equivalent adjustment / effect						
Net interest income / interest rate spread		(281)	(0.01)%		-	-
Net interest margin			(0.01)%			-
As reported						
Net interest income / interest rate spread		136,369	3.08%		108,717	2.80%
Net interest margin			3.14%			2.90%
Ratio of average interest-earning assets to average interest-bearing liabilities			102.72%			103.14%

(1) Non-performing loans are included in average loan balances.
(2) Loan interest income includes net amortization of deferred fees and costs of approximately $3.1 million and $2.3 million for the nine months ended September 30, 2008 and 2007, 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 table below analyzes the impact of changes in volume (changes in average outstanding balances multiplied by the prior period's interest rate) and changes in interest rates (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.

	Three months ended September 30, 2008 vs. 2007			*Nine months ended September 30, 2008 vs. 2007*		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME						
Short-term investments	$ (117)	(850)	(967)	(1,690)	1,816	126
Investment securities	(1,028)	(1,264)	(2,292)	(1,957)	(1,032)	(2,989)
Commercial loans and commercial mortgages	(11,476)	19,176	7,700	(26,323)	41,047	14,724
Residential mortgages	(26)	123	97	45	258	303
Consumer loans	(676)	170	(506)	(1,393)	(63)	(1,456)
Loans held for sale	(814)	747	(67)	(1,605)	1,350	(255)
Total interest income	(14,137)	18,102	3,965	(32,923)	43,376	10,453
INTEREST EXPENSE						
NOW and interest-bearing checking	140	(33)	107	689	213	902
Money market accounts	(12,452)	2,162	(10,290)	(29,911)	14,737	(15,174)
Time deposits	(2,033)	1,733	(300)	(4,007)	1,715	(2,292)
Total deposits	(14,345)	3,862	(10,483)	(33,229)	16,665	(16,564)
Borrowings	(2,497)	5,087	2,590	(4,495)	3,860	(635)
Total interest expense	(16,842)	8,949	(7,893)	(37,724)	20,525	(17,199)
Net interest income	$ 2,705	9,153	11,858	4,801	22,851	27,652

During the third quarter of 2008, net interest income was $50.1 million, an increase of $11.9 million, or 31.0%, compared to $38.2 million in the third quarter of 2007. The increase was largely driven by increases in average earning assets and average deposits, which increased $908.3 million and $470.5 million, respectively, for the quarter ended September 30, 2008, compared to the same period a year ago. Net interest income for the nine months ended September 30, 2008 was $136.4 million, an increase of $27.7 million or 25.4%, over the comparable period last year. The increase in net interest income was largely driven by increases in average earning assets and average deposits, which increased $779.3 million and $669.1 million, respectively, for the nine months ended September 30, 2008, compared to the same period a year ago. Furthermore, net interest income was positively impacted by an increase in net interest margin primarily due to an increase in loans as a percentage of assets and lower rates paid on deposits and borrowings.

Total average investment securities were $3.09 billion for the quarter ended September 30, 2008, compared to $3.19 billion for the third quarter of 2007. The overall yield on the investment securities portfolio was 4.90% in the current quarter, down 13 basis points from the comparable period a year ago. Total average investment securities were $3.12 billion for the nine months ended September 30, 2008, compared to $3.15 billion for the same period a year ago. The overall yield on the investment securities portfolio for the nine months ended September 30, 2008 was 4.87% compared to 4.95% for the same period last year, a decrease of eight basis points. Our portfolio primarily consists of high quality mortgage-backed securities, collateralized debt obligations and collateralized mortgage obligations issued by government agencies, government-sponsored enterprises, and private issuers. We continue to mitigate extension risk through our overall strategy of purchasing relatively short duration securities that, by their nature, have lower yields. At September 30, 2008, the baseline average duration of our investment securities portfolio was approximately 2.09 years.

Total commercial loans and commercial mortgages averaged $2.58 billion in the third quarter of 2008, an increase of $1.01 billion, or 64.5%, when compared to the third quarter of 2007. The average yield on this portfolio decreased to 5.78%, down 175 basis points from the same period last year. Total commercial loans and commercial mortgages averaged $2.17 billion for the nine months ended September 30, 2008, increasing $728.1 million, or 50.5%, when compared to the first nine months of 2007. The average yield for the nine months ended September 30, 2008 decreased 161 basis points to 5.93% compared to 7.54% for the same period in 2007. The decreases in average yields are mostly due to the decreases in the U.S. prime rate and LIBOR that began in the latter half of 2007 and continued in 2008, as well as an increase in non-performing loans. The lower market interest rates led to an immediate rate reset on most of our variable rate loans.

In order to assist in monitoring and controlling credit risk, we primarily lend to existing clients of our bankers with whom we have or expect to 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.

Average non-interest bearing demand deposits in the third quarter of 2008 were $1.40 billion, an increase of $131.3 million, or 10.3%, when compared to the third quarter of 2007. Non-interest bearing demand deposits continue to comprise a significant component of our deposit mix, representing 28.0% of all deposits at September 30, 2008. Additionally, average NOW and interest-bearing checking and money market accounts totaled $2.92 billion during the third quarter of 2008, an increase of $197.6 million, or 7.3%, when compared to the third quarter of 2007. Core deposits have provided us with a source of stable, low cost funding which has positively affected our net interest margin and income. Additionally, short-term escrow deposits have provided us with low cost funding and have assisted in net interest margin expansion. As a result of a New York State Government-mandated increase in the interest rate paid on Interest on Lawyers Accounts (“IOLA”), our funding cost for NOW and interest-bearing checking accounts increased to 2.11% for the third quarter of 2008 compared to 1.91% in the third quarter of 2007. Our funding cost for money market accounts, however, decreased to 2.32% for the second quarter of 2008 compared to 4.19% in the third quarter of 2007, resulting from a decrease in prevailing market rates driven by declines in the Federal Funds rate and LIBOR.

Average total borrowings increased $439.7 million to $1.18 billion in the third quarter of 2008, compared to $738.5 million during the third quarter of 2007. The average cost of total borrowings was 3.76% and 4.59% for the third quarters of 2008 and 2007, respectively. The increase in average borrowings was driven by the increase in average loans, while the decrease in the average cost of total borrowings is attributable to decreases in prevailing short-term market interest rates.

Provision and Allowance for Loan Losses

Our allowance for loan losses increased $12.7 million, or 69.8%, to $31.0 million at September 30, 2008 from $18.2 million at December 31, 2007. This increase is primarily due to loan portfolio growth combined with an increase in non-accrual and other past due loans, and we believe is reflective of the weakening economic environment. The following table allocates the allowance for loan losses based on our judgment of inherent losses in each respective loan category according to our methodology for allocating reserves.

	September 30, 2008			*December 31, 2007*		
(dollars in thousands)	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**
Loans secured by real estate:						
Commercial property	$ 1,009,133	7,620	0.76%	441,759	3,347	0.76%
Multi-family residential property	565,926	3,144	0.56%	135,834	873	0.64%
1-4 family residential property	237,032	691	0.29%	209,489	447	0.21%
Construction and land	168,029	1,633	0.97%	116,040	851	0.73%
Home equity lines of credit	113,385	163	0.14%	90,023	117	0.13%
Commercial & Industrial Loans	935,800	17,371	1.86%	968,155	12,236	1.26%
Consumer loans	58,087	351	0.60%	66,211	365	0.55%
Total	$ 3,087,392	30,973	1.00%	2,027,511	18,236	0.90%

The provision for loan losses was $5.8 million for the quarter ended September 30, 2008 compared to $2.2 million for the same period last year, an increase of $3.6 million, or 165.8%. For the nine months ended September 30, 2008, the provision for loan losses was $18.2 million compared to $5.3 million for the same period last year, an increase of $12.9 million, or 242.3%. The increases were predominantly driven by the growth in the loan portfolio and the increases in non-performing loans.

In determining the allowance for loan losses, management considers the imprecision inherent in the process of estimating credit losses. A portion of the allowance is based on management's review of factors affecting the determination of probable losses inherent in the portfolio that are not necessarily captured by the application of historical loss experience factors, such as the current regional economic environment.

Non-Interest Income

For the quarter ended September 30, 2008, non-interest income was $3.7 million, a decrease of $3.8 million or 50.5% when compared with the third quarter of 2007. The decline for the quarter was the result of an $8.0 million write down for other than temporary impairment of securities, which was partially offset by an increase of $1.6 million in commissions associated with off-balance sheet money market fund deposits and increased brokerage activities, as well as an increase of $141,000 in fees and service charges related to client expansion. Additionally, net gains on sales of securities and loans increased $2.2 million predominantly attributable to gains on sales of investment securities.

For the nine months ended September 30, 2008, non-interest income increased $1.6 million, or 7.4%, to $23.3 million compared to $21.7 million for the same period last year. The change for the nine month period reflects an increase of $4.9 million in commissions associated with off-balance sheet deposits and increased brokerage activities, as well as an increase of $1.3 million in fees and service charges related to client expansion. The change also includes an increase of $4.7 million in gains on sales of investment securities and loans. These increases were partially offset by write-downs totaling $9.6 million for other than temporary impairment of four securities during the first nine months of 2008.

During the third quarter of 2008, we recognized an $8.0 million other than temporary impairment write-down on a single Lehman Brothers senior debenture with a total amortized cost of $10.0 million prior to the impairment write-down. The security was written down to its estimated fair value of $2.0 million at September 30, 2008, and the impairment write-down was charged to third quarter non-interest income.

During the second quarter of 2008, we recognized a $937,000 other than temporary impairment write-down on one asset-backed security ("ABS") issued in 2004 with a total amortized cost of $1.8 million prior to the impairment write-down. The security was written down to its estimated fair value of $826,000 at June 30, 2008, and the impairment write-down was charged to second quarter non-interest income.

During the first quarter of 2008, we recognized a $703,000 other than temporary impairment write-down on securities, consisting of one CDO issued in 2005 and one ABS issued in 2003 with total amortized costs of $6.0 million and $68,000, respectively, prior to the impairment write-down. The estimated fair values of the CDO and ABS at March 31, 2008 were $5.4 million and zero, respectively, representing declines in value during the quarter of $635,000 on the CDO and $68,000 on the ABS. Both of these securities, which were previously written down in the fourth quarter of 2007, were downgraded to below investment grade giving rise to the further write-down. The securities were written down to their fair values at March 31, 2008 and the impairment write-down totaling $703,000 was charged to first quarter non-interest income.

Non-Interest Expense

Non-interest expense increased $7.2 million, or 28.2%, to $32.8 million for the quarter ended September 30, 2008 from $25.5 million for the comparable quarter last year. This increase was driven by a $4.1 million increase in salaries and benefits primarily attributable to the addition of five private client banking teams, including two large teams, along with an $862,000 increase in occupancy and equipment expenses resulting from the opening of two new offices and the expansion of established offices. Additionally, other general and administrative expenses increased $2.2 million primarily due to a $1.2 million increase in legal fees predominantly related to non-performing loans along with a $420,000 increase in data processing expenses due to additional client activity.

For the nine months ended September 30, 2008, non-interest expense was $92.0 million, an increase of $18.1 million or 24.4% when compared to $74.0 million for the same period last year. This increase was driven by an $11.0 million increase in salaries and benefits mainly attributable to the addition of five private client banking teams, including two large teams, along with a $2.3 million increase in occupancy and equipment expenses due to the opening of two new offices and the expansion of established offices. In addition, other general and administrative expenses increased $4.7 million primarily due to a $1.6 million increase in legal fees mostly related to non-performing loans along with increased client-related expenses, including a $1.0 million increase in data processing expense and a $556,000 increase in FDIC deposit insurance costs.

For 2008, we had an FDIC deposit insurance assessment rate of five basis points, resulting in an expense of $2.3 million for the nine months ended September 30, 2008. Under a plan proposed by the FDIC, which is open for comment until November 17, 2008, the assessment rate would be raised by seven basis points beginning on January 1, 2009, and as a result our 2009 initial base assessment rate would be 12 basis points. If the proposed plan is adopted as is, our FDIC insurance assessment would be approximately $1.6 million per quarter beginning in the first quarter of 2009 based on deposits at September 30, 2008. In addition, the proposed plan would be adjusted upward beginning in the second quarter of 2009 for those institutions with secured borrowings in excess of 15% of domestic deposits. We anticipate this adjustment would raise our total assessment rate to 18 basis points, raising our insurance assessment to approximately $2.3 million per quarter beginning in the second quarter of 2009 based on deposits at September 30, 2008.

The FDIC has also established the Temporary Liquidity Guarantee Program, which includes a Transaction Account Guarantee Program to temporarily provide a full guarantee for funds held at participating FDIC-insured depository institutions in non-interest-bearing transaction accounts above the existing $250,000 deposit insurance limit. Coverage became effective on October 14, 2008 and continues through December 31, 2009. Under the Transaction Account Guarantee Program, participating institutions will be assessed on a quarterly basis an annualized ten basis point assessment on balances in non-interest-bearing accounts that exceed $250,000. Based on deposits at September 30, 2008, we expect that our related assessment will be approximately $210,000 per quarter during the effective period.

Stock-Based Compensation

We account for our 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”). 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. Compensation expense is measured based on grant date fair value and is included in salaries and benefits (non-interest expense).

During the quarter and nine months ended September 30, 2008, we recognized compensation expense of zero and $2,000, respectively, for stock options. As of September 30, 2008, all outstanding options, including those granted to our independent directors in March 2005, were fully vested and exercisable. Accordingly, no additional compensation cost will be expensed for these options.

As of September 30, 2008, there was $16.5 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 6.32 years. During the three and nine months ended September 30, 2008, we recognized compensation expense of $1.2 million and $3.0 million, respectively, for nonvested restricted shares. The total fair value of restricted shares that vested during the three and nine months ended September 30, 2008 was $80,000 and $1.9 million, respectively.

Income Taxes

The provision for income taxes for the quarter ended September 30, 2008 was $6.1 million and consisted of current expense of $11.8 million and a net deferred benefit of $5.8 million. For the three months ended September 30, 2007, the income tax provision was $7.3 million and included $8.6 million of current expense and a net deferred benefit of $1.3 million.

For the nine months ended September 30, 2008, the provision for income taxes was $19.5 million and consisted of current expense of $30.6 million and a net deferred benefit of $11.1 million. For the nine months ended September 30, 2007, the income tax provision was $20.8 million and included $21.1 million of current expense and a net deferred benefit of $296,000.

The decrease in income tax expense for the three and nine month periods ended September 30, 2008 when compared to the same periods last year is primarily due to a decrease in our pre-tax income, along with the higher tax benefits attributable to the growth of our real estate investment trust (“REIT”) subsidiary established in February 2007. Our effective tax rates for the three and nine month periods ended September 30, 2008 were 39.8% and 39.5%, respectively, compared to 40.4% and 40.7% for the same periods last year, reflecting the growth of our REIT. The differences between these percentages and the 35% statutory U.S. Federal rate are primarily attributable to state and local income taxes.

In April 2007, the State of New York enacted new tax legislation effective for the calendar tax year beginning January 1, 2007 that included, for companies with assets in excess of $8 billion, a four-year phase out of the tax benefit received on income from REIT subsidiaries. In April 2008, this legislation was subsequently upheld in the New York State budget enacted for fiscal year 2008-2009. Based on our current asset size and anticipated growth, we do not expect this legislation to materially impact our 2008 or 2009 income tax expense. The legislation would, however, increase our effective tax rate if our assets at December 31, 2009 exceed $8.0 billion.

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 securities 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 September 30, 2008, our total securities portfolio was $3.02 billion compared to $3.15 billion at December 31, 2007. Our portfolio primarily consists of mortgage-backed securities and collateralized mortgage obligations issued by U.S. Government agencies ($138.9 million), government-sponsored enterprises ($1.83 billion), and private issuers ($603.5 million). 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 and home equity collateralized securities and collateralized debt obligations. Overall, approximately 91% of our securities portfolio had a AAA credit rating and 98% had a credit rating of A or better, as of September 30, 2008.

Unrealized depreciation on AFS securities, net of tax effect, increased from $18.1 million at December 31, 2007 to $57.2 million at September 30, 2008, as reflected in accumulated other comprehensive loss. The increase in unrealized depreciation reflects wider credit spreads on securities and reduced levels of liquidity in the mortgage and credit markets. At September 30, 2008, we owned bank pooled trust preferred securities with a current book value of $36.9 million and a fair value of $21.5 million. We continue to closely monitor these securities and believe the recent declines in market value are temporary. We have the positive intent and ability to hold these securities for a sufficient period of time, until maturity if necessary, to allow for a full recovery of our investment. At September 30, 2008, all of these securities have projected cash flows in excess of future contractual principal and interest payments. In the event these securities are downgraded below investment grade (BBB-) or there is an adverse change in expected cash flows based on market participant assumptions, we will reconsider the need to recognize other than temporary impairment at that time.

During the third quarter of 2008, we recognized an $8.0 million other than temporary impairment write-down on a single Lehman Brothers senior debenture with a total amortized cost of $10.0 million prior to the impairment write-down. The security was written down to its estimated fair value of $2.0 million at September 30, 2008, and the impairment write-down was charged to third quarter non-interest income.

During the second quarter of 2008, we recognized a $937,000 other than temporary impairment write-down on one asset-backed security ("ABS") issued in 2004 with a total amortized cost of $1.8 million prior to the impairment write-down. The security was written down to its estimated fair value of $826,000 at June 30, 2008, and the impairment write-down was charged to second quarter non-interest income.

During the first quarter of 2008, we recognized a $703,000 other than temporary impairment write-down on securities, consisting of one CDO issued in 2005 and one ABS issued in 2003 with total amortized costs of $6.0 million and $68,000, respectively, prior to the impairment write-down. The estimated fair values of the CDO and ABS at March 31, 2008 were $5.4 million and zero, respectively, representing declines in value during the quarter of $635,000 on the CDO and $68,000 on the ABS. Both of these securities, which were previously written down in the fourth quarter of 2007, were downgraded to below investment grade giving rise to the further write-down. The securities were written down to their fair values at March 31, 2008 and the impairment write-down totaling $703,000 was charged to first quarter non-interest income. All principal and interest payments have been made to date in accordance with the terms of each security written down during 2008 with the exception of the Lehman Brothers senior debenture. Additionally, we have not recognized any discount accretion in income during 2008 with respect to debt securities for which impairment write-downs were recognized in 2008 or 2007.

During the fourth quarter of 2007, the Bank recognized other than temporary write-downs totaling $21.4 million on securities, consisting of six CDOs issued in 2004-2005 and six 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. As of September 30, 2008, all principal and interest payments had been made to date in accordance with the terms of each security. Although the securities had 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 fair values at December 31, 2007 and the impairment write-down totaling $21.4 million was charged to fourth quarter 2007 non-interest income.

At September 30, 2008, the investment portfolio had a weighted average duration of 2.09 years and a weighted average life of 3.07 years. The estimated effect of possible changes in interest rates on our earnings and equity is discussed in "Item 3. Quantitative and Qualitative Disclosures About Market Risk."

Loan Portfolio

The following table presents information regarding the composition of our loan portfolio, including loans held for sale, as of September 30, 2008 and December 31, 2007:

	September 30, 2008		*December 31, 2007*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Loans secured by real estate:				
Commercial property	$ 1,009,133	30.81%	441,759	20.16%
Multi-family residential property	565,926	17.28%	135,834	6.20%
1-4 family residential property	237,682	7.26%	209,489	9.56%
Construction and land	168,029	5.13%	116,040	5.30%
Home equity lines of credit	113,385	3.46%	90,023	4.11%
Other loans:				
Commercial and industrial	935,800	28.56%	966,428	44.10%
Commercial - SBA guaranteed portion	187,712	5.73%	165,613	7.55%
Consumer	58,087	1.77%	66,211	3.02%
Sub-total / Total	3,275,754	100.00%	2,191,397	100.00%
Premiums, deferred fees and costs	6,674		6,548	
Total	$ 3,282,428		2,197,945	

Total loans increased by $1.08 billion to $3.28 billion at September 30, 2008, from $2.20 billion at December 31, 2007. Our total loan-to-deposit ratio, excluding loans held for sale, increased to 62.1% at September 30, 2008, from 44.9% at December 31, 2007. The increase in loans reflects the overall increase in private client banking teams and related client growth, combined with the lending activities of a seasoned team of banking and real estate professionals that we hired in the fourth quarter of 2007. The loan growth during 2008 was primarily driven by growth in loans secured by commercial real estate and multi-family residential property. We continue to predominantly restrict lending to existing clients in our market area with whom we have or expect to have deposit and/or brokerage relationships to assist us in monitoring and controlling credit risk. Although we expect the loan portfolio to continue growing for the foreseeable future, we do not expect the portfolio to grow quite as rapidly as year-to-date 2008.

Net Deferred Tax Asset

At September 30, 2008, in accordance with SFAS No. 109, *Accounting for Income Taxes*, and after considering all available positive and negative evidence, management concluded that a valuation allowance was not necessary because it was more likely than not that the deferred tax assets would be realized. 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.

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.

At September 30, 2008, net deferred tax assets were $76.5 million, primarily consisting of $45.3 million related to the unrealized loss on AFS securities, $13.7 million related to the write-down for other than temporary impairment of securities, and $13.2 million related to the allowance for loan losses. Net deferred tax assets at December 31, 2007 totaled $34.7 million, of which $14.3 million related to the unrealized loss on AFS securities, $9.5 million related to the write-down for other than temporary impairment of securities, and $7.8 million related to the allowance for loan losses.

Deposits

The market for deposits continues to be very competitive. We primarily focus our deposit gathering efforts in the greater New York metropolitan area market with money center banks, regional banks and community banks as our primary competitors. We distinguish ourselves from competitors by focusing only 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. 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 September 30, 2008, we maintained approximately 47,700 deposit accounts representing approximately $4.97 billion in total deposits, compared to approximately 44,000 accounts and $4.51 billion in total deposits at December 31, 2007. During the first nine months of 2008, total deposits reflect movements of short-term escrow deposits, which totaled $163.3 million and $145.5 million at September 30, 2008 and December 31, 2007, respectively. The majority of short-term escrows outstanding at September 30, 2008, due to their nature, are expected to be released during the fourth quarter of 2008. Excluding the short-term escrow deposits at December 31, 2007 and at September 30, 2008, total deposits increased approximately $435.6 million during the first nine months of 2008 as a result of deposit gathering efforts by our established private client teams.

We had expected to grow deposits at a faster pace in the third quarter of 2008. The current national and global economic crisis, however, when combined with the U.S. Treasury's actions to guarantee the liquidity of the financial services industry, has created a view held by some depositors that the large banks with whom we compete are too large to fail. As a result, our deposit growth may be affected in future quarters.

The following tables set forth information regarding the composition of our deposits and deposit products as of September 30, 2008 and December 31, 2007:

	September 30, 2008		*December 31, 2007*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts (1)	$ 139,026	2.80%	$ 171,083	3.79%
Business demand deposit accounts (1)	1,251,287	25.20%	1,127,485	24.99%
Rent security	20,447	0.41%	16,339	0.36%
Personal NOW	33,566	0.68%	35,681	0.79%
Business NOW	237,826	4.79%	271,550	6.02%
Personal money market accounts	519,754	10.47%	454,457	10.07%
Business money market accounts	2,253,564	45.38%	2,103,660	46.63%
Personal time deposits	111,514	2.25%	67,179	1.49%
Business time deposits	398,327	8.02%	264,456	5.86%
Total	$ 4,965,311	100.00%	$ 4,511,890	100.00%
Demand deposit accounts (1)	$ 1,390,313	28.00%	$ 1,298,568	28.78%
NOW	271,392	5.47%	307,231	6.81%
Money market accounts	2,793,765	56.26%	2,574,456	57.06%
Time deposits	509,841	10.27%	331,635	7.35%
Total	$ 4,965,311	100.00%	$ 4,511,890	100.00%
Personal	$ 803,860	16.20%	$ 728,400	16.14%
Business	4,161,451	83.80%	3,783,490	83.86%
Total	$ 4,965,311	100.00%	$ 4,511,890	100.00%

(1) Non-interest-bearing.

Borrowings

At September 30, 2008, our borrowings were $1.08 billion, or 17.9% of our funding liabilities, compared to $816.9 million, or 15.3% of our funding liabilities, at December 31, 2007. These borrowings are collateralized by our mortgage-backed and collateralized mortgage obligation securities. We also hold $18.4 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 $826.4 million at September 30, 2008.

The following table shows the maturity of our borrowings at September 30, 2008:

(in thousands)

Maturity or repricing period:

3 months or less	**3 - 12 months**	**1 - 3 years**	**Over 3 years**	**Total**
$ 197,103	50,000	347,000	490,000	1,084,103

Credit Quality

Non-performing assets consist of non-performing loans totaling $30.8 million at September 30, 2008, compared to $18.6 million at December 31, 2007 and $29.1 million at June 30, 2008, and a single Lehman Brothers senior debenture with a fair value of $2.0 million at September 30, 2008, which became impaired during the third quarter.

The non-performing loan balance at September 30, 2008 primarily consisted of two commercial and industrial loans and one commercial real estate loan, which total $24.1 million. Each of these credits was impacted by events specific to them that do not appear to be indicative of the current economic environment. Furthermore, each of these non-accrual loans is being actively managed by the Bank and the allowance for loan losses includes a specific allocation for each of them. We charged off $2.0 million on one of the three loans during the third quarter of 2008. In October 2008, the remaining $3.0 million of this loan was satisfied, as we received a cash payment of $2.0 million and a $1.0 million note from a new borrower. The $1.0 million note was subsequently paid down by $850,000 in late October.

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 September 30, 2008 and December 31, 2007 totaled $104,000 and $107,000, 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 September 30, 2008, there were $3.9 million of loans 90 days past due and still accruing compared to $4.0 million at December 31, 2007.

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.

The following table summarizes our asset quality:

(dollars in thousands)	**September 30, 2008**	**June 30, 2008**	**December 31, 2007**	**September 30, 2007**
Non-performing loans	$ 30,824	$ 29,097	$ 18,559	$ 2,620
Allowance for loan losses	$ 30,973	$ 27,820	$ 18,236	$ 13,613
Allowance for loan losses to non-performing loans	100.48%	95.61%	98.26%	519.58%
Allowance for loan losses to total loans	1.00%	1.03%	0.90%	0.72%
Non-performing loans to total loans	1.00%	1.07%	0.92%	0.14%
Quarterly net charge-offs to average loans (annualized)	0.36%	0.23%	0.47%	0.17%

Fair Value of Financial Instruments

Our AFS securities, which represent $2.78 billion of the Company's total assets at September 30, 2008, are carried at fair value. Held-for-sale loans are carried at the lower of cost or fair value.

Where available, fair value of AFS securities is based upon valuations obtained from third-party pricing sources. In order to ensure the fair valuations obtained are appropriate, we typically compare data from two or more independent third-party pricing sources. If there is a large price discrepancy between the two pricing sources for an individual security, we utilize industry market spread data to assist in determining the most appropriate valuation.

Our AFS securities portfolio includes CDOs with a fair value of $11.2 million at September 30, 2008, for which external price information is not available. To determine the appropriate fair valuation for these instruments, we utilize unadjusted ABX and CMBX index data as observable inputs to value the specific collateral composition. In order to ensure the fair valuations obtained are appropriate, we compare the collateral valuation to cash flow models that use readily observable inputs such as yield curves, interest rates, volatilities, and credit curves.

On January 1, 2008, we adopted SFAS 157, which established a three-level valuation hierarchy for disclosure of fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Therefore, for assets classified in Level 1 and 2 of the hierarchy where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within Level 3 of the hierarchy, judgments are more significant.

We believe our valuation methods are appropriate and consistent with other market participants; however, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. For further discussion of the determination of fair value under SFAS 157, see Note 3 to our Consolidated Financial Statements.

Contractual Obligations

The following table sets forth our significant contractual obligations as of September 30, 2008:

	Payments due by period					
(in thousands)		Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Information technology contract	$	3,217	6,825	6,436	-	16,478
Borrowings		247,103	347,000	295,000	195,000	1,084,103
Operating leases		9,535	19,580	19,604	33,543	82,262
Total contractual cash obligations	$	259,855	373,405	321,040	228,543	1,182,843

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 our commitments and contingent liabilities are as follows:

(in thousands)		September 30, 2008	December 31, 2007
Unused commitments to extend credit	$	625,078	548,664
Financial standby letters of credit		219,957	189,279
Commercial and similar letters of credit		10,487	9,386
Other		840	769
Total	$	856,362	748,098

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 September 30, 2008 and December 31, 2007, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of $651,000 and $619,000, respectively.

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. We have not established a liability for credit losses on standby letters of credit at September 30, 2008 and December 31, 2007 based on a review of relevant factors.

At September 30, 2008 and December 31, 2007, we had commitments to sell residential mortgage loans and SBA loans totaling $8.1 million and $2.9 million, respectively.

Capital Resources

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

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 September 30, 2008:						
Total capital (to risk-weighted assets)	$ 655,417	16.11%	325,377	8.00%	406,721	10.00%
Tier 1 capital (to risk-weighted assets)	624,444	15.35%	162,688	4.00%	244,032	6.00%
Tier 1 leverage capital (to average assets)	624,444	9.64%	259,071	4.00%	323,838	5.00%
As of December 31, 2007						
Total capital (to risk-weighted assets)	$ 461,721	15.43%	239,407	8.00%	299,259	10.00%
Tier 1 capital (to risk-weighted assets)	443,485	14.82%	119,704	4.00%	179,555	6.00%
Tier 1 leverage capital (to average assets)	443,485	7.75%	228,758	4.00%	285,948	5.00%

Our capital as of September 30, 2008 includes $148.0 million added through the Public Offering of common stock completed on September 12, 2008. The net proceeds have been used to date for the repayment of short-term borrowings and funding of new loans.

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.

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. Also, we have repurchase agreement lines with several leading financial institutions totaling $1.86 billion. At September 30, 2008, we had $627.0 million of securities sold under repurchase agreements to five of these institutions.

Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and with the FHLB, and the amount of securities available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $826.4 million as of September 30, 2008.

Item 3. 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 September 30, 2008, 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 basis points.

The following table indicates the sensitivity of projected annualized net interest income to the interest rate movements described above at September 30, 2008:

(dollars in thousands)	**Adjusted Net Interest Income**	**Percentage Change from Base**
Interest Rate Scenario:		
Up 200 basis points	$ 196,446	(3.18)
Up 100 basis points	205,701	1.38
Base	202,897	-
Down 100 basis points	194,179	(4.30)

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 September 30, 2008, 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 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	$	(129,774)	(16.79)
Up 100 basis points		(40,964)	(5.30)
Down 100 basis points		(13,646)	(1.77)

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

Item 4. Controls and Procedures

(a) *Disclosure Controls and Procedures*. The Company's management, with the participation of the Company's Principal Executive Officer and Principal Financial and Accounting 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.

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

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

PART II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

See "Risk Factors" in Part I -- Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2007 for information on risk factors. We do not believe there were any material changes in the status of our risk factors from those described in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 12, 2008, we completed a public offering of 5,400,000 shares of common stock and received total net proceeds of $148.0 million. The offering was conducted in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933. Friedman, Billings, Ramsey Group, Inc., Oppenheimer & Co. Inc., and Sandler O'Neill + Partners, L.P., acted as managing underwriters. Our total expenses for the Public Offering were approximately $8.4 million. The net proceeds have been used to date for the repayment of short-term borrowings and funding of new loans.

During the third quarter of 2008, we issued an aggregate of 4,283 shares of our common stock from the exercise of options and the vesting of restricted shares pursuant to our Amended and Restated 2004 Equity Incentive Plan in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933. The aggregate consideration received through the exercise of 2,033 options was $31,512. The proceeds were used for general corporate purposes.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) The following exhibits are submitted herewith:

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

Signatures

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

Date: November 7, 2008

Signature Bank

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

/s/ ERIC R. HOWELL
Eric R. Howell
Senior Vice President and
Chief Financial Officer (principal accounting officer)

Exhibit 31.1

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

I, Joseph J. DePaolo, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2008

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

Exhibit 31.2

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

I, Eric R. Howell, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2008

By: /s/ ERIC R. HOWELL
Eric R. Howell
Senior Vice President and Chief Financial Officer
(principal accounting 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

In connection with the Quarterly Report of Signature Bank (the "Company") on Form 10-Q for the period ending September 30, 2008, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), I, Joseph J. DePaolo, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

November 7, 2008

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

Exhibit 32.2

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

In connection with the Quarterly Report of Signature Bank (the "Company") on Form 10-Q for the period ending September 30, 2008, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), I, Eric R. Howell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

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

November 7, 2008

/s/ ERIC R. HOWELL
Eric R. Howell
Senior Vice President and
Chief Financial Officer (principal
accounting officer)