FLUSHING FINANCIAL CORP
Form 10-Q
May 06, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2016**

Commission file number **001-33013**

FLUSHING FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

11-3209278

(I.R.S. Employer Identification No.)

220 RXR Plaza, Uniondale, New York 11556

(Address of principal executive offices)

(718) 961-5400

(Registrant'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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). _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.

Large accelerated filer __ Accelerated filer _X_

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 Act). ___Yes _X_ No

The number of shares of the registrant’s Common Stock outstanding as of April 30, 2016 was 28,969,566.

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Consolidated Statements of Financial Condition

(Unaudited)

Item 1. Financial Statements

(Dollars in thousands, except per share data)	March 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks	$51,417	$42,363
Securities held-to-maturity:		
Other securities (none pledged) (fair value of $7,885 and $6,180 at March 31, 2016 and December 31, 2015, respectively)	7,885	6,180
Securities available for sale:		
Mortgage-backed securities (including assets pledged of $523,749 and $496,121 at March 31, 2016 and December 31, 2015, respectively; $2,403 and $2,527 at fair value pursuant to the fair value option at March 31, 2016 and December 31, 2015, respectively.)	668,412	668,740
Other securities (including assets pledged of $74,885 and none at March 31, 2016 and December 31, 2015, respectively; $28,361 and $28,205 at fair value pursuant to the fair value option at March 31, 2016 and December 31, 2015, respectively)	372,851	324,657
Loans:		
Multi-family residential	2,039,794	2,055,228
Commercial real estate	1,058,028	1,001,236
One-to-four family mixed-use property	571,846	573,043
One-to-four family residential	191,158	187,838
Co-operative apartments	8,182	8,285
Construction	7,472	7,284
Small Business Administration	14,701	12,194
Taxi medallion	20,757	20,881
Commercial business and other	531,322	506,622
Net unamortized premiums and unearned loan fees	15,281	15,368
Allowance for loan losses	(21,993)	(21,535)
Net loans	4,436,548	4,366,444
Interest and dividends receivable	19,369	18,937
Bank premises and equipment, net	25,130	25,622
Federal Home Loan Bank of New York stock	53,368	56,066

Bank owned life insurance	114,405	115,536
Goodwill	16,127	16,127
Other assets	47,555	63,962
Total assets	$5,813,067	$5,704,634
LIABILITIES		
Due to depositors:		
Non-interest bearing	$280,450	$269,469
Interest-bearing:		
Certificate of deposit accounts	1,362,062	1,403,302
Savings accounts	268,057	261,748
Money market accounts	485,774	472,489
NOW accounts	1,610,932	1,448,695
Total interest-bearing deposits	3,726,825	3,586,234
Mortgagors' escrow deposits	56,612	36,844
Borrowed funds ($27,977 and $29,018 at fair value pursuant to the fair value option at March 31, 2016 and December 31, 2015, respectively)	1,074,789	1,155,676
Securities sold under agreements to repurchase	116,000	116,000
Other liabilities	70,612	67,344
Total liabilities	5,325,288	5,231,567
Commitments and contingencies (Note 5)		
STOCKHOLDERS' EQUITY		
Preferred stock ($0.01 par value; 5,000,000 shares authorized; None issued)	-	-
Common stock ($0.01 par value; 100,000,000 shares authorized; 31,530,595 shares issued at March 31, 2016 and December 31, 2015; 28,986,566 shares and 28,830,558 shares outstanding at March 31, 2016 and December 31, 2015, respectively)	315	315
Additional paid-in capital	211,735	210,652
Treasury stock, at average cost (2,544,029 shares and 2,700,037 shares at March 31, 2016 and December 31, 2015, respectively)	(46,307)	(48,868)
Retained earnings	320,725	316,530
Accumulated other comprehensive income (loss), net of taxes	1,311	(5,562)
Total stockholders' equity	487,779	473,067
Total liabilities and stockholders' equity	$5,813,067	$5,704,634

The accompanying notes are an integral part of these consolidated financial statements

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PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)

(Dollars in thousands, except per share data)	For the three months ended March 31, 2016	2015
Interest and dividend income		
Interest and fees on loans	$47,558	$43,534
Interest and dividends on securities:		
Interest	6,592	5,870
Dividends	119	118
Other interest income	94	21
Total interest and dividend income	54,363	49,543
Interest expense		
Deposits	7,973	7,458
Other interest expense	5,257	4,531
Total interest expense	13,230	11,989
Net interest income	41,133	37,554
Benefit for loan losses	-	(734)
Net interest income after benefit for loan losses	41,133	38,288
Non-interest income		
Banking services fee income	976	884
Net gain on sale of loans	341	2
Net loss from fair value adjustments	(987)	(595)
Federal Home Loan Bank of New York stock dividends	623	518
Gain from life insurance proceeds	411	-
Bank owned life insurance	695	717
Other income	481	404
Total non-interest income	2,540	1,930
Non-interest expense		
Salaries and employee benefits	16,261	14,666
Occupancy and equipment	2,370	2,713
Professional services	2,150	1,779
FDIC deposit insurance	904	749
Data processing	1,091	1,075
Depreciation and amortization	1,032	668
Other real estate owned/foreclosure expense	153	520

Other operating expenses	4,536	3,769
Total non-interest expense	28,497	25,939
Income before income taxes	15,176	14,279
Provision for income taxes		
Federal	4,747	4,252
State and local	868	1,294
Total taxes	5,615	5,546
Net income	$9,561	$8,733
Basic earnings per common share	$0.33	$0.30
Diluted earnings per common share	$0.33	$0.30
Dividends per common share	$0.17	$0.16

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)	For the three months ended March 31, 2016	2015
Net income	$9,561	$8,733
Other comprehensive income, net of tax:		
Amortization of actuarial losses, net of taxes of ($83) and ($133) for the three months ended March 31, 2016 and 2015, respectively	109	174
Amortization of prior service credits, net of taxes of $5 and $5 for the three months ended March 31, 2016 and 2015, respectively	(6)	(6)
Net unrealized gains on securities, net of taxes of ($5,028) and ($3,293) for the three months ended March 31, 2016 and 2015, respectively	6,770	4,332
Total other comprehensive income, net of tax	6,873	4,500
Comprehensive income	$16,434	$13,233

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)	For the three months ended March 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$9,561	$8,733
Adjustments to reconcile net income to net cash provided by operating activities:		
Benefit for loan losses	-	(734)
Depreciation and amortization of bank premises and equipment	1,032	668
Amortization of premium, net of accretion of discount	2,189	2,143
Net loss from fair value adjustments	987	595
Net gain from sale of loans	(341)	(2)
Income from bank owned life insurance	(695)	(717)
Gain from life insurance proceeds	(411)	-
Stock-based compensation expense	2,989	2,778
Deferred compensation	(1,774)	(1,392)
Excess tax benefit from stock-based payment arrangements	(303)	(318)
Deferred income tax provision	1,570	1,925
Decrease in other liabilities	(2,006)	(4,403)
Decrease in other assets	3,798	3,336
Net cash provided by operating activities	16,596	12,612
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of bank premises and equipment	(540)	(5,229)
Net (purchases) redemptions of Federal Home Loan Bank of New York shares	2,698	(3,564)
Purchases of securities held-to-maturity	(2,330)	-
Proceeds from maturities of securities held-to-maturity	2,000	-
Purchases of securities available for sale	(58,472)	(48,962)
Proceeds from maturities and prepayments of securities available for sale	21,316	31,019
Proceeds from bank owned life insurance	2,237	-
Net originations of loans	(53,836)	(59,071)
Purchases of loans	(12,000)	(111,296)
Proceeds from sale of real estate owned	853	1,594
Proceeds from sale of loans	5,915	1,522
Net cash used in investing activities	(92,159)	(193,987)
CASH FLOWS FROM FINANCING ACTIVITIES		

Net increase (decrease) in non-interest bearing deposits	10,981	(5,750)
Net increase in interest-bearing deposits	140,370	84,816
Net increase in mortgagors' escrow deposits	19,768	18,222
Net proceeds (repayments) from short-term borrowed funds	(90,000)	41,500
Proceeds from long-term borrowings	81,758	47,706
Repayment of long-term borrowings	(71,727)	(10,000)
Purchases of treasury stock	(1,885)	(3,876)
Excess tax benefit from stock-based payment arrangements	303	318
Proceeds from issuance of common stock upon exercise of stock options	19	-
Cash dividends paid	(4,970)	(4,722)
Net cash provided by financing activities	84,617	168,214
Net increase (decrease) in cash and cash equivalents	9,054	(13,161)
Cash and cash equivalents, beginning of period	42,363	34,265
Cash and cash equivalents, end of period	$51,417	$21,104
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	$12,921	$11,948
Income taxes paid	1,000	1,596
Taxes paid if excess tax benefits were not tax deductible	1,303	1,914
Non-cash activities:		
Securities purchased not yet settled	1,375	9,877
Loans transferred to Other Real Estate Owned	533	483
Loans provided for the sale of Other Real Estate Owned	-	175

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the three months ended March 31, 2016 and 2015

(Unaudited)

(Dollars in thousands, except per share data)	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2015	$473,067	$ 315	$210,652	$316,530	$(48,868)	$ (5,562)
Net Income	9,561	-	-	9,561	-	-
Award of common shares released from Employee Benefit Trust (129,831 shares)	1,851	-	1,851	-	-	-
Vesting of restricted stock unit awards (245,111 shares)	-	-	(4,047)	(396)	4,443	-
Exercise of stock options (18,200 shares)	19	-	16	-	3	-
Stock-based compensation expense	2,960	-	2,960	-	-	-
Stock-based income tax benefit	303	-	303	-	-	-
Purchase of treasury shares (15,300 shares)	(303)	-	-	-	(303)	-
Repurchase of shares to satisfy tax obligation (76,656 shares)	(1,582)	-	-	-	(1,582)	-
Dividends on common stock ($0.17 per share)	(4,970)	-	-	(4,970)	-	-
Other comprehensive income	6,873	-	-	-	-	6,873
Balance at March 31, 2016	$487,779	$ 315	$211,735	$320,725	$(46,307)	$ 1,311
Balance at December 31, 2014	$456,247	$ 315	$206,437	$289,623	$(37,221)	$ (2,907)
Net Income	8,733	-	-	8,733	-	-
Award of common shares released from Employee Benefit Trust (136,114 shares)	1,917	-	1,917	-	-	-
Vesting of restricted stock unit awards (204,110 shares)	-	-	(3,074)	(503)	3,577	-
Exercise of stock options (1,100 shares)	-	-	1	-	(1)	-
Stock-based compensation expense	2,769	-	2,769	-	-	-
Stock-based income tax benefit	318	-	318	-	-	-
Purchase of treasury shares (142,315 shares)	(2,766)	-	-	-	(2,766)	-
	(1,110)	-	-	-	(1,110)	-

Repurchase of shares to satisfy tax obligation (58,461 shares)						
Dividends on common stock ($0.16 per share)	(4,722)	-	-	(4,722)	-	-
Other comprehensive income	4,500	-	-	-	-	4,500
Balance at March 31, 2015	$465,886	$ 315	$208,368	$293,131	$(37,521)	$ 1,593

The accompanying notes are an integral part of these consolidated financial statements.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

The primary business of Flushing Financial Corporation (the "Holding Company"), a Delaware corporation, is the operation of its wholly-owned subsidiary, Flushing Bank (the "Bank").

The unaudited consolidated financial statements presented in this Quarterly Report on Form 10-Q ("Quarterly Report") include the collective results of the Holding Company and its direct and indirect wholly-owned subsidiaries, including the Bank, Flushing Preferred Funding Corporation, Flushing Service Corporation, and FSB Properties Inc., which are collectively herein referred to as "we," "us," "our" and the "Company."

The Holding Company also owns Flushing Financial Capital Trust II, Flushing Financial Capital Trust III, and Flushing Financial Capital Trust IV (the "Trusts"), which are special purpose business trusts. The Trusts are not included in the Company's consolidated financial statements as the Company would not absorb the losses of the Trusts if any losses were to occur.

The accompanying unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and general practices within the banking industry. The information furnished in these interim statements reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for such presented periods of the Company. Such adjustments are of a normal recurring nature, unless otherwise disclosed in this Quarterly Report. All inter-company balances and transactions have been eliminated in consolidation. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for the full year.

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Quarterly Report on Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited consolidated interim financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Estimates that are particularly susceptible to change in the near term are used in connection with the determination of the allowance for loan losses ("ALLL"), the evaluation of goodwill for impairment, the review of the need for a valuation allowance of the Company's deferred tax assets, the fair value of financial instruments including the evaluation of other-than-temporary impairment ("OTTI") on securities. Actual results could differ from these estimates.

3. Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the total weighted average number of common shares outstanding, which includes unvested participating securities. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and as such are included in the calculation of earnings per share. The Company's unvested restricted stock unit awards are considered participating securities. Therefore, weighted average common shares outstanding used for computing basic earnings per common share includes common shares outstanding plus unvested restricted stock unit awards. The computation of diluted earnings per share includes the additional dilutive effect of stock options outstanding and other common stock equivalents during the period. Common stock equivalents that are anti-dilutive are not included in the computation of diluted earnings per common share. The numerator for calculating basic and diluted earnings per common share is net income available to common shareholders. The shares held in the Company's Employee Benefit Trust are not included in shares outstanding for purposes of calculating earnings per common share.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Earnings per common share have been computed based on the following:

(Dollars in thousands, except per share data)	For the three months ended March 31, 2016	2015
Net income, as reported	$9,561	$8,733
Divided by:		
Weighted average common shares outstanding	29,097	29,397
Weighted average common stock equivalents	14	22
Total weighted average common shares outstanding and common stock equivalents	29,111	29,419
Basic earnings per common share	$0.33	$0.30
Diluted earnings per common share (1)	$0.33	$0.30
Dividend payout ratio	51.5 %	53.3 %

(1) For the three months ended March 31, 2016 and 2015, there were no stock options that were anti-dilutive.

4. Debt and Equity Securities

The Company's investments in equity securities that have readily determinable fair values and all investments in debt securities are classified in one of the following three categories and accounted for accordingly: (1) trading securities, (2) securities available for sale and (3) securities held-to-maturity.

The Company did not hold any trading securities at March 31, 2016 and December 31, 2015. Securities available for sale are recorded at fair value. Securities held-to-maturity are recorded at amortized cost.

The following table summarizes the Company's portfolio of securities held-to-maturity at March 31, 2016:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(In thousands)			
Securites held-to-maturity:				
Municipals	$7,885	$7,885	$ -	$ -
Total	$7,885	$7,885	$ -	$ -

The following table summarizes the Company's portfolio of securities held-to-maturity at December 31, 2015:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(In thousands)			
Securites held-to-maturity:				
Municipals	$6,180	$6,180	$ -	$ -
Total	$6,180	$6,180	$ -	$ -

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

The following table summarizes the Company’s portfolio of securities available for sale at March 31, 2016:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(In thousands)			
Corporate	$115,993	$111,399	$ 592	$ 5,186
Municipals	127,023	131,869	4,846	-
Mutual funds	21,507	21,507	-	-
Collateralized loan obligations	101,613	100,926	33	720
Other	7,154	7,150	-	4
Total other securities	373,290	372,851	5,471	5,910
REMIC and CMO	462,677	470,194	8,107	590
GNMA	10,832	11,122	325	35
FNMA	167,229	170,511	3,543	261
FHLMC	16,351	16,585	234	-
Total mortgage-backed securities	657,089	668,412	12,209	886
Total securities available for sale	$1,030,379	$1,041,263	$ 17,680	$ 6,796

Mortgage-backed securities shown in the table above includes one private issue collateralized mortgage obligation (“CMO”) that is collateralized by commercial real estate mortgages with amortized cost and market value of $7.6 million at March 31, 2016.

The following table summarizes the Company’s portfolio of securities available for sale at December 31, 2015:

	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
	(In thousands)			

Corporate	$115,976	$111,674	$ 134	$ 4,436
Municipals	127,696	131,583	3,887	-
Mutual funds	21,290	21,290	-	-
Collateralized loan obligations	53,225	52,898	-	327
Other	7,214	7,212	-	2
Total other securities	325,401	324,657	4,021	4,765
REMIC and CMO	469,987	469,936	3,096	3,147
GNMA	11,635	11,798	302	139
FNMA	170,327	170,057	1,492	1,762
FHLMC	16,961	16,949	87	99
Total mortgage-backed securities	668,910	668,740	4,977	5,147
Total securities available for sale	$994,311	$993,397	$ 8,998	$ 9,912

Mortgage-backed securities shown in the table above includes one private issue CMO that is collateralized by commercial real estate mortgages with an amortized cost and market value of $7.7 million at December 31, 2015.

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

The following table details the amortized cost and fair value of the Company's securities classified as held-to-maturity at March 31, 2016, by contractual maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In thousands)	
Due in one year or less	$6,845	$6,845
Due after one year through five years	1,040	1,040
Total securities held-to-maturity	$7,885	$7,885

The amortized cost and fair value of the Company's securities, classified as available for sale at March 31, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In thousands)	
Due in one year or less	$5,993	$6,003
Due after one year through five years	1,825	1,855
Due after five years through ten years	74,821	74,261
Due after ten years	269,144	269,225
Total other securities	351,783	351,344
Mutual funds	21,507	21,507
Mortgage-backed securities	657,089	668,412
Total securities available for sale	$1,030,379	$1,041,263

The following table shows the Company's available for sale securities with gross unrealized losses and their fair value, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2016:

		Total		Less than 12 months		12 months or more	
	Count	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
		(Dollars in thousands)					
Corporate	11	$74,813	$ 5,186	$56,128	$ 3,871	$18,685	$ 1,315
Collateralized loan obligations	9	72,328	720	72,328	720	-	-
Other	1	296	4	-	-	296	4
Total other securities	21	147,437	5,910	128,456	4,591	18,981	1,319
REMIC and CMO	10	49,379	590	13,733	60	35,646	530
GNMA	1	6,786	35	-	-	6,786	35
FNMA	4	26,415	261	-	-	26,415	261
Total mortgage-backed securities	15	82,580	886	13,733	60	68,847	826
Total securities available for sale	36	$230,017	$ 6,796	$142,189	$ 4,651	$87,828	$ 2,145

PART I – FINANCIAL INFORMATION

FLUSHING FINANCIAL CORPORATION and SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

The following table shows the Company's available for sale securities with gross unrealized losses and their fair value, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2015:

		Total		Less than 12 months		12 months or more	
	Count	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
		(Dollars in thousands)					
Corporate	12	$85,563	$ 4,436	$76,218	$ 3,782	$9,345	$ 654
Collateralized loan obligations	7	52,898	327	52,898	327	-	-
Other	1	298	2	-	-	298	2
Total other securities	20	138,759	4,765	129,116	4,109	9,643	656
REMIC and CMO	33	238,132	3,147	182,010	1,642	56,122	1,505
GNMA	1	6,977	139	6,977	139	-	-
FNMA	20	102,225	1,762	75,769	1,043	26,456	719
FHLMC	3	14,715	99	14,715	99	-	-
Total mortgage-backed securities	57	362,049	5,147	279,471	2,923	82,578	2,224
Total securities available for sale	77	$500,808	$ 9,912	$408,587	$ 7,032	$92,221	$ 2,880

OTTI losses on impaired securities must be fully recognized in earnings if an investor has the intent to sell the debt security or if it is more likely than not that the investor will be required to sell the debt security before recovery of its amortized cost. However, even if an investor does not expect to sell a debt security, the investor must evaluate the expected cash flows to be received and determine if a credit loss has occurred. In the event that a credit loss has occurred, only the amount of impairment associated with the credit loss is recognized in earnings in the Consolidated Statements of Income. Amounts relating to factors other than credit losses are recorded in accumulated other comprehensive income ("AOCI") within Stockholders' Equity.

The Company reviewed each investment that had an unrealized loss at March 31, 2016 and December 31, 2015. An unrealized loss exists when the current fair value of an investment is less than its amortized cost basis. Unrealized losses on available for sale securities, that are deemed to be temporary, are recorded in AOCI, net of tax.

The unrealized losses in total securities available for sale at March 31, 2016 and December 31, 2015 were caused by movements in interest rates. It is not anticipated that these securities would be settled at a price that is less than the amortized cost of the Company's investment. Each of these securities is performing according to its terms and, in the opinion of management, will continue to perform according to its terms. The Company does not have the intent to sell these securities and it is more likely than not the Company will not be required to sell the securities before recovery of the securities' amortized cost basis. This conclusion is based upon considering the Company's cash and working capital requirements and contractual and regulatory obligations, none of which the Company believes would cause the sale of the securities. Therefore, the Company did not consider these investments to be other-than-temporarily impaired at March 31, 2016 and December 31, 2015.

We did not sell any securities during the three months ended March 31, 2016 and 2015.

5. Loans

Loans are reported at their principal outstanding balance net of any unearned income, charge-offs, deferred loan fees and costs on originated loans and unamortized premiums or discounts on purchased loans. Interest on loans is recognized on the accrual basis. The accrual of income on loans is generally discontinued when certain factors, such as contractual delinquency of 90 days or more, indicate reasonable doubt as to the timely collectability of such income. Uncollected interest previously recognized on non-accrual loans is reversed from interest income at the time the loan is placed on non-accrual status. A non-accrual loan can be returned to accrual status when contractual delinquency returns to less than 90 days delinquent. Subsequent cash payments received on non-accrual loans that do not bring the loan to less than 90 days delinquent are recorded on a cash basis. Subsequent cash payments can also be applied first as a reduction of principal until all principal is recovered and then subsequently to interest, if in management's opinion, it is evident that recovery of all principal due is likely to occur. Loan fees and certain loan origination costs are deferred. Net loan origination costs and premiums or discounts on loans purchased are amortized into interest income over the contractual life of the loans using the level-yield method. Prepayment penalties received on loans which pay in full prior to their scheduled maturity are included in interest income in the period they are collected.

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The Company maintains an allowance for loan losses at an amount, which, in management's judgment, is adequate to absorb probable estimated losses inherent in the loan portfolio. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectability of loans. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revisions as more information becomes available. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. The allowance is established through a provision for loan losses based on management's evaluation of the risk inherent in the various components of the loan portfolio and other factors, including historical loan loss experience (which is updated quarterly), current economic conditions, delinquency and non-accrual trends, classified loan levels, risk in the portfolio and volumes and trends in loan types, recent trends in charge-offs, changes in underwriting standards, experience, ability and depth of the Company's lenders, collection policies and experience, internal loan review function and other external factors. The Company segregated its loans into two portfolios based on year of origination. One portfolio was reviewed for loans originated after December 31, 2009 and a second portfolio for loans originated prior to January 1, 2010. Our decision to segregate the portfolio based upon origination dates was based on changes made in our underwriting standards during 2009. By the end of 2009, all loans were being underwritten based on revised and tightened underwriting standards. Loans originated prior to 2010 have a higher delinquency rate and loss history. Each of the years in the portfolio for loans originated prior to 2010 has a similar delinquency rate. The determination of the amount of the allowance for loan losses includes estimates that are susceptible to significant changes due to changes in appraisal values of collateral, national and local economic conditions and other factors. We review our loan portfolio by separate categories with similar risk and collateral characteristics. Impaired loans are segregated and reviewed separately. All non-accrual loans are classified as impaired loans. The Company's Board of Directors reviews and approves management's evaluation of the adequacy of the allowance for loan losses on a quarterly basis.

The allowance for loan losses is established through charges to earnings in the form of a provision for loan losses. Increases and decreases in the allowance other than charge-offs and recoveries are included in the provision for loan losses. When a loan or a portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance, and subsequent recoveries, if any, are credited to the allowance.

The Company recognizes a loan as non-performing when the borrower has demonstrated the inability to bring the loan current, or due to other circumstances which, in management's opinion, indicate the borrower will be unable to bring the loan current within a reasonable time. All loans classified as non-performing, which includes all loans past due 90 days or more, are classified as non-accrual unless there is, in our opinion, compelling evidence the borrower will bring the loan current in the immediate future. Appraisals are obtained and/or updated internal evaluations are prepared as soon as practical, and before the loan becomes 90 days delinquent. The loan balances of collateral dependent impaired loans are compared to the property's updated fair value. The Company considers fair value of collateral dependent loans to be 85% of the appraised or internally estimated value of the property, except for taxi medallion loans. The fair value of the underlying collateral of taxi medallion loans is the value of the underlying medallion based upon the most recently reported arm's length transaction. The balance which exceeds fair value is generally charged-off. In addition, taxi medallion loans on accrual status with a loan-to-value greater than 100% are classified as impaired and allocated a portion of the ALLL in the amount of the excess of the loan-to-value over the loan's principal balance. The 85% is based on the actual net proceeds the Bank has received from the sale of other real estate owned ("OREO") as a percentage of OREO's appraised value.

A loan is considered impaired when, based upon current information, the Company believes it is probable that it will be unable to collect all amounts due, both principal and interest, in accordance with the original terms of the loan. Impaired loans are measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate or at the loan's observable market price or, as a practical expedient, the fair value of the collateral if the loan is collateral dependent. Interest income on impaired loans is recorded on the cash basis.

The Company reviews each impaired loan on an individual basis to determine if either a charge-off or a valuation allowance needs to be allocated to the loan. The Company does not charge-off or allocate a valuation allowance to loans for which management has concluded the current value of the underlying collateral will allow for recovery of the loan balance either through the sale of the loan or by foreclosure and sale of the property.

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The Company evaluates the underlying collateral through a third party appraisal, or when a third party appraisal is not available, the Company will use an internal evaluation. The internal evaluations are prepared using an income approach or a sales approach. The income approach is used for income producing properties and uses current revenues less operating expenses to determine the net cash flow of the property. Once the net cash flow is determined, the value of the property is calculated using an appropriate capitalization rate for the property. The sales approach uses comparable sales prices in the market. When an internal evaluation is used, we place greater reliance on the income approach to value the collateral.

In preparing internal evaluations of property values, the Company seeks to obtain current data on the subject property from various sources, including: (1) the borrower; (2) copies of existing leases; (3) local real estate brokers and appraisers; (4) public records (such as for real estate taxes and water and sewer charges); (5) comparable sales and rental data in the market; (6) an inspection of the property and (7) interviews with tenants. These internal evaluations primarily focus on the income approach and comparable sales data to value the property.

As of March 31, 2016, we utilized recent third party appraisals of the collateral to measure impairment for $27.3 million, or 80.8%, of collateral dependent impaired loans, and used internal evaluations of the property's value for $6.5 million, or 19.2%, of collateral dependent impaired loans.

The Company may restructure a loan to enable a borrower experiencing financial difficulties to continue making payments when it is deemed to be in the Company's best long-term interest. This restructure may include reducing the interest rate or amount of the monthly payment for a specified period of time, after which the interest rate and repayment terms revert to the original terms of the loan. We classify these loans as Troubled Debt Restructured ("TDR").

These restructurings have not included a reduction of principal balance. The Company believes that restructuring these loans in this manner will allow certain borrowers to become and remain current on their loans. All loans classified as TDR are considered impaired, however TDR loans which have been current for six consecutive months at the time they are restructured as TDR remain on accrual status and are not included as part of non-performing loans. Loans which were delinquent at the time they are restructured as a TDR are placed on non-accrual status and reported as non-performing loans until they have made timely payments for six consecutive months.

The allocation of a portion of the allowance for loan losses for a performing TDR loan is based upon the present value of the future expected cash flows discounted at the loan's original effective rate, or for a non-performing TDR which is collateral dependent, the fair value of the collateral. At March 31, 2016, there were no commitments to lend additional funds to borrowers whose loans were modified to a TDR. The modification of loans to a TDR did not have a significant effect on our operating results, nor did it require a significant allocation of the allowance for loan losses.

The Company did not modify and classify any loans as TDR during the three months ended March 31, 2016.

The following table shows loans modified and classified as TDR during the period indicated:

	For the three months ended March 31, 2015		
(Dollars in thousands)	Number	Balance	Modification description
Small Business Administration	1	$ 41	Received a below market interest rate and the loan amortization was extended
Total	1	$ 41	

The recorded investment of the loan modified and classified to a TDR, presented in the table above, was unchanged as there was no principal forgiven in this modification.

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The following table shows our recorded investment for loans classified as TDR that are performing according to their restructured terms at the periods indicated:

	March 31, 2016		December 31, 2015	
(Dollars in thousands)	Number of contracts	Recorded investment	Number of contracts	Recorded investment
Multi-family residential	9	$ 2,611	9	$ 2,626
Commercial real estate	3	2,358	3	2,371
One-to-four family - mixed-use property	6	2,042	6	2,052
One-to-four family - residential	1	341	1	343
Small business administration	1	32	1	34
Commercial business and other	4	2,038	4	2,083
Total performing troubled debt restructured	24	$ 9,422	24	$ 9,509

During the three months ended March 31, 2016 and 2015, there were no TDR loans transferred to non-performing status.

The following table shows our recorded investment for loans classified as TDR that are not performing according to their restructured terms at the periods indicated:

	March 31, 2016		December 31, 2015	
(Dollars in thousands)	Number of contracts	Recorded investment	Number of contracts	Recorded investment

Multi-family residential	1	$	385	1	$	391
Total troubled debt restructurings that subsequently defaulted	1	$	385	1		391

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The following table shows our non-performing loans at the periods indicated:

(In thousands)	March 31, 2016	December 31, 2015
Loans ninety days or more past due and still accruing:		
Multi-family residential	$792	$233
Commercial real estate	1,083	1,183
One-to-four family - mixed-use property	743	611
One-to-four family - residential	13	13
Construction	570	1,000
Commercial Business and other	-	220
Total	3,201	3,260
Non-accrual mortgage loans:		
Multi-family residential	3,518	3,561
Commercial real estate	3,295	2,398
One-to-four family - mixed-use property	5,519	5,952
One-to-four family - residential	8,861	10,120
Total	21,193	22,031
Non-accrual non-mortgage loans:		
Small business administration	201	218
Taxi Medallion	196	-
Commercial business and other	511	568
Total	908	786
Total non-accrual loans	22,101	22,817
Total non-accrual loans and loans ninety days or more past due and still accruing	$25,302	$26,077

The following is a summary of interest foregone on non-accrual loans and loans classified as TDR for the periods indicated:

	For the three months ended March 31,	
	2016	2015
	(In thousands)	
Interest income that would have been recognized had the loans performed in accordance with their original terms	$540	$691
Less: Interest income included in the results of operations	123	148
Total foregone interest	$417	$543

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The following tables show an age analysis of our recorded investment in loans, including performing loans past maturity, at the periods indicated:

	March 31, 2016					
(In thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Multi-family residential	$6,644	$445	$4,310	$11,399	$2,028,395	$2,039,794
Commercial real estate	767	381	4,378	5,526	1,052,502	1,058,028
One-to-four family - mixed-use property	8,961	326	6,262	15,549	556,297	571,846
One-to-four family - residential	2,711	276	8,677	11,664	179,494	191,158
Co-operative apartments	-	-	-	-	8,182	8,182
Construction loans	-	-	570	570	6,902	7,472
Small Business Administration	37	-	201	238	14,463	14,701
Taxi medallion	860	-	196	1,056	19,701	20,757
Commercial business and other	-	1	353	354	530,968	531,322
Total	$19,980	$1,429	$24,947	$46,356	$4,396,904	$4,443,260

	December 31, 2015					
(In thousands)	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Multi-family residential	$9,421	$804	$3,794	$14,019	$2,041,209	$2,055,228
Commercial real estate	2,820	153	3,580	6,553	994,683	1,001,236
One-to-four family - mixed-use property	8,630	1,258	6,563	16,451	556,592	573,043
One-to-four family - residential	4,261	154	10,134	14,549	173,289	187,838
Co-operative apartments	-	-	-	-	8,285	8,285

Construction loans	-	-	1,000	1,000	6,284	7,284
Small Business Administration	42	-	218	260	11,934	12,194
Taxi medallion	-	-	-	-	20,881	20,881
Commercial business and other	-	2	228	230	506,392	506,622
Total	$25,174	$2,371	$25,517	$53,062	$4,319,549	$4,372,611

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The following tables show the activity in the allowance for loan losses for the three month periods indicated:

March 31, 2016

(in thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Taxi medallion	Commercial business and other	Unallocated	Total
Allowance for credit losses:										
Beginning balance	$ 6,718	$ 4,239	$ 4,227	$ 1,227	$ 50	$ 262	$ 343	$ 4,469	$ -	$ 21,535
Charge-off's	(42)	-	(14)	(66)	-	-	-	(25)	-	(147)
Recoveries	13	-	187	365	-	31	-	9	-	605
Provision	(391)	(38)	(893)	(484)	5	(24)	(8)	138	1,695	-
Ending balance	$ 6,298	$ 4,201	$ 3,507	$ 1,042	$ 55	$ 269	$ 335	$ 4,591	$ 1,695	$ 21,993
Ending balance: individually evaluated for impairment	$ 247	$ 171	$ 491	$ 50	$ -	$ 47	$ 325	$ 108	$ -	$ 1,439
Ending balance: collectively evaluated for impairment	$ 6,051	$ 4,030	$ 3,016	$ 992	$ 55	$ 222	$ 10	$ 4,483	$ 1,695	$ 20,554

March 31, 2015

(in thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family - residential	Construction loans	Small Business Administration	Taxi medallion	Commercial business and other	Total
Allowance for credit losses:									
Beginning balance	$ 8,827	$ 4,202	$ 5,840	$ 1,690	$ 42	$ 279	$ 11	$ 4,205	$ 25,096
Charge-off's	(97)	(18)	(78)	(153)	-	-	-	(51)	(397)

Recoveries	23	72	3	-	-	20	-	8	126
Provision (benefit)	(124)	(354)	(336)	(72)	(19)	(33)	-	204	(734)
Ending balance	$ 8,629	$ 3,902	$ 5,429	$ 1,465	$ 23	$ 266	$ 11	$ 4,366	$ 24,091
Ending balance: individually evaluated for impairment	$ 267	$ 19	$ 566	$ 54	$ -	$ -	$ -	$ 139	$ 1,045
Ending balance: collectively evaluated for impairment	$ 8,362	$ 3,883	$ 4,863	$ 1,411	$ 23	$ 266	$ 11	$ 4,227	$ 23,046

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The following tables show the manner in which loans were evaluated for impairment at the periods indicated:

At March 31, 2016

(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family- residential	Co-operative apartments	Construction loans	Small Business Administration	Taxi Medallion	Commercial business and other	Total
Financing Receivables: Ending Balance	$2,039,794	$1,058,028	$571,846	$191,158	$8,182	$7,472	$14,701	$20,757	$531,322	$4,443,260
Ending balance: individually evaluated for impairment	$8,402	$7,560	$11,485	$11,305	$-	$570	$402	$2,110	$4,366	$46,200
Ending balance: collectively evaluated for impairment	$2,031,392	$1,050,468	$560,361	$179,853	$8,182	$6,902	$14,299	$18,647	$526,956	$4,397,060

At December 31, 2015

(In thousands)	Multi-family residential	Commercial real estate	One-to-four family - mixed-use property	One-to-four family- residential	Co-operative apartments	Construction loans	Small Business Administration	Taxi Medallion	Commercial business and other	Total
Financing Receivables: Ending Balance	$2,055,228	$1,001,236	$573,043	$187,838	$8,285	$7,284	$12,194	$20,881	$506,622	$4,372,611

Ending balance: individually evaluated for impairment	$8,047	$6,183	$12,828	$12,598	$-	$1,000	$310	$2,118	$4,716	$47,800
Ending balance: collectively evaluated for impairment	$2,047,181	$995,053	$560,215	$175,240	$8,285	$6,284	$11,884	$18,763	$501,906	$4,324,811

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The following table shows our recorded investment, unpaid principal balance and allocated allowance for loan losses for impaired loans at the periods indicated:

	March 31, 2016			December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(In thousands)					
With no related allowance recorded:						
Mortgage loans:						
Multi-family residential	$6,108	$6,818	$ -	$5,742	$6,410	$ -
Commercial real estate	5,202	5,259	-	3,812	3,869	-
One-to-four family mixed-use property	8,754	9,698	-	10,082	11,335	-
One-to-four family residential	10,964	12,558	-	12,255	14,345	-
Co-operative apartments	-	-	-	-	-	-
Construction	570	570	-	1,000	1,000	-
Non-mortgage loans:						
Small Business Administration	252	252	-	276	276	-
Taxi Medallion	-	-	-	-	-	-
Commercial Business and other	2,374	2,744	-	2,682	5,347	-
Total loans with no related allowance recorded	34,224	37,899	-	35,849	42,582	-
With an allowance recorded:						
Mortgage loans:						
Multi-family residential	2,294	2,294	247	2,305	2,305	252
Commercial real estate	2,358	2,358	171	2,371	2,371	180
One-to-four family mixed-use property	2,731	2,731	491	2,746	2,746	502
One-to-four family residential	341	341	50	343	343	51
Co-operative apartments	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Non-mortgage loans:						
Small Business Administration	150	150	47	34	34	-
Taxi Medallion	2,110	2,110	325	2,118	2,118	333
Commercial Business and other	1,992	1,992	108	2,034	2,034	112

Total loans with an allowance recorded	11,976	11,976	1,439	11,951	11,951	1,430
Total Impaired Loans:						
Total mortgage loans	$39,322	$42,627	$ 959	$40,656	$44,724	$ 985
Total non-mortgage loans	$6,878	$7,248	$ 480	$7,144	$9,809	$ 445

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The following table shows our average recorded investment and interest income recognized for impaired loans for the periods indicated:

	March 31, 2016		March 31, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(In thousands)			
With no related allowance recorded:				
Mortgage loans:				
Multi-family residential	$5,925	$ 17	$10,905	$ 56
Commercial real estate	4,507	12	6,567	39
One-to-four family mixed-use property	9,418	33	11,749	57
One-to-four family residential	11,610	27	13,210	25
Co-operative apartments	-	-	-	-
Construction	785	-	-	-
Non-mortgage loans:				
Small Business Administration	264	3	159	1
Taxi Medallion	-	-	-	-
Commercial Business and other	2,528	46	4,511	69
Total loans with no related allowance recorded	35,037	138	47,101	247
With an allowance recorded:				
Mortgage loans:				
Multi-family residential	2,300	29	2,597	32
Commercial real estate	2,365	28	1,458	7
One-to-four family mixed-use property	2,739	38	3,085	42
One-to-four family residential	342	3	353	4
Co-operative apartments	-	-	-	-
Construction	-	-	-	-
Non-mortgage loans:				
Small Business Administration	92	2	21	1
Taxi Medallion	2,114	15	-	-
Commercial Business and other	2,013	25	2,660	35

Total loans with an allowance recorded	11,965	140	10,174	121
Total Impaired Loans:				
Total mortgage loans	$39,991	$ 187	$49,924	$ 262
Total non-mortgage loans	$7,011	$ 91	$7,351	$ 106

In accordance with our policy and the current regulatory guidelines, we designate loans as "Special Mention," which are considered "Criticized Loans," and "Substandard," "Doubtful," or "Loss," which are considered "Classified Loans". If a loan does not fall within one of the previous mentioned categories then the loan would be considered "Pass." Loans that are non-accrual are designated as Substandard, Doubtful or Loss. These loan designations are updated quarterly. We designate a loan as Substandard when a well-defined weakness is identified that jeopardizes the orderly liquidation of the debt. We designate a loan Doubtful when it displays the inherent weakness of a Substandard loan with the added provision that collection of the debt in full, on the basis of existing facts, is highly improbable. We designate a loan as Loss if it is deemed the debtor is incapable of repayment. The Company does not hold any loans designated as Loss, as loans that are designated as Loss are charged to the Allowance for Loan Losses. We designate a loan as Special Mention if the asset does not warrant classification within one of the other classifications, but does contain a potential weakness that deserves closer attention.

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The following table sets forth the recorded investment in loans designated as Criticized or Classified at the periods indicated:

(In thousands)	March 31, 2016 Special Mention	Substandard	Doubtful	Loss	Total
Multi-family residential	$8,505	$ 5,790	$ -	$ -	$14,295
Commercial real estate	1,500	5,203	-	-	6,703
One-to-four family - mixed-use property	2,716	9,657	-	-	12,373
One-to-four family - residential	1,538	10,964	-	-	12,502
Co-operative apartments	-	-	-	-	-
Construction loans	-	570	-	-	570
Small Business Administration	504	326	-	-	830
Taxi Medallion	-	2,110	-	-	2,110
Commercial business and other	147	2,803	-	-	2,950
Total loans	$14,910	$ 37,423	$ -	$ -	$52,333

(In thousands)	December 31, 2015 Special Mention	Substandard	Doubtful	Loss	Total
Multi-family residential	$4,361	$ 5,421	$ -	$ -	$9,782
Commercial real estate	1,821	3,812	-	-	5,633
One-to-four family - mixed-use property	3,087	10,990	-	-	14,077
One-to-four family - residential	1,437	12,255	-	-	13,692
Co-operative apartments	-	-	-	-	-
Construction loans	-	1,000	-	-	1,000
Small Business Administration	229	224	-	-	453
Taxi Medallion	-	2,118	-	-	2,118
Commercial business and other	-	3,123	-	-	3,123
Total loans	$10,935	$ 38,943	$ -	$ -	$49,878

Commitments to extend credit (principally real estate mortgage loans) and lines of credit (principally home equity lines of credit and business lines of credit) amounted to $164.1 million and $219.6 million, respectively, at March 31, 2016.

6. Loans held for sale

Loans held for sale are carried at the lower of cost or estimated fair value. At March 31, 2016 and December 31, 2015, the Bank did not have any loans held for sale.

The Company has implemented a strategy of selling certain delinquent and non-performing loans. Once the Company has decided to sell a loan, the sale usually closes in a short period of time, generally within the same quarter. Loans designated held for sale are reclassified from loans held for investment to loans held for sale. Terms of sale include cash due upon the closing of the sale, no contingencies or recourse to the Company and servicing is released to the buyer.

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The following table shows delinquent and non-performing loans sold during the period indicated:

(Dollars in thousands)	For the three months ended March 31, 2016			
	Loans sold	Proceeds	Net (charge-offs) recoveries	Net gain
Multi-family residential	3	$ 874	$ -	$ 2
Commercial real estate	2	192	-	-
One-to-four family - mixed-use property	4	1,315	-	21
Total [(1)]	9	$ 2,381	$ -	$ 23

1) The above table does not include the sale of six performing small business administration loans for proceeds totaling $3.5 million during the three months ended March 31, 2016. These loans were sold for a net gain of $0.3 million.

The following table shows delinquent and non-performing loans sold during the period indicated:

(Dollars in thousands)	For the three months ended March 31, 2015			
	Loans sold	Proceeds	Net (charge-offs) recoveries	Net gain
Multi-family residential	2	$ 836	$ -	$ 2
One-to-four family - mixed-use property	3	686	-	-
Total	5	$ 1,522	$ -	$ 2

7. Other Real Estate Owned

The following are changes in OREO during the periods indicated:

	For the three months ended March 31,	
	2016	2015
	(In thousands)	
Balance at beginning of period	$4,932	$6,326
Acquisitions	533	483
Write-down of carrying value	(47)	-
Sales	(816)	(1,557)
Balance at end of period	$4,602	$5,252

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The following table shows the gross gains, gross losses and write-downs of OREO reported in the Consolidated Statements of Income during the periods indicated:

	For the three months ended March 31,	
	2016	2015
	(In thousands)	
Gross gains	$37	$216
Gross losses	-	(6)
Total net gain	$37	$210

We may obtain physical possession of residential real estate collateralizing a consumer mortgage loan via foreclosure on an in-substance repossession. During the three months ended March 31, 2016, we did not foreclose on any consumer mortgages through in-substance repossession. OREO are included in other assets on the Company's balance sheet. At March 31, 2016, we held two foreclosed residential real estate properties totaling $0.6 million and at December 31, 2015, we held one foreclosed residential real estate property for $0.1 million. Included within net loans as of March 31, 2016 and December 31, 2015 was a recorded investment of $13.5 million and $15.2 million, respectively, of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process according to local requirements of the applicable jurisdiction.

8. Repurchase Agreements

As part of the Company's strategy to finance investment opportunities and manage its cost of funds, the Company enters into repurchase agreements with broker-dealers and the Federal Home Loan Bank of New York ("FHLB-NY"). These agreements are recorded as financing transactions and the obligations to repurchase are reflected as a liability in the consolidated financial statements. The securities underlying the agreements are delivered to the broker-dealers or the FHLB-NY who arrange the transaction. The securities remain registered in the name of the Company and are returned upon the maturity of the agreement. The Company retains the right of substitution of collateral throughout the terms of the agreements. As a condition of the repurchase agreements the Company is required to provide sufficient collateral. If the fair value of the collateral were to fall below the required level, the Company is obligated to pledge additional collateral. All the repurchase agreements are collateralized by mortgage-backed securities.

The following tables shows the type of securities pledged and remaining maturity of repurchase agreements held at the periods indicated:

	At March 31, 2016 Remaining Contractual Maturity of Agreements			
	Less than 1 year	1 year to 3 years	Over 3 years	Total
	(In thousands)			
Repurchase agreements:				
Mortgage-backed securities	$38,000	$38,000	$40,000	$116,000
Total repurchase agreements	$38,000	$38,000	$40,000	$116,000

	At December 31, 2015 Remaining Contractual Maturity of Agreements			
	Less than 1 year	1 year to 3 years	Over 3 years	Total
	(In thousands)			
Repurchase agreements:				
Mortgage-backed securities	$38,000	$38,000	$40,000	$116,000
Total repurchase agreements	$38,000	$38,000	$40,000	$116,000

The fair value of the collateral pledged for the repurchase agreements above was $132.3 million and $131.4 million at March 31, 2016 and December 31, 2015, respectively.

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9. Stock-Based Compensation

For the three months ended March 31, 2016 and 2015, the Company's net income, as reported, includes $3.0 million and $2.8 million, respectively, of stock-based compensation costs and $1.1 million of income tax benefits related to the stock-based compensation plans in each of the periods.

The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, the expected volatility of the Company's stock price, the risk-free interest rate over the options' expected term and the annual dividend yield. The Company uses the fair value of the common stock on the date of award to measure compensation cost for restricted stock unit awards. Compensation cost is recognized over the vesting period of the award using the straight line method. During the three months ended March 31, 2016 and 2015, the Company granted 337,175 and 314,520 restricted stock units, respectively. There were no stock options granted during the three months ended March 31, 2016 and 2015.

The 2014 Omnibus Incentive Plan ("2014 Omnibus Plan") became effective on May 20, 2014 after adoption by the Board of Directors and approval by the stockholders. The 2014 Omnibus Plan authorizes the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") to grant a variety of equity compensation awards as well as long-term and annual cash incentive awards, all of which can, but need not, be structured so as to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The 2014 Omnibus Plan authorizes the issuance of 1,100,000 shares. To the extent that an award under the 2014 Omnibus Plan is cancelled, expired, forfeited, settled in cash, settled by issuance of fewer shares than the number underlying the award, or otherwise terminated without delivery of shares to a participant in payment of the exercise price or taxes relating to an award, the shares retained by or returned to the Company will be available for future issuance under the 2014 Omnibus Plan. No further awards may be granted under the Company's 2005 Omnibus Incentive Plan, 1996 Stock Option Incentive Plan, and 1996 Restricted Stock Incentive Plan (the "Prior Plans"). At March 31, 2016, there were 473,040 shares available for delivery in connection with awards under the 2014 Omnibus Plan. To satisfy stock option exercises or fund restricted stock and restricted stock unit awards, shares are issued from treasury stock, if available; otherwise new shares are issued. The exercise price per share of a stock option grant may not be less than the fair market value of the common stock of the Company, as defined in the Omnibus Plan, on the date of grant and may not be re-priced without the approval of the Company's stockholders. Options, stock appreciation rights, restricted stock, restricted stock units and other stock based awards granted under the Omnibus Plan are generally subject to a minimum vesting period of three years with stock options having a 10-year maximum contractual term. Other awards do not have a contractual term of expiration. The Compensation Committee is authorized to grant awards that vest upon a participant's retirement. These amounts are included in stock-based compensation expense at the time of the participant's retirement eligibility.

The following table summarizes the Company's restricted stock unit ("RSU") awards under the 2014 Omnibus Plan and the Prior Plans in the aggregate at or for the three months ended March 31, 2016:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2015	415,909	$ 18.10
Granted	337,175	19.85
Vested	(235,335)	18.71
Forfeited	(900)	19.43
Non-vested at March 31, 2016	516,849	$ 18.97
Vested but unissued at March 31, 2016	280,450	$ 19.28

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As of March 31, 2016, there was $9.1 million of total unrecognized compensation cost related to non-vested full value awards granted under the Omnibus Plan. That cost is expected to be recognized over a weighted-average period of 3.6 years. The total fair value of awards vested for the three months ended March 31, 2016 and 2015 were $4.8 million and $4.1 million, respectively. The vested but unissued RSU awards consist of awards made to employees and directors who are eligible for retirement. According to the terms of these awards, which provide for vesting upon retirement, these employees and directors have no risk of forfeiture. These shares will be issued at the original contractual vesting and settlement dates.

The following table summarizes certain information regarding the stock option awards under the Omnibus Plan and the Prior Plans in the aggregate at or for the three months ended March 31, 2016:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value ($000) *
Outstanding at December 31, 2015	109,130	$ 16.14		
Granted	-	-		
Exercised	(18,200)	19.03		
Forfeited	-	-		
Outstanding at March 31, 2016	90,930	$ 15.56	2.1	$ 551

* The intrinsic value of a stock option is the difference between the market value of the underlying stock and the exercise price of the option.

Cash proceeds, fair value received, tax benefits, and intrinsic value related to stock options exercised, and the weighted average grant date fair value for options granted, during the three months ended March 31, 2016 and 2015 are provided in the following table:

(In thousands)	For the three months ended March 31, 2016	2015
Proceeds from stock options exercised	$19	$-
Fair value of shares received upon exercised of stock options	328	20
Tax (expense) benefit related to stock options exercised	(16)	1
Intrinsic value of stock options exercised	43	2

Phantom Stock Plan: The Company maintains a non-qualified phantom stock plan as a supplement to its profit sharing plan for officers who have achieved the designated level and completed one year of service. Prior to January 1, 2015, the Plan included officers at a level that are no longer qualified to participate, however those that were eligible remain eligible to participate in the Plan. Awards are made under this plan on certain compensation not eligible for awards made under the profit sharing plan, due to the terms of the profit sharing plan and the Internal Revenue Code. Employees receive awards under this plan proportionate to the amount they would have received under the profit sharing plan, but for limits imposed by the profit sharing plan and the Internal Revenue Code. The awards are made as cash awards, and then converted to common stock equivalents (phantom shares) at the then current fair value of the Company's common stock. Dividends are credited to each employee's account in the form of additional phantom shares each time the Company pays a dividend on its common stock. In the event of a change of control (as defined in this plan), an employee's interest is converted to a fixed dollar amount and deemed to be invested in the same manner as his interest in the Bank's non-qualified deferred compensation plan. Employees vest under this plan 20% per year for the first 5 years of employment and are 100% vested thereafter. Employees also become 100% vested upon a change of control. Employees receive their vested interest in this plan in the form of a cash lump sum payment or installments, as elected by the employee, after termination of employment. The Company adjusts its liability under this plan to the fair value of the shares at the end of each period.

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The following table summarizes the Phantom Stock Plan at or for the three months ended March 31, 2016:

Phantom Stock Plan	Shares	Fair Value
Outstanding at December 31, 2015	79,440	$21.64
Granted	10,150	19.88
Forfeited	-	-
Distributions	(1,362)	20.28
Outstanding at March 31, 2016	88,228	$21.62
Vested at March 31, 2016	87,826	$21.62

The Company recorded stock-based compensation expense for the Phantom Stock Plan of $29,000 and $9,000 for the three months ended March 31, 2016 and 2015, respectively. The total fair value of the distributions from the Phantom Stock Plan was $28,000 and $8,000 for the three months ended March 31, 2016 and 2015, respectively.

10. Pension and Other Postretirement Benefit Plans

The following table sets forth information regarding the components of net expense for the pension and other postretirement benefit plans.

	Three months ended March 31,	
(In thousands)	2016	2015
Employee Pension Plan:		

Interest cost	$226	$221
Amortization of unrecognized loss	201	291
Expected return on plan assets	(348)	(350)
Net employee pension expense	$79	$162
Outside Director Pension Plan:		
Service cost	$11	$11