NEW YORK COMMUNITY BANCORP INC
Form 10-K
March 02, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of

the Securities Exchange Act of 1934

For the fiscal year ended: December 31, 2014 **Commission File Number 1-31565**

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**06-1377322**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
615 Merrick Avenue, Westbury, New York	**11590**
(Address of principal executive offices)	**(Zip code)**

(Registrant s telephone number, including area code) (516) 683-4100

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

Common Stock, $0.01 par value and Bifurcated Option Note Unit SecuritiES[SM]	**New York Stock Exchange**
(Title of Class)	**(Name of exchange on which registered)**

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

None

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 the definitions of accelerated filer, large accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

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 Act). Yes ¨ No x

As of June 30, 2014, the aggregate market value of the shares of common stock outstanding of the registrant was $6.8 billion, excluding 15,208,090 shares held by all directors and executive officers of the registrant. This figure is based on the closing price of the registrant s common stock on June 30, 2014, $15.98, as reported by the New York Stock Exchange.

The number of shares of the registrant s common stock outstanding as of February 20, 2015 was 443,733,981 shares.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 3, 2015 are incorporated by reference into Part III.

Table of Contents

CROSS REFERENCE INDEX

		Page
Forward-Looking Statements and Associated Risk Factors		1
Glossary		3
PART I		
Item 1.	Business	6
Item 1A.	Risk Factors	25
Item 1B.	Unresolved Staff Comments	36
Item 2.	Properties	36
Item 3.	Legal Proceedings	37
Item 4.	Mine Safety Disclosures	37
PART II		
Item 5.	Market for Registrant s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	38
Item 6.	Selected Financial Data	41
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	42
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	92
Item 8.	Financial Statements and Supplementary Data	97
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	168
Item 9A.	Controls and Procedures	168
Item 9B.	Other Information	168
PART III		
Item 10.	Directors, Executive Officers, and Corporate Governance	169
Item 11.	Executive Compensation	169
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	169
Item 13.	Certain Relationships and Related Transactions, and Director Independence	169
Item 14.	Principal Accountant Fees and Services	169
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	170
Signatures		172
Certifications		

Table of Contents

For the purpose of this Annual Report on Form 10-K, the words we, us, our, and the Company are used to refer to New York Community Bancorp, Inc. and our consolidated subsidiaries, including New York Community Bank and New York Commercial Bank (the Community Bank and the Commercial Bank, respectively, and collectively, the Banks).

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISK FACTORS

This report, like many written and oral communications presented by New York Community Bancorp, Inc. and our authorized officers, may contain certain forward-looking statements regarding our prospective performance and strategies within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of said safe harbor provisions.

Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by use of the words anticipate, believe, estimate, expect, intend, plan, project, seek, strive, try, or future o such as will, would, should, could, may, or similar expressions. Our ability to predict results or the actual effects of our plans or strategies is inherently uncertain. Accordingly, actual results may differ materially from anticipated results.

There are a number of factors, many of which are beyond our control, that could cause actual conditions, events, or results to differ significantly from those described in our forward-looking statements. These factors include, but are not limited to:

- general economic conditions, either nationally or in some or all of the areas in which we and our customers conduct our respective businesses;
- conditions in the securities markets and real estate markets or the banking industry;
- changes in real estate values, which could impact the quality of the assets securing the loans in our portfolio;
- changes in interest rates, which may affect our net income, prepayment penalty income, mortgage banking income, and other future cash flows, or the market value of our assets, including our investment securities;
- changes in the quality or composition of our loan or securities portfolios;
- changes in our capital management policies, including those regarding business combinations, dividends, and share repurchases, among others;
- our use of derivatives to mitigate our interest rate exposure;
- changes in competitive pressures among financial institutions or from non-financial institutions;
- changes in deposit flows and wholesale borrowing facilities;
- changes in the demand for deposit, loan, and investment products and other financial services in the markets we serve;

our timely development of new lines of business and competitive products or services in a changing environment, and the acceptance of such products or services by our customers;

changes in our customer base or in the financial or operating performances of our customers businesses;

any interruption in customer service due to circumstances beyond our control;

our ability to retain key personnel;

potential exposure to unknown or contingent liabilities of companies we have acquired or may acquire in the future;

the outcome of pending or threatened litigation, or of other matters before regulatory agencies, whether currently existing or commencing in the future;

environmental conditions that exist or may exist on properties owned by, leased by, or mortgaged to the Company;

any interruption or breach of security resulting in failures or disruptions in customer account management, general ledger, deposit, loan, or other systems;

operational issues stemming from, and/or capital spending necessitated by, the potential need to adapt to industry changes in information technology systems, on which we are highly dependent;

the ability to keep pace with, and implement on a timely basis, technological changes;

changes in legislation, regulation, policies, or administrative practices, whether by judicial, governmental, or legislative action, including, but not limited to, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and other changes pertaining to banking, securities, taxation, rent regulation and housing, financial accounting and reporting, environmental protection, and insurance, and the ability to comply with such changes in a timely manner;

Table of Contents

- changes in the monetary and fiscal policies of the U.S. Government, including policies of the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System;
- changes in accounting principles, policies, practices, or guidelines;
- a material breach in performance by the Community Bank under our loss sharing agreements with the FDIC;
- changes in our estimates of future reserves based upon the periodic review thereof under relevant regulatory and accounting requirements;
- changes in regulatory expectations relating to predictive models we use in connection with stress testing and other forecasting or in the assumptions on which such modeling and forecasting are predicated;
- the ability to successfully integrate any assets, liabilities, customers, systems, and management personnel of any banks we may acquire into our operations, and our ability to realize related revenue synergies and cost savings within expected time frames;
- changes in our credit ratings or in our ability to access the capital markets;
- war or terrorist activities; and
- other economic, competitive, governmental, regulatory, technological, and geopolitical factors affecting our operations, pricing, and services.

In addition, we routinely evaluate opportunities to expand through acquisitions and conduct due diligence activities in connection with such opportunities. As a result, acquisition discussions and, in some cases, negotiations, may take place at any time, and acquisitions involving cash or our debt or equity securities may occur.

Furthermore, the timing and occurrence or non-occurrence of events may be subject to circumstances beyond our control.

Please see Item 1A, Risk Factors, for a further discussion of factors that could affect the actual outcome of future events.

Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date of this report. Except as required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.

Table of Contents

GLOSSARY

BASIS POINT

Throughout this filing, the year-over-year changes that occur in certain financial measures are reported in terms of basis points. Each basis point is equal to one hundredth of a percentage point, or 0.01%.

BOOK VALUE PER SHARE

Book value per share refers to the amount of stockholders equity attributable to each outstanding share of common stock, and is calculated by dividing total stockholders equity at the end of a period by the number of shares outstanding at the same date.

BROKERED DEPOSITS

Refers to funds obtained, directly or indirectly, by or through deposit brokers that are then deposited into one or more deposit accounts at a bank.

CHARGE-OFF

Refers to the amount of a loan balance that has been written off against the allowance for losses on non-covered loans.

COMMERCIAL REAL ESTATE (CRE) LOAN

A mortgage loan secured by either an income-producing property owned by an investor and leased primarily for commercial purposes or, to a lesser extent, an owner-occupied building used for business purposes. The CRE loans in our portfolio are typically secured by office buildings, retail shopping centers, light industrial centers with multiple tenants, or mixed-use properties.

COST OF FUNDS

The interest expense associated with interest-bearing liabilities, typically expressed as a ratio of interest expense to the average balance of interest-bearing liabilities for a given period.

COVERED LOANS AND OTHER REAL ESTATE OWNED (OREO)

Refers to the loans and OREO we acquired in our AmTrust Bank (AmTrust) and Desert Hills Bank (Desert Hills) acquisitions, which are covered by loss sharing agreements with the FDIC. Please see the definition of Loss Sharing Agreements that appears later in this glossary.

DEBT SERVICE COVERAGE RATIO (DSCR)

An indication of a borrower s ability to repay a loan, the DSCR generally measures the cash flows available to a borrower over the course of a year as a percentage of the annual interest and principal payments owed during that time.

DERIVATIVE

A term used to define a broad base of financial instruments, including swaps, options, and futures contracts, whose value is based upon, or derived from, an underlying rate, price, or index (such as interest rates, foreign currency, commodities, or prices of other financial instruments such as stocks or bonds).

DIVIDEND PAYOUT RATIO

The percentage of our earnings that is paid out to shareholders in the form of dividends. It is determined by dividing the dividend paid per share during a period by our diluted earnings per share during the same period of time.

EFFICIENCY RATIO

Measures total operating expenses as a percentage of the sum of net interest income and non-interest income.

Table of Contents

GOODWILL

Refers to the difference between the purchase price and the fair value of an acquired company s assets, net of the liabilities assumed. Goodwill is reflected as an asset on the balance sheet and is tested at least annually for impairment.

GOVERNMENT-SPONSORED ENTERPRISES (GSEs)

Refers to a group of financial services corporations that were created by the United States Congress to enhance the availability, and reduce the cost, of credit to certain targeted borrowing sectors, including home finance. The GSEs include, but are not limited to, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Banks (the FHLBs).

GSE OBLIGATIONS

Refers to GSE mortgage-related securities (both certificates and collateralized mortgage obligations) and GSE debentures.

INTEREST RATE LOCK COMMITMENTS (IRLCs)

Refers to commitments we have made to originate new one-to-four family loans at specific (i.e., locked-in) interest rates. The volume of IRLCs at the end of a period is a leading indicator of loans to be originated in the near future.

INTEREST RATE SENSITIVITY

Refers to the likelihood that the interest earned on assets and the interest paid on liabilities will change as a result of fluctuations in market interest rates.

INTEREST RATE SPREAD

The difference between the yield earned on average interest-earning assets and the cost of average interest-bearing liabilities.

LOAN-TO-VALUE (LTV) RATIO

Measures the balance of a loan as a percentage of the appraised value of the underlying property.

LOSS SHARING AGREEMENTS

Refers to the agreements we entered into with the FDIC in connection with the loans and OREO we acquired in our AmTrust and Desert Hills acquisitions. The agreements call for the FDIC to reimburse us for 80% of any losses (and share in 80% of any recoveries) up to specified thresholds and to reimburse us for 95% of any losses (and share in 95% of any recoveries) beyond those thresholds with respect to the acquired assets, for specified periods of time. All of the loans and OREO acquired in the AmTrust and Desert Hills acquisitions are subject to these agreements and are referred to in this report either as covered loans, covered OREO, or, when discussed together, covered assets.

MORTGAGE BANKING INCOME

Refers to the income generated through our mortgage banking business, which is recorded in non-interest income. Mortgage banking income has two components: income generated from the origination of one-to-four family loans for sale (income from originations) and income generated by servicing such loans (servicing income).

MORTGAGE SERVICING RIGHTS (MSRs)

The right to service mortgage loans for others is recognized as an asset, and recorded at fair value, when our one-to-four family loans are sold or securitized, servicing retained.

MULTI-FAMILY LOAN

A mortgage loan secured by a rental or cooperative apartment building with more than four units.

NET INTEREST INCOME

The difference between the interest income generated by loans and securities and the interest expense produced by deposits and borrowed funds.

Table of Contents

NET INTEREST MARGIN

Measures net interest income as a percentage of average interest-earning assets.

NON-ACCRUAL LOAN

A loan generally is classified as a non-accrual loan when it is 90 days or more past due or when we no longer expect to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. A loan generally is returned to accrual status when the loan is current and we have reasonable assurance that the loan will be fully collectible.

NON-COVERED LOANS AND OREO

Refers to all of the loans and OREO in our portfolio that are not covered by our loss sharing agreements with the FDIC.

NON-PERFORMING LOANS AND ASSETS

Non-performing loans consist of non-accrual loans and loans that are 90 days or more past due and still accruing interest. Non-performing assets consist of non-performing loans and OREO.

RENT-REGULATED APARTMENTS

In New York City, where the vast majority of the properties securing our multi-family loans are located, the amount of rent that tenants may be charged on the apartments in certain buildings is restricted under certain rent-control and rent-stabilization laws. Rent-control laws apply to apartments in buildings that were constructed prior to February 1947. An apartment is said to be rent-controlled if the tenant has been living continuously in the apartment for a period of time beginning prior to July 1971. When a rent-controlled apartment is vacated, it typically becomes rent-stabilized. Rent-stabilized apartments are generally located in buildings with six or more units that were built between February 1947 and January 1974. Rent-controlled and -stabilized (together, rent-regulated) apartments tend to be more affordable to live in because of the applicable regulations, and buildings with a preponderance of such rent-regulated apartments are therefore less likely to experience vacancies in times of economic adversity.

REPURCHASE AGREEMENTS

Repurchase agreements are contracts for the sale of securities owned or borrowed by the Banks with an agreement to repurchase those securities at an agreed-upon price and date. The Banks repurchase agreements are primarily collateralized by GSE obligations and other mortgage-related securities, and are entered into with either the FHLBs or various brokerage firms.

RETURN ON AVERAGE ASSETS

A measure of profitability determined by dividing net income by average assets for a given period.

RETURN ON AVERAGE STOCKHOLDERS EQUITY

A measure of profitability determined by dividing net income by average stockholders equity for a given period.

SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTION (SIFI)

A bank holding company with total consolidated assets that average more than $50 billion over the four most recent quarters is designated a Systemically Important Financial Institution under the Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) of 2010.

WHOLESALE BORROWINGS

Refers to advances drawn by the Banks against their respective lines of credit with the FHLBs, their repurchase agreements with the FHLBs and various brokerage firms, and federal funds purchased.

YIELD

The interest income associated with interest-earning assets, typically expressed as a ratio of interest income to the average balance of interest-earning assets for a given period.

PART I

ITEM 1. BUSINESS

General

With total assets of $48.6 billion at December 31, 2014, we rank among the nation s 25 largest publicly traded bank holding companies. Primarily reflecting our growth through ten business combinations between November 30, 2000 and March 26, 2010, we currently have 272 branch offices in five states.

We are organized under Delaware Law as a multi-bank holding company and have two primary subsidiaries: New York Community Bank and New York Commercial Bank (hereinafter referred to as the Community Bank and the Commercial Bank, respectively, and collectively as the Banks).

New York Community Bank

Established in 1859, the Community Bank is a New York State-chartered savings bank with 242 branches that currently operate through seven local divisions. We compete for depositors in these diverse markets by emphasizing service and convenience, with a comprehensive menu of traditional and non-traditional products and services, and access to 24-hour banking both online and by phone.

In New York, we currently serve our Community Bank customers through Roslyn Savings Bank, with 53 branches on Long Island, a suburban market east of New York City comprised of Nassau and Suffolk counties; Queens County Savings Bank, with 38 branches in the New York City borough of Queens; Richmond County Savings Bank, with 22 branches in the borough of Staten Island; and Roosevelt Savings Bank, with nine branches in the borough of Brooklyn. In the Bronx and neighboring Westchester County, we currently have four branches that operate directly under the name New York Community Bank.

In New Jersey, we serve our Community Bank customers through 47 branches that operate under the name Garden State Community Bank. In Florida and Arizona, where we have 27 and 14 branches, respectively, we serve our customers through the AmTrust Bank division of the Community Bank. In Ohio, we serve our Community Bank customers through 28 branches of Ohio Savings Bank.

We also are a leading producer of multi-family loans in New York City, with an emphasis on non-luxury apartment buildings that are rent-regulated and feature below-market rents. In addition to multi-family loans, which are our principal asset, we originate commercial real estate (CRE) loans (primarily in New York City, as well as on Long Island) and, to a much lesser extent, acquisition, development, and construction (ADC) loans, and commercial and industrial (C&I) loans. C&I loans consist of specialty finance loans and leases, and other C&I loans that are typically made to small and mid-size business in Metro New York.

Unlike the aforementioned loans, which are originated for investment, the one-to-four family loans we produce are primarily originated for sale. In 2014, the vast majority of the one-to-four family loans we originated were agency-conforming loans sold to government-sponsored enterprises (GSEs), servicing retained.

Although the vast majority of the loans we produce for investment (i.e., for our portfolio) are secured by properties or businesses in New York City and, to a lesser extent, on Long Island, the one-to-four family loans we originate are for the purchase or refinancing of homes throughout the United States.

New York Commercial Bank

The Commercial Bank is a New York State-chartered commercial bank with 30 branches in Manhattan, Queens, Brooklyn, Westchester County, and Long Island, including 18 that operate under the name Atlantic Bank.

Established in December 2005, the Commercial Bank competes for customers by emphasizing personal service and by addressing the needs of small and mid-size businesses, professional associations, and government agencies with a comprehensive menu of business solutions, including installment loans, revolving lines of credit, and cash management services. In addition, the Commercial Bank offers 24-hour banking online and by phone.

Customers of the Commercial Bank may transact their business at any of our 242 Community Bank branches, and Community Bank customers may transact their business at any of the 30 branches of the Commercial Bank. In addition, customers of the Banks have access to their accounts through our ATMs in all five states.

Online Information about the Company and the Banks

We also serve our customers through three connected websites: www.myNYCB.com, www.NewYorkCommercialBank.com, and www.NYCBfamily.com. In addition to providing our customers with 24-hour access to their accounts, and information regarding our products and services, hours of service, and locations, these websites provide extensive information about the Company for the investment community. Earnings releases, dividend announcements, and other press releases are posted upon issuance to the Investor Relations portion of these websites. In addition, our filings with the U.S. Securities and Exchange Commission (the SEC) (including our annual report on Form 10-K; our quarterly reports on Form 10-Q; and our current reports on Form 8-K), and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available without charge, and are posted to the Investor Relations portion of our websites within minutes of being filed. The websites also provide information regarding our Board of Directors and management team and the number of Company shares held by these insiders, as well as certain Board Committee charters and our corporate governance policies. The content of our websites shall not be deemed to be incorporated by reference into this Annual Report.

Our Market

Our current market for deposits consists of the 26 counties in the five states that are served by our branch network, including all five boroughs of New York City, Nassau and Suffolk Counties on Long Island, and Westchester County in New York; Essex, Hudson, Mercer, Middlesex, Monmouth, Ocean, and Union Counties in New Jersey; Maricopa and Yavapai Counties in Arizona; Cuyahoga, Lake, and Summit Counties in Ohio; and Broward, Collier, Lee, Miami-Dade, Palm Beach, and St. Lucie Counties in Florida.

The market for the loans we produce varies, depending on the type of loan. For example, the vast majority of our multi-family loans are collateralized by rental apartment buildings in New York City, which is also home to the majority of the properties collateralizing our CRE and ADC loans. In contrast, we originate one-to-four family mortgage loans in all 50 states and the District of Columbia, and our specialty finance loans and leases are generally made to large corporate obligors that participate in stable industries nationwide.

Competition for Deposits

The combined population of the 26 counties where our branches are located is approximately 30.1 million, and the number of banks and thrifts we compete with currently exceeds 320. With total deposits of $28.3 billion at December 31, 2014, we ranked ninth among all bank and thrift depositories serving these 26 counties. We also ranked first among all banks and thrifts in Essex County, New Jersey, third in Richmond County, and fourth in both Queens and Nassau Counties in New York. (Market share information was provided by SNL Financial.) We also compete for deposits with other financial institutions, including credit unions, Internet banks, and brokerage firms.

Our ability to attract and retain deposits is not only a function of short-term interest rates and industry consolidation, but also the competitiveness of the rates being offered by other financial institutions within our marketplace.

Competition for deposits is also influenced by several internal factors, including the opportunity to assume or acquire deposits through business combinations; the cash flows produced through loan and securities repayments and sales; and the availability of attractively priced wholesale funds. In addition, the degree to which we compete for deposits is influenced by the liquidity needed to fund our loan production and other outstanding commitments.

We vie for deposits and customers by placing an emphasis on convenience and service and, from time to time, by offering specific products at highly competitive rates. In addition to our 242 Community Bank branches and 30 Commercial Bank branches, we have 285 ATM locations, including 261 that operate 24 hours a day. Our customers also have 24-hour access to their accounts through our bank-by-phone service and online through our three websites, www.myNYCB.com, www.NewYorkCommercialBank.com, and www.NYCBfamily.com. We also offer certain higher-paying money market accounts and certificates of deposit (CDs) through two dedicated websites, www.myBankingDirect.com and www.AmTrustDirect.com. In addition, 38 of our Community Bank branches in New York and New Jersey are in-store branches, including 37 that are located in supermarkets and one in a drug store. Because of the proximity of these branches to our traditional locations, our customers have the option of doing their banking seven days a week in many of the communities we serve. This service model is an important component of our efforts to attract and maintain deposits in a highly competitive marketplace.

7

We also compete by complementing our broad selection of traditional banking products with an extensive menu of alternative financial services, including annuities, life and long-term care insurance, and mutual funds of various third-party service providers. Furthermore, customers who come to us seeking a residential mortgage can begin the application process by phone, online, or in any branch.

In addition to checking and savings accounts, Individual Retirement Accounts, and CDs for both businesses and consumers, the Commercial Bank offers a suite of cash management products to address the needs of small and mid-size businesses, municipal and county governments, school districts, and professional associations.

Another competitive advantage is our strong community presence, with April 14, 2014 having marked the 155th year of service of our forebear, Queens County Savings Bank. We have found that our longevity, as well as our strong capital position, are especially appealing to customers seeking a strong, stable, and service-oriented bank.

Competition for Loans

Our success as a lender is substantially tied to the economic health of the markets where we lend. Local economic conditions have a significant impact on loan demand, the value of the collateral securing our credits, and the ability of our borrowers to repay their loans.

The competition we face for loans also varies with the type of loan we are originating. In New York City, where the majority of the buildings collateralizing our multi-family loans are located, we compete for such loans on the basis of timely service and the expertise that stems from being a specialist in this lending niche. In addition to the money center, regional, and local banks we compete with in this market, we also compete with insurance companies. Certain of the banks we compete with sell the loans they produce to Fannie Mae and Freddie Mac.

While we anticipate that competition for multi-family loans will continue in the future, we believe that the significant volume of multi-family loans we produced in 2014 and that are in our year-end pipeline are indicative of our ability to compete for such loans.

Similarly, our ability to compete for CRE loans on a go-forward basis depends on the same factors that impact our ability to compete for multi-family credits, and the degree to which other CRE lenders choose to increase their loan production as local market conditions continue to improve.

While we continue to originate a limited number of one-to-four family, ADC, and C&I loans for investment, such loans represent a small portion of our loan portfolio.

We also compete with a significant number of financial and non-financial institutions throughout the nation that originate and aggregate one-to-four family loans for sale. Reflecting the volume of loans funded in 2014 through our mortgage banking business, we ranked among the 15 largest aggregators of one-to-four family loans in the United States.

Environmental Issues

We encounter certain environmental risks in our lending activities. The existence of hazardous materials may make it unattractive for a lender to foreclose on the properties securing its loans. In addition, under certain conditions, lenders may become liable for the costs of cleaning up hazardous materials found on such properties. We attempt to mitigate such environmental risks by requiring either that a borrower purchase environmental insurance or that an appropriate environmental site assessment be completed as part of our underwriting review on the initial granting of CRE and ADC loans, regardless of location, and of any out-of-state multi-family loans we may produce. Depending on the results of an assessment, appropriate measures are taken to address the identified risks. In addition, we order an updated environmental analysis prior to foreclosing on such properties, and typically hold foreclosed multi-family, CRE, and ADC properties in subsidiaries.

Our attention to environmental risks also applies to the properties and facilities that house our bank operations. Prior to acquiring a large-scale property, a Phase 1 Environmental Property Assessment is typically performed by a licensed professional engineer to determine the integrity of, and/or the potential risk associated with, the facility and the property on which it is built. Properties and facilities of a smaller scale are evaluated by qualified in-house assessors, as well as by industry experts in environmental testing and remediation. This two-pronged approach identifies potential risks associated with asbestos-containing material, above and underground storage tanks, radon, electrical transformers (which may contain PCBs), ground water flow, storm and sanitary discharge, and mold, among other environmental risks. These processes assist us in mitigating environmental risk by enabling us to identify and address potential issues.

8

Table of Contents

Subsidiary Activities

The Community Bank has formed, or acquired through merger transactions, 32 active subsidiary corporations. Of these, 21 are direct subsidiaries of the Community Bank and 11 are subsidiaries of Community Bank-owned entities.

The 21 direct subsidiaries of the Community Bank are:

Name	Jurisdiction of Organization	Purpose
DHB Real Estate, LLC	Arizona	Organized to own interests in real estate
Mt. Sinai Ventures, LLC	Delaware	A joint venture partner in the development, construction, and sale of a 177-unit golf course community in Mt. Sinai, NY, all the units of which were sold by December 31, 2006
NYCB Mortgage Company, LLC	Delaware	Originates and aggregates one-to-four family loans for sale, primarily servicing retained
Realty Funding Company, LLC	Delaware	Holding company for subsidiaries owning an interest in real estate
NYCB Specialty Finance Company, LLC	Massachusetts	Originates asset-based loans, dealer floor-plan loans, and equipment loan and lease financing
Eagle Rock Investment Corp.	New Jersey	Formed to hold and manage investment portfolios for the Company
Pacific Urban Renewal, Inc.	New Jersey	Owns a branch building
Synergy Capital Investments, Inc.	New Jersey	Formed to hold and manage investment portfolios for the Company
1400 Corp.	New York	Manages properties acquired by foreclosure while they are being marketed for sale
BSR 1400 Corp.	New York	Organized to own interests in real estate
Bellingham Corp.	New York	Organized to own interests in real estate
Blizzard Realty Corp.	New York	Organized to own interests in real estate
CFS Investments, Inc.	New York	Sells non-deposit investment products
Main Omni Realty Corp.	New York	Organized to own interests in real estate
NYB Realty Holding Company, LLC	New York	Holding company for subsidiaries owning an interest in real estate
O.B. Ventures, LLC	New York	A joint venture partner in a 370-unit residential community in Plainview, New York, all the units of which were sold by December 31, 2004
RCBK Mortgage Corp.	New York	Organized to own interests in certain multi-family loans
RCSB Corporation	New York	Owns a branch building, Ferry Development Holding Company, and Woodhaven Investments, Inc.
RSB Agency, Inc.	New York	Sells non-deposit investment products
Richmond Enterprises, Inc.	New York	Holding company for Peter B. Cannell & Co., Inc.
Roslyn National Mortgage Corporation	New York	Formerly operated as a mortgage loan originator and servicer and currently holds an interest in its former office space

Table of Contents

The 11 subsidiaries of Community Bank-owned entities are:

Name	Jurisdiction of Organization	Purpose
Columbia Preferred Capital Corporation	Delaware	A real estate investment trust (REIT) organized for the purpose of investing in mortgage-related assets
Ferry Development Holding Company	Delaware	Formed to hold and manage investment portfolios for the Company
Peter B. Cannell & Co., Inc.	Delaware	Advises high net worth individuals and institutions on the management of their assets
Roslyn Real Estate Asset Corp.	Delaware	A REIT organized for the purpose of investing in mortgage-related assets
Walnut Realty Holding Company, LLC	Delaware	Established to own Bank-owned properties
Woodhaven Investments, Inc.	Delaware	Holding company for Roslyn Real Estate Asset Corp. and Ironbound Investment Company, Inc.
Your New REO, LLC	Delaware	Owns a website that lists bank-owned properties for sale
Ironbound Investment Company, Inc.	New Jersey	A REIT organized for the purpose of investing in mortgage-related assets that also is the principal shareholder of Richmond County Capital Corp.
The Hamlet at Olde Oyster Bay, LLC	New York	Organized as a joint venture, part-owned by O.B. Ventures, LLC
The Hamlet at Willow Creek, LLC	New York	Organized as a joint venture, part-owned by Mt. Sinai Ventures, LLC
Richmond County Capital Corporation	New York	A REIT organized for the purpose of investing in mortgage-related assets that also is the principal shareholder of Columbia Preferred Capital Corp.

There are 86 additional entities that are subsidiaries of a Community Bank-owned entity organized to own interests in real estate.

The Commercial Bank has four active subsidiary corporations, two of which are subsidiaries of Commercial Bank-owned entities.

The two direct subsidiaries of the Commercial Bank are:

Name	Jurisdiction of Organization	Purpose
Beta Investments, Inc.	Delaware	Holding company for Omega Commercial Mortgage Corp. and Long Island Commercial Capital Corp.
Gramercy Leasing Services, Inc.	New York	Provides equipment lease financing

The two subsidiaries of Commercial Bank-owned entities are:

Name	Jurisdiction of Organization	Purpose
Omega Commercial Mortgage Corp.	Delaware	A REIT organized for the purpose of investing in mortgage-related assets
Long Island Commercial Capital Corp.	New York	

	A REIT organized for the purpose of investing in mortgage-related assets

There are four additional entities that are subsidiaries of the Commercial Bank that are organized to own interests in real estate.

The Company owns special business trusts that were formed for the purpose of issuing capital and common securities and investing the proceeds thereof in the junior subordinated debentures issued by the Company. Please see Note 8, Borrowed Funds, in Item 8, Financial Statements and Supplementary Data, for a further discussion of the Company s special business trusts.

Table of Contents

The Company also has one non-banking subsidiary that was established in connection with the acquisition of Atlantic Bank of New York in 2006.

Personnel

At December 31, 2014, the number of full-time equivalent employees was 3,416. Our employees are not represented by a collective bargaining unit, and we consider our relationship with our employees to be good.

Federal, State, and Local Taxation

The Company is subject to federal, state, and local income taxes. Please see the discussion of Income Taxes in Critical Accounting Policies in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, later in this annual report.

Regulation and Supervision

General

The Community Bank is a New York State-chartered savings bank and its deposit accounts are insured under the Deposit Insurance Fund (the DIF) of the Federal Deposit Insurance Corporation (the FDIC) up to applicable legal limits. The Commercial Bank is a New York State-chartered commercial bank and its deposit accounts also are insured by the DIF up to applicable legal limits.

Both the Community Bank and the Commercial Bank are subject to regulation and supervision by the New York State Department of Financial Services (the NYDFS), as their chartering agency; by the FDIC, as their insurer of deposits; and by the Consumer Financial Protection Bureau (the CFPB), which was created under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) in 2011 to implement and enforce consumer protection laws applying to banks.

The Banks must file reports with the NYDFS, the FDIC, and the CFPB concerning their activities and financial condition, and are periodically examined by the NYDFS, the CFPB, and the FDIC to assess compliance with various regulatory requirements, including safety and soundness considerations. This regulation and supervision establishes a comprehensive framework of activities in which a savings bank and a commercial bank can engage, and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss allowances for regulatory purposes. Moreover, the Banks would have to obtain regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other depository institutions. Any changes in such regulations, whether by the NYDFS, the CFPB, the FDIC, or through legislation, could have a material adverse impact on the Company, the Banks and their operations, and the Company s shareholders.

The Company is subject to examination, regulation, and periodic reporting under the Bank Holding Company Act of 1956, as amended (the BHCA), as administered by the Board of Governors of the Federal Reserve System (the FRB). In addition, the Company is periodically examined by the Federal Reserve Bank of New York (the FRB-NY). Besides filing certain reports under, and otherwise complying with, the rules and regulations of the FRB, the Company is required to file certain reports under, and otherwise comply with, the rules and regulations of the FDIC, the NYDFS, and the SEC under federal securities laws. Furthermore, the Company would be required to obtain the prior approval of the FRB to acquire all, or substantially all, of the assets of any bank or bank holding company.

In addition, on September 3, 2014, the FRB and other banking regulators adopted final rules implementing a U.S. version of the Basel Committee s Liquidity Coverage Ratio (the LCR) requirement. The LCR requirement, including the modified version applicable to bank holding companies with $50 billion or more in total consolidated assets that have not opted to use the advanced approaches risk-based capital rule, requires a banking organization to maintain an amount of unencumbered high-quality liquid assets to be at least equal to the amount of its total net cash outflows over a 30-day stress period. Only specific classes of assets qualify under the rule as high-quality assets (the numerator of the LCR), with riskier classes of assets subject to haircuts and caps. The total net cash outflow amount (the denominator of the LCR) is determined under the rule by applying outflow and inflow rates that reflect certain standardized assumptions against the balances of the banking organization s funding sources, obligations, transactions, and assets over a 30-day stress period. Inflows that can be included to offset outflows are limited to 75% of outflows (which effectively means that banking organizations must hold high-quality liquid assets equal to 25% of outflows even if outflows perfectly match inflows over the stress period).

The initial compliance date for the modified LCR will be January 2016, with the requirement fully phased in by January 2017. Although we are not currently subject to the modified LCR requirements, were we to have average total consolidated assets over the four most recent quarters in excess of $50 billion, we would have to comply with the requirements of the modified LCR beginning on the first day of the first quarter after which we exceed that threshold. The modified LCR is a minimum requirement, and the FRB can impose additional liquidity requirements as a supervisory matter.

Certain of the regulatory requirements applicable to the Community Bank, the Commercial Bank, and the Company are referred to below or elsewhere herein. However, such discussion is not meant to be a complete explanation of all laws and regulations and is qualified in its entirety by reference to the actual laws and regulations.

The Dodd-Frank Act

The Dodd-Frank Act has significantly changed the current bank regulatory structure and will continue to affect, into the immediate future, the lending and investment activities and general operations of depository institutions and their holding companies.

In addition to creating the CFPB, the Dodd-Frank Act requires that the FRB establish minimum consolidated capital requirements for bank holding companies that are as stringent as those required for insured depository institutions; and that the components of Tier 1 capital be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. In addition, the proceeds of trust preferred securities will be excluded from Tier 1 capital unless (i) such securities are issued by bank holding companies with assets of less than $500 million, or (ii) such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with assets of less than $15 billion. As a result, only 25% of the Company s trust preferred securities will be included in Tier 1 capital in 2015, and none will be included in 2016.

Furthermore, the Dodd-Frank Act created a new supervisory structure for oversight of the U.S. financial system, including the establishment of a new council of regulators, the Financial Stability Oversight Council, to monitor and address systemic risks to the financial system. Non-bank financial companies that are deemed to be significant to the stability of the U.S. financial system and all bank holding companies with $50 billion or more in total consolidated assets will be subject to heightened supervision and regulation. The FRB will implement prudential requirements and prompt corrective action procedures for such companies.

The Dodd-Frank Act made many additional changes in banking regulation, including: authorizing depository institutions, for the first time, to pay interest on business checking accounts; requiring originators of securitized loans to retain a percentage of the risk for transferred loans; establishing regulatory rate-setting for certain debit card interchange fees; and establishing a number of reforms for mortgage lending and consumer protection.

The Dodd-Frank Act also broadened the base for FDIC insurance assessments. The FDIC was required to promulgate rules revising its assessment system so that it would be based not on deposits, but on the average consolidated total assets less the tangible equity capital of an insured institution. That rule took effect on April 1, 2011. The Dodd-Frank Act also permanently increased the maximum amount of deposit insurance for banks, savings institutions, and credit unions to $250,000 per depositor, retroactive to January 1, 2008.

Many of the provisions of the Dodd-Frank Act are not yet effective. The Dodd-Frank Act requires various federal agencies to promulgate numerous and extensive implementing regulations over the next several years. Although it therefore is difficult to predict at this time what impact the Dodd-Frank Act and the implementing regulations will have on the Company and the Banks, they may have a material impact on operations through, among other things, heightened regulatory supervision and increased compliance costs.

Current Capital Requirements

FDIC Capital Requirements

The FDIC has adopted risk-based capital guidelines to which the Community Bank and the Commercial Bank are subject. The guidelines establish a systematic analytical framework that makes regulatory capital requirements sensitive to differences in risk profiles among banking organizations. The Community Bank and the Commercial Bank are required to maintain certain levels of regulatory capital in relation to regulatory risk-weighted assets. The ratio of such regulatory capital to regulatory risk-weighted assets is referred to as a risk-based capital ratio. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet items to four risk-weighted categories ranging from 0% to 100%, with higher levels of capital being required for the categories perceived as representing greater risk.

These guidelines divide an institution s capital into two tiers. The first tier (Tier 1) includes common equity, retained earnings, certain non-cumulative perpetual preferred stock (excluding auction rate issues), and minority interests in equity accounts of consolidated subsidiaries, less goodwill and other intangible assets (except mortgage

servicing rights and purchased credit card relationships subject to certain limitations). Supplementary (Tier 2) capital includes, among other items, cumulative perpetual and long-term limited-life preferred stock; mandatorily convertible securities; certain hybrid capital instruments; term subordinated debt; and the allowance for loan losses, subject to certain limitations; and up to 45% of pre-tax net unrealized gains on equity securities with readily determinable fair market values, less required deductions. Savings banks and commercial banks are required to maintain a total risk-based capital ratio of at least 8%, of which at least 4% must be Tier 1 capital.

In addition, the FDIC has established regulations prescribing a minimum Tier 1 leverage capital ratio (the ratio of Tier 1 capital to adjusted average assets as specified in the regulations). These regulations provide for a minimum Tier 1 leverage capital ratio of 3% for institutions that meet certain specified criteria, including that they have the highest examination rating and are not experiencing or anticipating significant growth. All other institutions are required to maintain a Tier 1 leverage capital ratio of at least 4%. The FDIC may, however, set higher leverage and risk-based capital requirements on individual institutions when particular circumstances warrant. Institutions experiencing or anticipating significant growth are expected to maintain capital ratios, including tangible capital positions, well above the minimum levels.

As of December 31, 2014, the Community Bank and the Commercial Bank were deemed to be well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, a bank must maintain a minimum Tier 1 leverage capital ratio of 5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum total risk-based capital ratio of 10%. A summary of the regulatory capital ratios of the Banks at December 31, 2014 appears in Note 18, Regulatory Matters in Item 8, Financial Statements and Supplementary Data.

The regulatory capital regulations of the FDIC and other federal banking agencies provide that the agencies will take into account the exposure of an institution s capital and economic value to changes in interest rate risk in assessing capital adequacy. According to such agencies, applicable considerations include the quality of the institution s interest rate risk management process, overall financial condition, and the level of other risks at the institution for which capital is needed. Institutions with significant interest rate risk may be required to hold additional capital. The agencies have issued a joint policy statement providing guidance on interest rate risk management, including a discussion of the critical factors affecting the agencies evaluation of interest rate risk in connection with capital adequacy. Institutions that engage in specified amounts of trading activity may be subject to adjustments in the calculation of the risk-based capital requirement to assure sufficient additional capital to support market risk.

Federal Reserve Board Capital Requirements

The FRB has adopted capital adequacy guidelines for bank holding companies (on a consolidated basis) that are substantially similar to, but somewhat less stringent than, those of the FDIC for the Community Bank and the Commercial Bank. At December 31, 2014, the Company s consolidated Total and Tier 1 capital exceeded these requirements.

The Dodd-Frank Act required the FRB to issue consolidated regulatory capital requirements for bank holding companies that are at least as stringent as those applicable to insured depository institutions. Such regulations eliminated the use of certain instruments, such as cumulative preferred stock and trust preferred securities, as Tier 1 holding company capital. However, instruments issued before May 19, 2010 by bank holding companies with more than $15 billion of consolidated assets are subject to a three-year phase-out from inclusion as Tier 1 capital, beginning January 1, 2013. As a result, only 25% of the Company s trust preferred securities will be included in Tier 1 capital in 2015, and none will be included in 2016. Based on our balance of trust preferred securities at December 31, 2014, and absent any reduction in that balance during the period ending January 1, 2016, the elimination of such instruments would be expected to reduce our capital by $345.6 million, or 9.3%, at the end of the phase-in, and reduce our Tier 1 leverage capital ratio by 74 basis points at that date.

Bank holding companies are generally required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding twelve months, is equal to 10% or more of the Company s consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice, or would violate any law, regulation, FRB order or directive, or any condition imposed by, or written agreement with, the FRB or the FRB-NY. The FRB has adopted an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

Prompt Corrective Regulatory Action

Federal law requires, among other things, that federal bank regulatory authorities take prompt corrective action with respect to institutions that do not meet minimum capital requirements. For such purposes, the law establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The FDIC has adopted regulations to implement prompt corrective action. Among other things, the regulations define the relevant capital measures for the five capital categories. For the period ended December 31, 2014, an institution was deemed to be well capitalized if it had a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a leverage capital ratio of 5% or greater, and was not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure. An institution was deemed to be adequately capitalized if it had a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 4% or greater, and generally a leverage capital ratio of 4% or greater. An institution was deemed to be undercapitalized if it had a total risk-based capital ratio of less than 8%, a Tier 1 risk-based capital ratio of less than 4%, or generally a leverage capital ratio of less than 4%. An institution was deemed to be significantly undercapitalized if it had a total risk-based capital ratio of less than 6%, a Tier 1 risk-based capital ratio of less than 3%, or a leverage capital ratio of less than 3%. An institution was deemed to be critically undercapitalized if it had a ratio of tangible equity (as defined in the regulations) to total assets that was equal to or less than 2%.

As a result of U.S. bank regulations implementing Basel III, new definitions of the relevant measures for the five capital categories will take effect on January 1, 2015, as further described below under Basel III. Effective that date, an institution is deemed to be well capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 8% or greater, a common equity Tier 1 risk-based capital ratio of 6.5% or greater, and a leverage capital ratio of 5% or greater, and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure. An institution is deemed to be adequately capitalized if it has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 6% or greater, a common equity Tier 1 risk-based capital ratio of 4.5% or greater, and generally a leverage capital ratio of 4% or greater. An institution is deemed to be undercapitalized if it has a total risk-based capital ratio of less than 8%, a Tier 1 risk-based capital ratio of less than 6%, a common equity Tier 1 risk-based capital ratio of less than 4.5%, or generally a leverage capital ratio of less than 4%. An institution is deemed to be significantly undercapitalized if it has a total risk-based capital ratio of less than 6%, a Tier 1 risk-based capital ratio of less than 4%, a common equity Tier 1 risk-based capital ratio of less than 3%, or a leverage capital ratio of less than 3%. An institution is deemed to be critically undercapitalized if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%.

Undercapitalized institutions are subject to growth, capital distribution (including dividend), and other limitations, and are required to submit a capital restoration plan. An institution s compliance with such a plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5% of the bank s total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an undercapitalized institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. Significantly undercapitalized institutions are subject to one or more additional restrictions including, but not limited to, an order by the FDIC to sell sufficient voting stock to become adequately capitalized; requirements to reduce total assets, cease receipt of deposits from correspondent banks, or dismiss directors or officers; and restrictions on interest rates paid on deposits, compensation of executive officers, and capital distributions by the parent holding company.

Beginning 60 days after becoming critically undercapitalized, critically undercapitalized institutions also may not make any payment of principal or interest on certain subordinated debt, extend credit for a highly leveraged transaction, or enter into any material transaction outside the ordinary course of business. In addition, subject to a narrow exception, the appointment of a receiver is required for a critically undercapitalized institution within 270 days after it obtains such status.

Basel III

On July 9, 2013, the federal bank regulatory agencies issued a final rule that revised their risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision (Basel III) and certain provisions of the Dodd-Frank Act. The final rule, which became effective on January 1, 2015, applies to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million or more, and top-tier savings and loan holding companies.

The rule established a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4.0% to 6.0% of risk-weighted assets), and assigned a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status, and to certain commercial real estate facilities that finance the acquisition, development, or construction of real property.

The rule also changed what constitutes regulatory capital. These changes include the phasing-out of certain instruments as qualifying capital. In addition, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets, and investments in unconsolidated subsidiaries over designated percentages of common stock are required to be deducted from capital. Finally, Tier 1 capital includes accumulated other comprehensive income (which includes all unrealized gains and losses on available-for-sale debt and equity securities).

The capital requirements also changed the risk weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (up from 100%) for certain high-volatility commercial real estate acquisition, development, and construction loans and non-residential mortgage loans that are 90 days past due or otherwise on non-accrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancelable; a 250% risk weight (up from 100%) for mortgage servicing rights and certain deferred tax assets that are not deducted from capital; and increased risk-weights (from 0% to up to 600%) for equity exposures.

Finally, the rule limits capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

The capital conservation buffer requirement will be phased in beginning January 1, 2016, at 0.625% of risk-weighted assets, and increase each year until fully implemented at 2.5% on January 1, 2019.

It is management s belief that, as of December 31, 2014, we would have met all capital adequacy requirements under the new capital rules on a fully phased-in basis if such requirements had been effective at that date. In addition, reflecting a good faith estimate of the Company s CET1 and risk-weighted assets, as computed in accordance with the methodologies set forth in the Basel III Capital Rules, management estimates that the Company s ratio of CET1 to risk-weighted assets, on a fully phased-in basis, was approximately 10.85% at December 31, 2014.

Stress Testing

Stress Testing for Banks with Assets of $10 Billion to $50 Billion

On October 9, 2012, the FDIC and the FRB issued final rules requiring certain large insured depository institutions and bank holding companies to conduct annual capital-adequacy stress tests. Recognizing that banks and their parent holding companies may have different primary federal regulators, the FDIC and FRB have attempted to ensure that the standards of the final rules are consistent and comparable in the areas of scope of application, scenarios, data collection, reporting, and disclosure. To implement section 165(i) of the Dodd-Frank Act, the rules would apply to FDIC-insured state non-member banks and bank holding companies with total consolidated assets of more than $10 billion (covered institutions). The final rules delayed implementation for covered institutions with total consolidated assets of between $10 billion and $50 billion until October 2013. The final rule requirement for public disclosure of a summary of the stress testing results for these $10 billion-$50 billion covered institutions will be implemented starting with the 2014 stress test, with the disclosure occurring by June 30, 2015. The final rules define a stress test as a process to assess the potential impact of economic and financial scenarios on the consolidated earnings, losses, and capital of the covered institution over a set planning horizon, taking into account the current condition of the covered institution and its risks, exposures, strategies, and activities.

Under the rules, each covered institution with between $10 billion and $50 billion in assets would be required to conduct annual stress tests using the bank s and the bank holding company s financial data as of September 30 of that year to assess the potential impact of different scenarios on the consolidated earnings and capital of that bank and its holding company and certain related items over a nine-quarter forward-looking planning horizon, taking into account all relevant exposures and activities. On or before March 31 of each year, each covered institution, including the Community Bank and the Company, would be required to report to the FDIC and the FRB, respectively, in the manner and form prescribed in the rules, the results of the stress tests conducted by the covered institution during the immediately preceding year. Based on the information provided by a covered institution in the required reports to the FDIC and the FRB, as well as other relevant information, the FDIC and FRB would conduct an analysis of the quality of the covered institution s stress test processes and related results. The FDIC and FRB envision that feedback concerning such analysis would be provided to a covered institution through the supervisory process.

Table of Contents

Consistent with the requirements of the Dodd-Frank Act, the rule would require each covered institution to publish a summary of the results of its annual stress tests within 90 days of the required date for submitting its stress test report to the FDIC and the FRB. As discussed below, if the average of our total consolidated assets over the four most recent quarters were to exceed $50 billion, the Company would become subject to a different set of FRB stress test regulations.

Stress Testing for Large Bank Holding Companies

If the average of the Company s total consolidated assets over the four most recent quarters were to reach or exceed $50 billion, the Company would become subject to a different set of stress testing regulations administered by the FRB under its capital plan rule and related supervisory process, the Comprehensive Capital Analysis and Review (CCAR). Under this scenario, the FRB will use its own models to evaluate whether each covered company has the capital, on a total consolidated basis, necessary to continue operating under the economic and financial market conditions of each scenario. The FRB s analysis will include an assessment of the projected losses, net income, and pro forma capital levels and the regulatory capital ratio, tier 1 common ratio, and other capital ratios for the covered company, and use such analytical techniques that the FRB determines to be appropriate to identify, measure, and monitor risks of the covered company that may affect the financial stability of the United States.

The aim of the annual review is to ensure that large, complex banking institutions have robust, forward-looking capital planning processes that account for their unique risks, and to help ensure that institutions have sufficient capital to continue operations throughout times of economic and financial stress. Covered companies will be expected to have credible plans that show they have sufficient capital to continue to lend to households and businesses even under severely adverse conditions, and are well prepared to meet Basel III regulatory capital standards as they are implemented in the United States.

A covered company s capital adequacy will be assessed against a number of quantitative and qualitative criteria, including projected performance under the stress scenarios provided by the FRB and the covered company s internal scenarios. Boards of directors of covered companies are required to review and approve capital plans before submitting them to the FRB.

If the Company were to exceed the $50 billion asset threshold described above on or before March 31st of a given year, it would be subject to these stress test requirements beginning on January 1st of the next calendar year (i.e., the first year after it became a large banking holding company). If the Company were to exceed the $50 billion asset threshold after March 31st of a given year, it would not be subject to these stress test requirements until January 1st of the second calendar year after the year in which it became a large banking holding company.

Standards for Safety and Soundness

Federal law requires each federal banking agency to prescribe, for the depository institutions under its jurisdiction, standards that relate to, among other things, internal controls; information and audit systems; loan documentation; credit underwriting; the monitoring of interest rate risk; asset growth; compensation; fees and benefits; and such other operational and managerial standards as the agency deems appropriate. The federal banking agencies adopted final regulations and Interagency Guidelines Establishing Standards for Safety and Soundness (the Guidelines) to implement these safety and soundness standards. The Guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the Guidelines, the agency may require the institution to provide it with an acceptable plan to achieve compliance with the standard, as required by the Federal Deposit Insurance Act, as amended, (the FDI Act). The final regulations establish deadlines for the submission and review of such safety and soundness compliance plans.

FDIC Regulations

The discussion that follows pertains to FDIC Regulations other than those already discussed on the preceding pages.

Table of Contents

Real Estate Lending Standards

The FDIC and the other federal banking agencies have adopted regulations that prescribe standards for extensions of credit that (i) are secured by real estate, or (ii) are made for the purpose of financing construction or improvements on real estate. The FDIC regulations require each institution to establish and maintain written internal real estate lending standards that are consistent with safe and sound banking practices, and appropriate to the size of the institution and the nature and scope of its real estate lending activities. The standards also must be consistent with accompanying FDIC Guidelines, which include loan-to-value limitations for the different types of real estate loans. Institutions are also permitted to make a limited amount of loans that do not conform to the proposed loan-to-value limitations so long as such exceptions are reviewed and justified appropriately. The Guidelines also list a number of lending situations in which exceptions to the loan-to-value standard are justified.

The FDIC, the Office of the Comptroller of the Currency, and the FRB (collectively, the Agencies) also have issued joint guidance entitled Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices (the CRE Guidance). The CRE Guidance, which addresses land development, construction, and certain multi-family loans, as well as CRE loans, does not establish specific lending limits but, rather, reinforces and enhances the Agencies existing regulations and guidelines for such lending and portfolio management.

Dividend Limitations

The FDIC has authority to use its enforcement powers to prohibit a savings bank or commercial bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Federal law prohibits the payment of dividends that will result in the institution failing to meet applicable capital requirements on a pro forma basis. The Community Bank and the Commercial Bank are also subject to dividend declaration restrictions imposed by, and as later discussed under, New York State Law.

Investment Activities

Since the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), all state-chartered financial institutions, including savings banks, commercial banks, and their subsidiaries, have generally been limited to such activities as principal and equity investments of the type, and in the amount, authorized for national banks. State law, FDICIA, and FDIC regulations permit certain exceptions to these limitations. For example, certain state-chartered savings banks, such as the Community Bank, may, with FDIC approval, continue to exercise state authority to invest in common or preferred stocks listed on a national securities exchange and in the shares of an investment company registered under the Investment Company Act of 1940, as amended. Such banks may also continue to sell Savings Bank Life Insurance. In addition, the FDIC is authorized to permit institutions to engage in state-authorized activities or investments not permitted for national banks (other than non-subsidiary equity investments) for institutions that meet all applicable capital requirements if it is determined that such activities or investments do not pose a significant risk to the insurance fund. The Gramm-Leach-Bliley Act of 1999 and FDIC regulations impose certain quantitative and qualitative restrictions on such activities and on a bank s dealings with a subsidiary that engages in specified activities.

The Community Bank received grandfathering authority from the FDIC in 1993 to invest in listed stock and/or registered shares subject to the maximum permissible investments of 100% of Tier 1 capital, as specified by the FDIC s regulations, or the maximum amount permitted by New York State Banking Law, whichever is less. Such grandfathering authority is subject to termination upon the FDIC s determination that such investments pose a safety and soundness risk to the Community Bank, or in the event that the Community Bank converts its charter or undergoes a change in control.

Enforcement

The FDIC has extensive enforcement authority over insured banks, including the Community Bank and the Commercial Bank. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease and desist orders, and to remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations and unsafe or unsound practices.

The FDIC has authority under federal law to appoint a conservator or receiver for an insured institution under certain circumstances. The FDIC is required, with certain exceptions, to appoint a receiver or conservator for an insured institution if that institution was critically undercapitalized on average during the calendar quarter beginning 270 days after the date on which the institution became critically undercapitalized. For this purpose, critically undercapitalized means having a ratio of tangible equity to total assets of less than 2%. Please see Prompt Corrective Regulatory Action earlier in this report.

17

The FDIC may also appoint a conservator or receiver for an insured institution on the basis of the institution s financial condition or upon the occurrence of certain events, including (i) insolvency (whereby the assets of the bank are less than its liabilities to depositors and others); (ii) substantial dissipation of assets or earnings through violations of law or unsafe or unsound practices; (iii) existence of an unsafe or unsound condition to transact business; (iv) likelihood that the bank will be unable to meet the demands of its depositors or to pay its obligations in the normal course of business; and (v) insufficient capital, or the incurrence or likely incurrence of losses that will deplete substantially all of the institution s capital with no reasonable prospect of replenishment of capital without federal assistance.

Insurance of Deposit Accounts

The deposits of the Community Bank and the Commercial Bank are insured up to applicable limits by the DIF. The DIF is the successor to the Bank Insurance Fund and the Savings Association Insurance Fund, which were merged in 2006. Due to the decline in economic conditions, the deposit insurance provided by the FDIC per account owner was raised to $250,000 for all types of accounts in 2008. That change, initially intended to be temporary, was made permanent by the Dodd-Frank Act.

Under the FDIC s risk-based assessment system, insured institutions are assigned to one of four risk categories based upon supervisory evaluations, regulatory capital level, and certain other factors, with less risky institutions paying lower assessments. An institution s assessment rate depends upon the category to which it is assigned and certain other factors. On February 7, 2011, as required by the Dodd-Frank Act, the FDIC published a final rule to revise the deposit insurance assessment system. The rule, which took effect April 1, 2011, changed the assessment base used for calculating deposit insurance assessments from deposits to total assets less tangible (Tier 1) capital. Since the new base is larger than the previous base, the FDIC also lowered assessment rates so that the rule would not significantly alter the total amount of revenue collected from the industry. The range of adjusted assessment rates is now 2.5 to 45 basis points of the new assessment base; the Community Bank s assessment was within the lower part of that range in 2014, as was the assessment of the Commercial Bank.

The Dodd-Frank Act increased the minimum target DIF ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC must seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of $10 billion or more are supposed to fund the increase. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, leaving it, instead, to the discretion of the FDIC. The FDIC has recently exercised that discretion by establishing a long-range fund ratio of 2%, which could result in our paying higher deposit insurance premiums in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC. Management does not know of any practice, condition, or violation that would lead to termination of the deposit insurance of either of the Banks.

Holding Company Regulation

Federal Regulation

The Company is currently subject to examination, regulation, and periodic reporting under the BHCA, as administered by the FRB.

The Company is required to obtain the prior approval of the FRB to acquire all, or substantially all, of the assets of any bank or bank holding company. Prior FRB approval would be required for the Company to acquire direct or indirect ownership or control of any voting securities of any bank or bank holding company if, after giving effect to such acquisition, it would, directly or indirectly, own or control more than 5% of any class of voting shares of such bank or bank holding company. In addition, before any bank acquisition can be completed, prior approval thereof may also be required to be obtained from other agencies having supervisory jurisdiction over the bank to be acquired, including the NYDFS.

FRB regulations generally prohibit a bank holding company from engaging in, or acquiring, direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities found by the FRB to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the FRB has determined by regulation to be so closely related to banking are: (i) making or servicing loans; (ii) performing certain data processing services; (iii) providing discount brokerage services; (iv) acting as fiduciary, investment, or financial advisor; (v) leasing personal or real property; (vi) making investments in corporations or projects designed primarily to promote community welfare; and (vii) acquiring a savings and loan association.

18

Table of Contents

The FRB has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the FRB s policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization s capital needs, asset quality, and overall financial condition. The FRB s policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity, and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. The Dodd-Frank Act codifies the source of financial strength policy and requires regulations to facilitate its application. Under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. These regulatory policies could affect the ability of the Company to pay dividends or otherwise engage in capital distributions.

Under the FDI Act, a depository institution may be liable to the FDIC for losses caused the DIF if a commonly controlled depository institution were to fail. The Community Bank and the Commercial Bank are commonly controlled within the meaning of that law.

The status of the Company as a registered bank holding company under the BHCA does not exempt it from certain federal and state laws and regulations applicable to corporations generally, including, without limitation, certain provisions of the federal securities laws.

The Company, the Community Bank, the Commercial Bank, and their respective affiliates are affected by the monetary and fiscal policies of various agencies of the United States government, including the Federal Reserve System. In view of changing conditions in the national economy and the money markets, it is difficult for management to accurately predict future changes in monetary policy or the effect of such changes on the business or financial condition of the Company, the Community Bank, or the Commercial Bank.

New York State Regulation

The Company is subject to regulation as a multi-bank holding company under New York State law since it controls two banking institutions. Among other requirements, this means that the Company must receive the approval of the New York State Banking Board prior to the acquisition of 10% or more of the voting stock of another banking institution, or to otherwise acquire a banking institution by merger or purchase.

Transactions with Affiliates

Under current federal law, transactions between depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act and the FRB s Regulation W promulgated thereunder. An affiliate of a savings bank or commercial bank is any company or entity that controls, is controlled by, or is under common control with, the institution, other than a subsidiary. Generally, an institution s subsidiaries are not treated as affiliates unless they are engaged in activities as principal that are not permissible for national banks. In a holding company context, at a minimum, the parent holding company of an institution, and any companies that are controlled by such parent holding company, are affiliates of the institution. Generally, Section 23A limits the extent to which the institution or its subsidiaries may engage in covered transactions with any one affiliate to an amount equal to 10% of the institution s capital stock and surplus, and contains an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus. The term covered transaction includes the making of loans or other extensions of credit to an affiliate; the purchase of assets from an affiliate; the purchase of, or an investment in, the securities of an affiliate; the acceptance of securities of an affiliate as collateral for a loan or extension of credit to any person; or issuance of a guarantee, acceptance, or letter of credit on behalf of an affiliate. Section 23A also establishes specific collateral requirements for loans or extensions of credit to, or guarantees or acceptances on letters of credit issued on behalf of, an affiliate. Section 23B requires that covered transactions and a broad list of other specified transactions be on terms substantially the same as, or at least as favorable to, the institution or its subsidiary as similar transactions with non-affiliates.

The Sarbanes-Oxley Act of 2002 generally prohibits loans by the Company to its executive officers and directors. However, the Sarbanes-Oxley Act contains a specific exemption for loans by an institution to its executive officers and directors in compliance with federal banking laws. Section 22(h) of the Federal Reserve Act, and FRB Regulation O adopted thereunder, govern loans by a savings bank or commercial bank to directors, executive officers, and principal shareholders. Under Section 22(h), loans to directors, executive officers, and shareholders who control, directly or indirectly, 10% or more of voting securities of an institution, and certain related interests of

any of the foregoing, may not exceed, together with all other outstanding loans to such persons and affiliated entities, the institution s total capital and surplus. Section 22(h) also prohibits loans above amounts prescribed by the appropriate federal banking agency to directors, executive officers, and shareholders who control 10% or more of the voting securities of an institution, and their respective related interests, unless such loan is approved in advance by a majority of the board of the institution s directors. Any interested director may not participate in the voting. The loan amount (which includes all other outstanding loans to such person) as to which such prior board of director approval is required, is the greater of $25,000 or 5% of capital and surplus or any loans aggregating over $500,000. Further, pursuant to Section 22(h), loans to directors, executive officers, and principal shareholders must be made on terms substantially the same as those offered in comparable transactions to other persons. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to executive officers over other employees. Section 22(g) of the Federal Reserve Act places additional limitations on loans to executive officers.

Community Reinvestment Act

Federal Regulation

Under the Community Reinvestment Act (CRA), as implemented by FDIC regulations, an institution has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions, nor does it limit an institution s discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the FDIC, in connection with its examinations, to assess the institution s record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. The CRA requires public disclosure of an institution s CRA rating and further requires the FDIC to provide a written evaluation of an institution s CRA performance utilizing a four-tiered descriptive rating system. In its most recent FDIC CRA performance evaluation, the Community Bank received overall state ratings of Satisfactory for Ohio, Florida, Arizona, and New Jersey, as well as for the New York/New Jersey multi-state region. Furthermore, the most recent overall FDIC CRA ratings for the Community Bank and the Commercial Bank were Satisfactory.

New York State Regulation

The Community Bank and the Commercial Bank are also subject to provisions of the New York State Banking Law that impose continuing and affirmative obligations upon a banking institution organized in New York State to serve the credit needs of its local community (the NYCRA). Such obligations are substantially similar to those imposed by the CRA. The NYCRA requires the NYDFS to make a periodic written assessment of an institution s compliance with the NYCRA, utilizing a four-tiered rating system, and to make such assessment available to the public. The NYCRA also requires the Superintendent of the NYDFS (the Superintendent) to consider the NYCRA rating when reviewing an application to engage in certain transactions, including mergers, asset purchases, and the establishment of branch offices or ATMs, and provides that such assessment may serve as a basis for the denial of any such application. The latest NYCRA rating received by the Community Bank was satisfactory, as was the latest rating received by the Commercial Bank.

Federal Reserve System

Under FRB regulations, the Community Bank and the Commercial Bank are required to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). Beginning January 22, 2015, the Banks are required to maintain average daily reserves equal to 3% on aggregate transaction accounts of up to $103.6 million, plus 10% on the remainder, and the first $14.5 million of otherwise reservable balances will both be exempt. These reserve requirements are subject to adjustment by the FRB. The Community Bank and the Commercial Bank are in compliance with the foregoing requirements.

Federal Home Loan Bank System

The Community Bank and the Commercial Bank are members of the Federal Home Loan Bank (FHLB) of New York (the FHLB-NY), one of 12 regional FHLBs comprising the FHLB system. Each regional FHLB manages its customer relationships, while the 12 FHLBs use their combined size and strength to obtain their necessary funding at the lowest possible cost. As members of the FHLB-NY, the Community Bank and the Commercial Bank are required to acquire and hold shares of FHLB-NY capital stock. Including $19.1 million of FHLB-Cincinnati stock acquired in the AmTrust acquisition and $535,000 of FHLB-San Francisco stock acquired in the Desert Hills acquisition, the Community Bank held total FHLB stock of $466.0 million at December 31, 2014. In addition, the Commercial Bank held FHLB-NY stock of $49.3 million at that date. The FHLB stock held by the Banks at December 31, 2014 continued to be valued at par.

20

For the fiscal years ended December 31, 2014 and 2013, dividends from the FHLBs to the Community Bank amounted to $22.4 million and $18.2 million, respectively. Dividends from the FHLB-NY to the Commercial Bank amounted to $614,000 and $343,000, respectively, in the corresponding years.

New York State Law

The Community Bank and the Commercial Bank derive their lending, investment, and other authority primarily from the applicable provisions of New York State Banking Law and the regulations of the NYDFS, as limited by FDIC regulations. Under these laws and regulations, banks, including the Community Bank and the Commercial Bank, may invest in real estate mortgages, consumer and commercial loans, certain types of debt securities (including certain corporate debt securities, and obligations of federal, state, and local governments and agencies), certain types of corporate equity securities, and certain other assets. The lending powers of New York State-chartered savings banks and commercial banks are not subject to percentage-of-assets or capital limitations, although there are limits applicable to loans to individual borrowers.

The exercise by an FDIC-insured savings bank or commercial bank of the lending and investment powers under New York State Banking Law is limited by FDIC regulations and other federal laws and regulations. In particular, the applicable provisions of New York State Banking Law and regulations governing the investment authority and activities of an FDIC-insured state-chartered savings bank and commercial bank have been effectively limited by the FDICIA and the FDIC regulations issued pursuant thereto.

With certain limited exceptions, a New York State-chartered savings bank may not make loans or extend credit for commercial, corporate, or business purposes (including lease financing) to a single borrower, the aggregate amount of which would be in excess of 15% of the bank s net worth or up to 25% for loans secured by collateral having an ascertainable market value at least equal to the excess of such loans over the bank s net worth. A commercial bank is subject to similar limits on all of its loans. The Community Bank and the Commercial Bank currently comply with all applicable loans-to-one-borrower limitations.

Under New York State Banking Law, New York State-chartered stock-form savings banks and commercial banks may declare and pay dividends out of their net profits, unless there is an impairment of capital, but approval of the Superintendent is required if the total of all dividends declared by the bank in a calendar year would exceed the total of its net profits for that year combined with its retained net profits for the preceding two years less prior dividends paid.

New York State Banking Law gives the Superintendent authority to issue an order to a New York State-chartered banking institution to appear and explain an apparent violation of law, to discontinue unauthorized or unsafe practices, and to keep prescribed books and accounts. Upon a finding by the NYDFS that any director, trustee, or officer of any banking organization has violated any law, or has continued unauthorized or unsafe practices in conducting the business of the banking organization after having been notified by the Superintendent to discontinue such practices, such director, trustee, or officer may be removed from office after notice and an opportunity to be heard. The Superintendent also has authority to appoint a conservator or a receiver for a savings or commercial bank under certain circumstances.

Interstate Branching

Federal law allows the FDIC, and New York State Banking Law allows the Superintendent, to approve an application by a state banking institution to acquire interstate branches by merger, unless, in the case of the FDIC, the state of the target institution has opted out of interstate branching. New York State Banking Law authorizes savings banks and commercial banks to open and occupy de novo branches outside the state of New York. Pursuant to the Dodd-Frank Act, the FDIC is authorized to approve a state bank s establishment of a de novo interstate branch if the intended host state allows de novo branching by banks chartered by that state. The Community Bank currently maintains 47 branches in New Jersey, 27 branches in Florida, 28 branches in Ohio, and 14 branches in Arizona, in addition to its 126 branches in New York State.

Acquisition of the Holding Company

Federal Restrictions

Under the Federal Change in Bank Control Act (CIBCA), a notice must be submitted to the FRB if any person (including a company), or group acting in concert, seeks to acquire 10% or more of the Company s shares of outstanding common stock, unless the FRB has found that the acquisition will not result in a change in control of the Company. Under the CIBCA, the FRB generally has 60 days within which to act on such notices, taking into

consideration certain factors, including the financial and managerial resources of the acquirer; the convenience and needs of the communities served by the Company, the Community Bank, and the Commercial Bank; and the anti-trust effects of the acquisition. Under the BHCA, any company would be required to obtain approval from the FRB before it may obtain control of the Company within the meaning of the BHCA. Control generally is defined to mean the ownership or power to vote 25% or more of any class of voting securities of the Company or the ability to control in any manner the election of a majority of the Company s directors. An existing bank holding company would, under the BHCA, be required to obtain the FRB s approval before acquiring more than 5% of the Company s voting stock. Please see Holding Company Regulation earlier in this report.

New York State Change in Control Restrictions

In addition to the CIBCA and the BHCA, New York State Banking Law generally requires prior approval of the New York State Banking Board before any action is taken that causes any company to acquire direct or indirect control of a banking institution which is organized in New York.

Federal Securities Law

The Company s common stock and certain other securities listed on the cover page of this report are registered with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act). The Company is subject to the information and proxy solicitation requirements, insider trading restrictions, and other requirements under the Exchange Act.

Registration of the shares of the common stock that were issued in the Community Bank s conversion from mutual to stock form under the Securities Act of 1933, as amended (the Securities Act), does not cover the resale of such shares. Shares of the common stock purchased by persons who are not affiliates of the Company may be resold without registration. Shares purchased by an affiliate of the Company will be subject to the resale restrictions of Rule 144 under the Securities Act. If the Company meets the current public information requirements of Rule 144 under the Securities Act, each affiliate of the Company who complies with the other conditions of Rule 144 (including those that require the affiliate s sale to be aggregated with those of certain other persons) would be able to sell in the public market, without registration, a number of shares not to exceed in any three-month period the greater of (i) 1% of the outstanding shares of the Company, or (ii) the average weekly volume of trading in such shares during the preceding four calendar weeks. Provision may be made by the Company in the future to permit affiliates to have their shares registered for sale under the Securities Act under certain circumstances.

Consumer Protection Regulations

The retail activities of banks, including lending and the gathering of deposits, are subject to a variety of statutes and regulations designed to protect consumers. Interest and other charges collected or contracted for by banks are subject to state usury laws and federal laws concerning interest rates. Loan operations, including our mortgage banking business, are also subject to federal laws applicable to credit transactions, such as:

- The federal Truth-In-Lending Act and Regulation Z, governing disclosures of credit terms to consumer borrowers;
- The Home Mortgage Disclosure Act and Regulation C, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- The Equal Credit Opportunity Act and Regulation B, prohibiting discrimination on the basis of race, creed, or other prohibited factors in extending credit;
- The Fair Credit Reporting Act and Regulation V, governing the use and provision of information to consumer reporting agencies;
- The Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and

The guidance of the various federal agencies charged with the responsibility of implementing such federal laws.
Deposit operations also are subject to:

The Truth in Savings Act and Regulation DD, which requires disclosure of deposit terms to consumers;

22

- Regulation CC, which relates to the availability of deposit funds to consumers;

- The Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and

- The Electronic Funds Transfer Act and Regulation E, which governs automatic deposits to and withdrawals from deposit accounts and customers rights and liabilities arising from the use of automated teller machines and other electronic banking services.

In addition, the Banks and their subsidiaries may be subject to certain state laws and regulations designed to protect consumers.

Many of the foregoing laws and regulations are subject to change resulting from the provisions in the Dodd-Frank Act, which in many cases calls for revisions to implementing regulations. In addition, oversight responsibilities of these and other consumer protection laws and regulations have, in large measure, transferred from the Banks primary regulators to the CFPB.

Consumer Financial Protection Bureau

Created under the Dodd-Frank Act, and given extensive implementation and enforcement powers, the CFPB has broad rulemaking authority for a wide range of consumer financial laws that apply to all banks, including, among other things, the authority to prohibit unfair, deceptive, or abusive acts and practices. Abusive acts or practices are defined as those that (1) materially interfere with a consumer s ability to understand a term or condition of a consumer financial product or service, or (2) take unreasonable advantage of a consumer s (a) lack of financial savvy, (b) inability to protect himself in the selection or use of consumer financial products or services, or (c) reasonable reliance on a covered entity to act in the consumer s interests. The CFPB has the authority to investigate possible violations of federal consumer financial law, hold hearings, and commence civil litigation. The CFPB can issue cease-and-desist orders against banks and other entities that violate consumer financial laws. The CFPB may also institute a civil action against an entity in violation of federal consumer financial law in order to impose a civil penalty or an injunction. The CFPB has examination and enforcement authority over all banks with more than $10 billion in assets, as well as their affiliates.

Enterprise Risk Management

The Board of Directors is actively engaged in the process of overseeing our efforts to identify, measure, monitor, and mitigate risk. In connection with our efforts to practice sound risk management and to incorporate strong internal controls with regard to those risks with the potential to adversely impact the achievement of our goals and objectives, we have established an Enterprise Risk Management (ERM) program, which follows the FRB s guidance on the adequacy of risk management processes and internal controls.

Risk Management Roles and Responsibilities

Our ERM program is driven by our belief that the proper management of risk must start at, and be driven by, the highest organizational level. The following groups/individuals are responsible for ensuring our success in managing risk:

Board of Directors

The Board of Directors is responsible for the approval and oversight of the execution of the ERM Program; setting and revising the Company s risk appetite in conjunction with the goals and objectives set forth in the Strategic Plan; and reviewing key risk indicators against established risk warning levels and limits, including those identified in the reports presented by the Chief Risk Officer (the CRO).

Risk Assessment Committee

The Risk Assessment Committee of the Board of Directors is responsible for assisting the Board in its oversight of the Company s risk management framework, including the policies and procedures used to manage the following risks: interest rate, credit, liquidity, legal/compliance, market, strategic, operational, reputational, and loss share compliance.

Table of Contents

Chief Risk Officer

Reporting directly to both the Risk Assessment Committee of the Board of Directors and the Chief Executive Officer, the CRO is responsible for elevating the overall stature of risk awareness throughout the organization. The CRO focuses on the strategic and forward-looking nature of the Company s and the Banks risk profiles and alignment with the Strategic Plan and Risk Appetite Statement, while communicating regularly with the Director of ERM to be kept fully aware of the daily and tactical issues and activities of the organization. The CRO has oversight over all risk categories and, in this capacity, attends various management and Board committee meetings and Board of Directors meetings.

Director of Enterprise Risk Management

The Director of ERM is responsible for establishing, implementing, directing, and managing the execution and further development of the Company s ERM Policy and Program. Reporting to the CRO, the Director of ERM is expected to work closely with the Company s and the Banks Business Process Owners to identify, assess, mitigate, and report the high priority risks of each. The Director of ERM is responsible for working with the CRO to guide the organization through the complete lifecycle of the ERM process, with a focus on integrating risk management techniques into the Company s culture, strategy, budgeting, and operational processes.

Executive Oversight Group

The Executive Oversight Group (EOG) operates within the Office of the Chief Executive Officer. Its members are designated by the Chief Executive Officer or Chief Operating Officer, and are selected based on their knowledge and understanding of the Company s business model and their expertise in the business areas each of them oversees. The members of the EOG are responsible for engaging in discussions with each Business Process Owner regarding new business objectives, material risks that currently exist or may be emerging in the future, and certain risk mitigants.

Senior Management

Senior Management (defined as the Chief Executive Officer, the Chief Operating Officer, and any other Senior Executive Vice President, or all or any group of them acting collectively) ensures that a risk management process with adequate resources is effectively implemented; that the Company s corporate structure supports its risk management goals; and that a risk management process is integrated into the corporate culture.

Business Process Owners

Business Process Owners are officers of the Company who have primary responsibility for the day-to-day operations of their respective business units. Each Business Process Owner is responsible for ensuring that proper controls are in place to prudently mitigate risk, and for performing periodic self-assessments of risks and controls.

Internal Audit

Internal Audit is responsible for providing an independent assessment of ERM to the Audit Committee of the Board of Directors, and for validating the controls identified by the Business Process Owners when performing internal audits of their respective areas of responsibility. In addition, Internal Audit is responsible for communicating its audit findings to the Chief Risk Officer so that the self-assessment performed by each Business Process Owner may be revisited.

The Key Elements of Enterprise Risk Management

Our ERM program incorporates the principles set forth in the Enterprise Risk Management Integrated Framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which has eight key elements, described below:

Internal Environment

The commitment to integrating risk management at all levels is essential to the effective implementation of an ERM program. Our Board of Directors and management team play an integral role in setting the tone throughout the Company, which is carried through to our Business Process Owners and employees, all of whom are critical to maintaining a proper environment for the management of risk.

24

Table of Contents

Objective Setting

The ERM Program ensures that there is a process in place through which the Boards of the Company and the Banks establish a Strategic Plan to identify the goals and objectives that will support our overall mission; the strategies for achieving our goals and objectives; and the measures by which we will determine our success in fulfilling those goals and objectives. In addition, our ERM program ensures the alignment of the Strategic Plan with our Risk Appetite Statement and stress testing activities, as well as with our budget and our capital plan.

Event Identification

To recognize and identify risks to the achievement of our goals and objectives from internal and external sources, we survey our key Business Process Owners on a quarterly basis, and conduct monthly meetings of the EOG. In this way, we not only focus on the risks we are currently facing, but also on risks that may arise in the future from new business initiatives, as well as from changes in our size, structure, personnel, business, and other strategic interests.

Risk Assessment

We analyze the risks we face in order to formulate a basis for determining how they should be managed. Accordingly, risks are assessed on both an inherent and residual basis (i.e., before controls are established and after such controls are applied), with both the likelihood and the impact of the risk being gauged. The risk assessment process is collaborative in nature, and includes the Business Process Owners, the ERM Department, and the members of the EOG.

Risk Response

Management addresses cases where actual risk levels are approaching or exceeding established limits, and considers alternative risk response options in order to reduce residual risk to an acceptable risk tolerance level. This includes taking into account established contingency and/or remedial actions, as described within our policies.

Control Activities

Adequate controls are designed and effectively implemented and maintained to ensure that inherent risks are reduced to acceptable levels. These controls are management tools that can be adjusted if conditions or risk tolerances change.

Information and Communication

Relevant information is identified, captured, and communicated in a form and timeframe that enable all relevant parties across, up, and down the organization, to effectively carry out their responsibilities. The ERM Department utilizes various channels to communicate such information, and to document risk information derived from the quarterly ERM surveys and the ERM dashboard reports.

Monitoring

We monitor our actual performance metrics against Board-established warning levels and limits through the use of our ERM dashboard, and through the active engagement of the Risk Assessment and Capital Assessment Committees of the Boards. Reports are produced with sufficient frequency to ensure that timely action is taken, as needed.

Internal Audit

Internal Audit is responsible for validating the controls identified by Business Process Owners when performing internal audits of their respective areas of responsibility. In addition, Internal Audit is responsible for communicating its audit findings to the Chief Risk Officer and the ERM Department, who then revisit the self-assessment performed by each Business Process Owner.

ITEM 1A. RISK FACTORS

There are various risks and uncertainties that are inherent in our business. Following is a discussion of the material risks and uncertainties that could have a material adverse impact on our financial condition and results of operations, and that could cause the value of our common stock to decline significantly. Additional risks that are not currently known to us, or that we currently believe to be immaterial, also may have a material effect on our financial condition and results of operations. This report is qualified in its entirety by those risk factors.

Table of Contents

Interest Rate Risks

Changes in interest rates could reduce our net interest income and mortgage banking income, and negatively impact the value of our loans, securities, and other assets. This could have a material adverse effect on our cash flows, financial condition, results of operations, and capital.

Our primary source of income is net interest income, which is the difference between the interest income generated by our interest-earning assets (consisting primarily of loans and, to a lesser extent, securities) and the interest expense produced by our interest-bearing liabilities (consisting primarily of deposits and wholesale borrowings).

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, the level of which is driven by the Federal Open Market Committee of the FRB. However, the yields generated by our loans and securities are typically driven by intermediate-term (e.g., five-year) interest rates, which are set by the market and generally vary from day to day. The level of net interest income is therefore influenced by movements in such interest rates, and the pace at which such movements occur. If the interest rates on our interest-bearing liabilities increase at a faster pace than the interest rates on our interest-earning assets, the result could be a reduction in net interest income and with it, a reduction in our earnings. Our net interest income and earnings would be similarly impacted were the interest rates on our interest-earning assets to decline more quickly than the interest rates on our interest-bearing liabilities.

In addition, such changes in interest rates could affect our ability to originate loans and attract and retain deposits; the fair values of our securities and other financial assets; the fair values of our liabilities; and the average lives of our loan and securities portfolios.

Changes in interest rates could also have an effect on loan refinancing activity which, in turn, would impact the amount of prepayment penalty income we receive on our multi-family and CRE loans, and the amount of mortgage banking income we generate as a result of originating and servicing one-to-four family loans for sale. Because prepayment penalties are recorded as interest income, the extent to which they increase or decrease during any given period could have a significant impact on the level of net interest income and net income we generate during that time.

In addition, changes in interest rates could have an effect on the slope of the yield curve. If the yield curve were to invert or become flat, our net interest income and net interest margin could contract, adversely affecting our net income and cash flows and the value of our assets.

Our use of derivative financial instruments to mitigate the exposure to interest rate risk that stems from our mortgage banking business may not be effective, and may adversely affect our mortgage banking income, earnings, and stockholders equity.

We are actively engaged in the origination of one-to-four family loans for sale. In accordance with our operating policies, we may use various types of derivative financial instruments, including forward rate agreements, options, and other derivative transactions, to mitigate or reduce our exposure to losses from adverse changes in interest rates in connection with this business. These activities will vary in scope based on the types of assets held, the level and volatility of interest rates, and other changing market conditions. However, no strategy can completely insulate us from the interest rate risks to which we are exposed, and there is no guarantee that any strategy we implement will have the desired impact. Furthermore, although derivatives are intended to limit losses, they may actually have an adverse impact on our earnings, which could reduce our capital and the cash available to us for distribution to our shareholders in the form of dividends. Our derivative financial instruments also expose us to counterparty risk, which is the risk that other parties to the instruments will not fulfill their contractual obligations.

Credit Risks

A decline in the quality of our assets could result in higher losses and the need to set aside higher loan loss provisions, thus reducing our earnings and our stockholders equity.

The inability of our borrowers to repay their loans in accordance with their terms would likely necessitate an increase in our provision for non-covered loan losses and therefore reduce our earnings.

The non-covered loans we originate for investment are primarily multi-family loans and, to a lesser extent, CRE loans. Such loans are generally larger, and have higher risk-adjusted returns and shorter maturities, than the one-to-four family mortgage loans we produce for investment or for sale. Our credit risk would ordinarily be expected to increase with the growth of these loan portfolios.

26

Table of Contents

Payments on multi-family and CRE loans generally depend on the income generated by the underlying properties which, in turn, depends on their successful operation and management. The ability of our borrowers to repay these loans may be impacted by adverse conditions in the local real estate market and the local economy. While we seek to minimize these risks through our underwriting policies, which generally require that such loans be qualified on the basis of the collateral property s cash flows, appraised value, and debt service coverage ratio, among other factors, there can be no assurance that our underwriting policies will protect us from credit-related losses or delinquencies.

We also originate ADC and C&I loans for investment, although to a far lesser degree than we originate multi-family and CRE loans. ADC financing typically involves a greater degree of credit risk than longer-term financing on multi-family and CRE properties. Risk of loss on an ADC loan largely depends upon the accuracy of the initial estimate of the property s value at completion of construction or development, compared to the estimated costs (including interest) of construction. If the estimate of value proves to be inaccurate, the loan may be under-secured. While we seek to minimize these risks by maintaining consistent lending policies and procedures, and rigorous underwriting standards, an error in such estimates, among other factors, could have a material adverse effect on the quality of our ADC loan portfolio, thereby resulting in losses or delinquencies.

To minimize the risks involved in our specialty finance lending and leasing, we participate in syndicated loans that are brought to us, and equipment loans and leases that are assigned to us, by a select group of nationally recognized sources, and generally are made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide. The loans we fund fall into three distinct categories (asset-based lending, dealer floor-plan lending, and equipment loan and lease financing) and each of our credits is secured with a perfected first security interest in the underlying collateral and structured as senior debt or as a non-cancelable lease.

We seek to minimize the risks involved in our other C&I lending by underwriting such loans on the basis of the cash flows produced by the business; by requiring that such loans be collateralized by various business assets, including inventory, equipment, and accounts receivable, among others; and by requiring personal guarantees. However, the capacity of a borrower to repay such a C&I loan is substantially dependent on the degree to which his or her business is successful. In addition, the collateral underlying such loans may depreciate over time, may not be conducive to appraisal, or may fluctuate in value, based upon the results of operations of the business.

Although losses on the non-covered loans we produce have been comparatively limited, even during periods of economic weakness in our markets, we cannot guarantee that this record will be maintained in future periods. The ability of our borrowers to repay their loans could be adversely impacted by a decline in real estate values and/or an increase in unemployment, which not only could result in our experiencing an increase in charge-offs, but also could necessitate our further increasing our provision for losses on non-covered loans. Either of these events would have an adverse impact on our net income.

Economic weakness in the New York metropolitan region, where the majority of the properties collateralizing our multi-family and CRE loans are located, could have an adverse impact on our financial condition and results of operations.

Unlike larger national or superregional banks that serve a broader and more diverse geographic region, our business depends significantly on general economic conditions in the New York metropolitan region, where the majority of the buildings and properties securing the multi-family, CRE, and ADC loans we originate for investment, and the businesses of the customers to whom we make our other C&I loans, are located.

Accordingly, the ability of our borrowers to repay their loans, and the value of the collateral securing such loans, may be significantly affected by economic conditions in this region or by changes in the local real estate market. A significant decline in general economic conditions caused by inflation, recession, unemployment, acts of terrorism, extreme weather, or other factors beyond our control, could therefore have an adverse effect on our financial condition and results of operations. In addition, because multi-family and CRE loans represent the majority of the loans in our portfolio, a decline in tenant occupancy or rents due to such factors, or for other reasons, could adversely impact the ability of our borrowers to repay their loans on a timely basis, which could have a negative impact on our net income.

If our covered loan portfolio experiences greater losses than we expected at the time of acquisition, or experiences losses following the expiration of the FDIC loss sharing agreements to which it is subject, or if those agreements are not properly managed, our financial condition and results of operations could be adversely affected.

The credit risk associated with the loans and other real estate owned (OREO) we acquired in our AmTrust and Desert Hills acquisitions is largely mitigated by our loss sharing agreements with the FDIC. Nonetheless, these assets are not without risk. Although the loans and OREO we acquired were initially accounted for at fair value, there is no assurance that they will not become impaired, which could result in their being charged off. Fluctuations in national, regional, and local economic conditions may increase the level of charge-offs on the loans we acquired in these transactions, and would therefore have an adverse impact on our net income. Such fluctuations are not predictable, cannot be controlled, and may have a material adverse impact on our operations and financial condition, even if other favorable events occur.

In addition, although our loss sharing agreements call for the FDIC to bear a significant portion of any losses related to the acquired loan portfolios, we are not protected from all losses resulting from charge-offs with respect to the acquired loans. Also, the loss sharing agreements have limited terms. Charge-offs we experience on covered loans after the terms of the loss sharing agreements end may not be fully recoverable and this, too, could have an adverse impact on our net income.

Our allowance for losses on non-covered loans might not be sufficient to cover our actual losses, which would adversely impact our financial condition and results of operations.

In addition to mitigating credit risk through our underwriting processes, we attempt to mitigate such risk through the establishment of an allowance for losses on non-covered loans. The process of determining whether or not this allowance is sufficient to cover potential non-covered loan losses is based on our evaluation of incurred losses in the held-for-investment loan portfolio, which requires that management make certain assumptions, estimates, and judgments regarding several factors, including the current and historical performance of the portfolio; its inherent risk characteristics; the level of non-performing non-covered loans and charge-offs; delinquency levels and trends; local economic and market conditions; declines in real estate values; and the levels of unemployment and vacancy rates.

If our assumptions, estimates, and judgments regarding such matters prove to be incorrect, our allowance for losses on such loans might not be sufficient, and additional non-covered loan loss provisions might need to be made. Depending on the amount of such loan loss provisions, the adverse impact on our earnings could be material.

In addition, as we continue to grow our held-for-investment loan portfolio, it may be necessary to increase the allowance for losses on such non-covered loans by making additional provisions, which also could adversely impact our operating results. Furthermore, bank regulators may require us to make a provision for non-covered loan losses or otherwise recognize further loan charge-offs following their periodic review of our held-for-investment loan portfolio, our underwriting procedures, and our allowance for losses on such loans. Any increase in the non-covered loan loss allowance or loan charge-offs as required by such regulatory authorities could have a material adverse effect on our financial condition and results of operations.

Liquidity Risks

Failure to maintain an adequate level of liquidity could result in an inability to fulfill our financial obligations and also could subject us to material reputational and regulatory risk.

Liquidity refers to our ability to generate sufficient cash flows to support our operations and to fulfill our obligations, including commitments to originate loans, to repay our wholesale borrowings and other liabilities, and to satisfy the withdrawal of deposits by our customers.

Our primary sources of liquidity are the retail, institutional, and municipal deposits, we gather or acquire in connection with acquisitions, and the brokered deposits we accept; borrowed funds, primarily in the form of wholesale borrowings from the FHLB and various Wall Street brokerage firms; the cash flows generated through the repayment and sale of loans; and the cash flows generated through the repayment and sale of securities. In addition, and depending on current market conditions, we have the ability to access the capital markets from time to time.

Deposit flows, calls of investment securities and wholesale borrowings, and the prepayment of loans and mortgage-related securities are strongly influenced by such external factors as the direction of interest rates, whether actual or perceived; local and national economic conditions; and competition for deposits and loans in the markets we serve. Furthermore, changes to the FHLB s underwriting guidelines for wholesale borrowings or lending policies may limit or restrict our ability to borrow, and could therefore have a significant adverse impact on our liquidity. In addition, replacing funds in the event of large-scale withdrawals of brokered deposits could require us to pay significantly higher interest rates on retail deposits or other wholesale funding sources, which would have an adverse impact on our net interest income and net income. A decline in available funding could adversely impact our ability to originate loans, invest in securities, and meet our expenses, or to fulfill such obligations as repaying our borrowings or meeting deposit withdrawal demands.

If we were to defer payments on our trust preferred capital debt securities or were in default under the related indentures, we would be prohibited from paying dividends or distributions on our common stock.

The terms of our outstanding trust preferred capital debt securities prohibit us from (1) declaring or paying any dividends or distributions on our capital stock, including our common stock; or (2) purchasing, acquiring, or making a liquidation payment on such stock, under the following circumstances: (a) if an event of default has occurred and is continuing under the applicable indenture; (b) if we are in default with respect to a payment under the guarantee of the related trust preferred securities; or (c) if we have given notice of our election to defer interest payments but the related deferral period has not yet commenced, or a deferral period is continuing. In addition, without notice to, or consent from, the holders of our common stock, we may issue additional series of trust preferred capital debt securities with similar terms, or enter into other financing agreements, that limit our ability to pay dividends on our common stock.

Legal/Compliance Risks

Inability to fulfill minimum capital requirements could limit our ability to conduct or expand our business, pay a dividend, or result in termination of our FDIC deposit insurance, and thus impact our financial condition, our results of operations, and the market value of our stock.

We are subject to the comprehensive, consolidated supervision and regulation set forth by the FRB. Such regulation includes, among other matters, the level of leverage and risk-based capital ratios we are required to maintain. Our capital ratios can change, depending on general economic conditions, our financial condition, our risk profile, and our plans for growth. Compliance with the FRB s capital requirements may limit our ability to engage in operations that require the intensive use of capital and therefore could adversely affect our ability to maintain our current level of business or expand.

Furthermore, it is possible that future regulatory changes could result in more stringent capital requirements including, among others, an increase in the levels of regulatory capital we are required to maintain, changes in the way regulatory capital is calculated, and increases in liquidity requirements, any and all of which could adversely affect our business and our ability to expand. For example, the implementation of certain regulatory changes under the Dodd-Frank Act resulted in the disqualification of previously issued and outstanding trust preferred securities as Tier 1 capital by January 1, 2016. Additionally, in early July 2013, the FRB approved revisions to its capital adequacy guidelines and prompt corrective action rules that implement the revised standards of the Basel Committee on Banking Supervision, and address relevant provisions of the Dodd-Frank Act. Basel III and the regulations of the federal banking agencies require bank holding companies and banks to undertake significant activities to demonstrate compliance with the new and higher capital standards. Any additional requirements to increase our capital ratios or liquidity could have a material adverse effect on our financial condition, as this might necessitate our liquidating certain assets, perhaps on terms that are unfavorable to us or that are contrary to our business plans. Such a requirement could also compel us to issue additional securities, thus diluting the value of our common stock.

In addition, failure to meet the established capital requirements could result in the FRB placing limitations or conditions on our activities and further restricting the commencement of new activities. The failure to meet applicable capital guidelines could subject us to a variety of enforcement remedies available to the federal regulatory authorities, including limiting our ability to pay dividends; issuing a directive to increase our capital; and terminating our FDIC deposit insurance.

If we continue to grow and the average of our total consolidated assets over the four most recent quarters were to exceed $50 billion, we would be subject to stricter prudential standards required by the Dodd-Frank Act for large bank holding companies.

Pursuant to the current requirements of the Dodd-Frank Act, a bank holding company whose total consolidated assets average more than $50 billion over the four most recent quarters is determined to be a Systemically Important Financial Institution, and therefore is subject to stricter prudential standards, primarily including capital requirements, liquidity requirements, risk-management requirements, dividend limits, and early remediation regimes. The Dodd-Frank Act permits, but does not require, the FRB to apply heightened prudential standards in a number of other areas, including short-term debt limits and enhanced public disclosure.

On September 3, 2014, the FRB and other banking regulators adopted final rules implementing a U.S. version of the Basel Committee s Liquidity Coverage Ratio (the LCR) requirement. The LCR requirement, including the modified version applicable to bank holding companies with $50 billion or more in total consolidated assets that have not opted to use the advanced approaches risk-based capital rule, requires a banking organization to maintain an amount of unencumbered high-quality liquid assets to be at least equal to the amount of its total net cash outflows over a 30-day stress period. Only specific classes of assets qualify under the rule as high-quality assets (the numerator of the LCR), with riskier classes of assets subject to haircuts and caps. The total net cash outflow amount (the denominator of the LCR) is determined under the rule by applying outflow and inflow rates that reflect certain standardized assumptions against the balances of the banking organization s funding sources, obligations, transactions, and assets over a 30-day stress period. Inflows that can be included to offset outflows are limited to 75% of outflows (which effectively means that banking organizations must hold high-quality liquid assets equal to 25% of outflows even if outflows perfectly match inflows over the stress period).

The initial compliance date for the modified LCR will be January 2016, with the requirement fully phased-in by January 2017. Although we are not currently subject to the modified LCR requirements, were we to have average total consolidated assets over the four most recent quarters in excess of $50 billion, we would have to comply with the requirements of the modified LCR beginning on the first day of the first quarter after which we exceed that threshold. The modified LCR is a minimum requirement, and the Federal Reserve Board can impose additional liquidity requirements as a supervisory matter.

Our results of operations could be adversely affected by further changes in bank regulation, or by our inability to comply with certain existing laws, rules, and regulations governing our industry.

We are subject to regulation, supervision, and examination by the following entities: (1) the NYDFS, the chartering authority for both the Community Bank and the Commercial Bank; (2) the FDIC, as the insurer of the Banks deposits; (3) the FRB-NY, in accordance with objectives and standards of the U.S. Federal Reserve System; and (4) the CFPB, which was established in 2011 under the Dodd-Frank Act and given broad authority to regulate financial service providers and financial products.

Such regulation and supervision governs the activities in which a bank holding company and its banking subsidiaries may engage, and is intended primarily for the protection of the DIF, the banking system in general, and bank customers, rather than for the benefit of a company s stockholders. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including with respect to the imposition of restrictions on the operation of a bank or a bank holding company, the imposition of significant fines, the ability to delay or deny merger or other regulatory applications, the classification of assets by a bank, and the adequacy of a bank s allowance for loan losses, among other matters. Any failure to comply with, or any change in, such regulation and supervision, or change in regulation or enforcement by such authorities, whether in the form of policy, regulations, legislation, rules, orders, enforcement actions, ratings, or decisions, could have a material impact on the Company, our subsidiary banks and other affiliates, and our operations.

Our operations are also subject to extensive legislation enacted, and regulation implemented, by other federal, state, and local governmental authorities, and to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of our operations. Future changes in such laws, rules, requirements, and regulations also could have a material impact on our results of operations.

For example, in addition to creating the CFPB, the Dodd-Frank Act established new standards relating to regulatory oversight of systemically important financial institutions, derivatives transactions, asset-backed securitization, and mortgage origination and servicing, and limited the revenues banks can derive from debit card interchange fees. Extensive regulatory guidance is being implemented to clarify many of the provisions of the Dodd-Frank Act and certain U.S. agencies have begun to initiate the required administrative processes. Although it still is too early to fully assess the impact of the full scope of this legislation on our business, our industry, and the broader financial services system, the rules adopted thus far have dramatically increased risk management, capital, and other requirements for the banking industry.

Table of Contents

Furthermore, lawmakers in Washington, D.C. continue to discuss plans to dramatically transform the role of the government in the U.S. housing market, including by winding down Fannie Mae and Freddie Mac (which currently are well into their seventh year of government conservatorship), and by reducing other sources of government support to such markets. In addition, some representatives in Congress have expressed a view that the current GSE housing finance system is unsustainable, and consider reform a priority in the near term. It is too early to determine the nature and scope of any legislation that may develop along these lines, or what roles Fannie Mae and Freddie Mac or the private sector will play in future housing markets. However, it is possible that legislation will be proposed that would result in the nature of GSE guarantees being considerably limited relative to historical measurements. Due to the significant influence of Fannie Mae and Freddie Mac in the primary and secondary housing finance markets, some of the legislative changes could have broad adverse implications for the market and significant implications for our business, including by necessitating the identification of alternative secondary markets into which to sell our one-to-four family loans.

Our enterprise risk management framework may not be effective in mitigating the risks to which we are subject, based upon the size, scope, and complexity of the Company.

As a financial institution, we are subject to a number of risks, including credit, interest rate, liquidity, market, operational, legal/compliance, loss sharing compliance, reputational, and strategic. Our ERM framework is designed to minimize the risks to which we are subject, as well as any losses stemming from such risks. Although we seek to identify, measure, monitor, report, and control our exposure to such risks, and employ a broad and diverse set of risk monitoring and mitigation techniques in the process, those techniques are inherently limited because they cannot anticipate the existence or development of risks that are currently unknown and unanticipated.

For example, economic and market conditions, heightened legislative and regulatory scrutiny of the financial services industry, and increases in the overall complexity of our operations, among other developments, have resulted in the creation of a variety of risks that were previously unknown and unanticipated, highlighting the intrinsic limitations of our risk monitoring and mitigation techniques. As a result, the further development of previously unknown or unanticipated risks may result in our incurring losses in the future that could adversely impact our financial condition and results of operations. Furthermore, an ineffective ERM framework, as well as other risk factors, could result in a material increase in our FDIC insurance premiums.

Market Risks

A decline in economic conditions could adversely affect the value of the loans we originate and the securities in which we invest.

Although economic and real estate conditions continued to improve in 2014, and although we have taken, and continue to take, steps to reduce our exposure to the risks that stem from adverse changes in such conditions, we nonetheless could be impacted by them to the degree that they affect the loans we originate, the securities we invest in, and our portfolios of covered and non-covered loans.

Declines in real estate values and home sales, and an increase in the financial stress on borrowers stemming from high unemployment, among other economic conditions, could have an adverse effect on our borrowers or their customers, which could adversely impact the repayment of the loans in our portfolio. Deterioration in economic conditions also could subject us and our industry to increased regulatory scrutiny and could result in an increase in loan delinquencies, an increase in problem assets and foreclosures, and a decline in the value of the collateral for our loans, which could reduce our customers borrowing power. Deterioration in local economic conditions could drive the level of loan losses beyond the level we have provided for in our loan loss allowances; this, in turn, could necessitate an increase in our provisions for loan losses, which would reduce our earnings and capital. Furthermore, declines in the value of our investment securities could result in our recording losses on the other-than-temporary impairment (OTTI) of securities, which would reduce our earnings and, therefore, our capital. Additionally, continued economic weakness could reduce the demand for our products and services, which would adversely impact our liquidity and the revenues we produce.

Table of Contents

The market price and liquidity of our common stock could be adversely affected if the economy were to weaken or the capital markets were to experience volatility.

The market price of our common stock could be subject to significant fluctuations due to changes in sentiment in the market regarding our operations or business prospects. Among other factors, these risks may be affected by:

- Operating results that vary from the expectations of our management or of securities analysts and investors;
- Developments in our business or in the financial services sector generally;
- Regulatory or legislative changes affecting our industry generally or our business and operations;
- Operating and securities price performance of companies that investors consider to be comparable to us;
- Changes in estimates or recommendations by securities analysts or rating agencies;
- Announcements of strategic developments, acquisitions, dispositions, financings, and other material events by us or our competitors;
- Changes or volatility in global financial markets and economies, general market conditions, interest or foreign exchange rates, stock, commodity, credit, or asset valuations; and
- Significant fluctuations in the capital markets.

Although the economy continued to show signs of improvement in 2014, economic or market turmoil could occur in the near or long term, which could negatively affect our business, our financial condition, and our results of operations, as well as volatility in the price and trading volume of our common stock.

Strategic Risks

Extreme competition for loans and deposits could adversely affect our ability to expand our business and therefore could adversely affect our financial condition and results of operations.

We face significant competition for loans and deposits from other banks and financial institutions, both within and beyond our local markets. We compete with other commercial banks and savings banks, as well as with credit unions and investment banks, for deposits, and with the same financial institutions and others (including mortgage brokers and insurance companies) for loans. We also compete with companies that solicit loans and deposits over the Internet.

Because our profitability stems from our ability to attract deposits and originate loans, our continued ability to compete for depositors and borrowers is critical to our success. Our success as a competitor depends on a number of factors, including our ability to develop, maintain, and build long-term relationships with our customers by providing them with convenience, in the form of multiple branch locations and extended hours of service; access, in the form of alternative delivery channels, such as online banking, banking by phone, and ATMs; a broad and diverse selection of products and services; interest rates and service fees that compare favorably with those of our competitors; and skilled and knowledgeable personnel to assist our customers with their financial needs. External factors that may impact our ability to compete include, among others, the entry of new lenders and depository institutions in our current markets and, with regard to lending, an increased focus on multi-family and CRE lending by existing competitors.

In addition, our mortgage banking operation competes nationally with other major banks and mortgage brokers that also originate, aggregate, sell, and service one-to-four family loans.

If our ability to grow our portfolios of multi-family and CRE loans were limited due to regulatory concerns about our concentrated position in such assets, our ability to generate interest income could be adversely affected, as would our financial condition and results of operations, perhaps materially.

Although we also originate ADC, one-to-four family, and C&I loans, and invest in securities, our portfolios of multi-family and CRE loans represent the largest portion of our asset mix. Our position in these markets has been instrumental in our record of solid earnings generation and our consistent record of exceptional asset quality. Nonetheless, if we were instructed to limit or reduce our concentration of multi-family and CRE loans by our regulators, the impact on our interest income could be materially adverse.

Table of Contents

The inability to grow through acquisitions, or to realize the anticipated benefits of any acquisition we do engage in, could adversely affect our ability to compete with other financial institutions and therefore our financial condition and results of operations, perhaps materially.

Mergers and acquisitions have contributed significantly to our growth in the past, and remain a component of our business model. Accordingly, it is possible that we could acquire other financial institutions, financial service providers, or branches of banks in the future.

However, our ability to engage in future mergers and acquisitions depends on various factors, including: (1) our ability to identify suitable merger partners and acquisition opportunities; (2) our ability to finance and complete negotiated transactions on acceptable terms and at acceptable prices; (3) our ability to receive the necessary regulatory approvals; and (4) when, required, our ability to receive the necessary shareholder approvals.

Our inability to engage in an acquisition or merger for any of these reasons could have an adverse impact on our financial condition and results of operations. As acquisitions have been a significant source of deposits, the inability to complete a business combination could require that we increase the interest rates we pay on deposits in order to attract such funding through our current branch network, or that we increase our use of wholesale funds. Increasing our cost of funds could adversely impact our net interest income, and therefore our results of operations. Furthermore, the funding we obtain in acquisitions is generally used to fund our loan production or to reduce our higher funding costs. The absence of an acquisition could therefore impact our ability to meet our loan demand.

Furthermore, mergers and acquisitions involve a number of risks and challenges, including:

- Our ability to integrate the branches and operations we acquire, and the internal controls and regulatory functions, into our current operations;
- Our ability to limit the outflow of deposits held by our new customers in the acquired branches, and to successfully retain and manage the loans we acquire;
- Our ability to attract new deposits, and to generate new interest-earning assets, in geographic areas we have not previously served;
- Our success in deploying any cash received in a transaction into assets bearing sufficiently high yields without incurring unacceptable credit or interest rate risk;
- Our ability to control the incremental non-interest expense from the acquired branches in a manner that enables us to maintain a favorable efficiency ratio;
- Our ability to retain and attract the appropriate personnel to staff the acquired branches and conduct any acquired operations;
- Our ability to earn acceptable levels of interest and non-interest income, including fee income, from the acquired branches;
- The diversion of management s attention from existing operations;
- Our ability to address an increase in working capital requirements; and

Limitations on our ability to successfully reposition the post-merger balance sheet, when deemed appropriate.

Furthermore, no assurance can be given that the operation of acquired branches would not adversely affect our existing profitability; that we would be able to achieve results in the future similar to those achieved by our existing banking business; that we would be able to compete effectively in the market areas served by acquired branches; or that we would be able to manage any growth resulting from a transaction effectively. In particular, our ability to compete effectively in new markets is dependent on our ability to understand those markets and their competitive dynamics, and our ability to retain certain key employees from the acquired institution who know those markets better than we do.

If our goodwill were determined to be impaired, it would result in a charge against earnings and thus a reduction in our stockholders equity.

We test goodwill for impairment on an annual basis, or more frequently, if necessary. Quoted market prices in active markets are the best evidence of fair value and are to be used as the basis for measuring impairment, when available. Other acceptable valuation methods include present-value measurements based on multiples of earnings or revenues, discounted cash flows, or similar performance measures. If we were to determine that the carrying amount of our goodwill exceeded its implied fair value, we would be required to write down the value of the goodwill on our balance sheet, adversely affecting our earnings as well as our capital.

Table of Contents

The inability to receive dividends from our subsidiary banks could have a material adverse effect on our business, our financial condition, and our results of operations, as well as our ability to maintain or increase the current level of cash dividends we pay to our shareholders.

The Parent Company (i.e., the company on an unconsolidated basis) is a separate and distinct legal entity from the Banks, and a substantial portion of the revenues the Parent Company receives consists of dividends from the Banks. These dividends are the primary funding source for the dividends we pay on our common stock and the interest and principal payments on our debt. Various federal and state laws and regulations limit the amount of dividends that a bank may pay to its parent company. In addition, our right to participate in a distribution of assets upon the liquidation or reorganization of a subsidiary may be subject to the prior claims of the subsidiary s creditors. If the Banks are unable to pay dividends to the Parent Company, we might not be able to service our debt, pay our obligations, or pay dividends on our common stock. Furthermore, our current strategy of managing our assets below the SIFI threshold could result in a reduction in our earnings, thereby limiting our ability to maintain our current quarterly cash dividend.

In addition, although the economy continued to show signs of improvement in 2014, renewed economic or market turmoil could occur in the near or long term. This could negatively affect our business, our financial condition, and our results of operations, as well as our ability to maintain or increase the current level of cash dividends we pay to our shareholders.

Reduction or elimination of our quarterly cash dividend could have an adverse impact on the market price of our common stock.

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds available for such payments under applicable law and regulatory guidance, and although we have historically declared cash dividends on our common stock, we are not required to do so. Furthermore, the payment of dividends falls under federal regulations that have grown more stringent in recent years. While we pay our quarterly cash dividend in compliance with current regulations, such regulations could change in the future. In addition, should the average of the Company s total consolidated assets over the four most recent quarters reach or exceed $50 billion, we would be subject to the stricter prudential standards, including for CCAR and for dividend payments, required by the Dodd-Frank Act. Any reduction or elimination of our common stock dividend in the future could adversely affect the market price of our common stock.

Operational Risks

Our stress testing processes rely on analytical and forecasting models that may prove to be inadequate or inaccurate, which could adversely affect the effectiveness of our strategic planning and our ability to pursue certain corporate goals.

In accordance with the Dodd-Frank Act, banking organizations with $10 billion to $50 billion in assets currently are required to perform annual capital stress tests and, beginning in 2015, to report the results of such tests. The results of our capital stress tests and the application of certain capital rules may result in constraints being placed on our capital distributions or require that we increase our regulatory capital under certain circumstances.

In addition, the processes we use to estimate the effects of changing interest rates, real estate values, and economic indicators such as unemployment on our financial condition and results of operations depend upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Furthermore, even if our assumptions are accurate predictors of future performance, the models they are based on may prove to be inadequate or inaccurate because of other flaws in their design or implementation. If the models we use in the process of managing our interest rate and other risks prove to be inadequate or inaccurate, we could incur increased or unexpected losses which, in turn, could adversely affect our earnings and capital.

The occurrence of any failure, breach, or interruption in service involving our systems or those of our service providers could damage our reputation, cause losses, increase our expenses, and result in a loss of customers, an increase in regulatory scrutiny, or expose us to civil litigation and possibly financial liability, any of which could adversely impact our financial condition, results of operations, and the market price of our stock.

Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger, our deposits, and our loans. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber attacks that could have an impact on information security.

In addition, breaches of security may occur through intentional or unintentional acts by those having authorized or unauthorized access to our confidential or other information, or that of our customers, clients, or counterparties. If one or more of such events were to occur, the confidential and other information processed and stored in, and transmitted through, our computer systems and networks could potentially be jeopardized, or could otherwise cause interruptions or malfunctions in our operations or the operations of our customers, clients, or counterparties. This could cause us significant reputational damage or result in our experiencing significant losses.

Furthermore, we may be required to expend significant additional resources to modify our protective measures or investigate and remediate vulnerabilities or other exposures arising from operational and security risks. We also may be subject to litigation and financial losses that either are not insured against or not fully covered through any insurance we maintain.

In addition, we routinely transmit and receive personal, confidential, and proprietary information by e-mail and other electronic means. We have discussed, and worked with our customers, clients, and counterparties to develop, secure transmission capabilities, but we do not have, and may be unable to put in place, secure capabilities with all of these constituents, and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of such information.

While we have established policies and procedures to prevent or limit the impact of systems failures and interruptions, there can be no assurance that such events will not occur or that they will be adequately addressed if they do.

We outsource certain aspects of our data processing to certain third-party providers which may expose us to additional risk.

We outsource certain key aspects of our data processing to certain third-party providers. While we have selected these third-party providers carefully, we cannot control their actions. If our third-party providers encounter difficulties, including those that result from their failure to provide services for any reason or from their poor performance of such services, or if we have difficulty in communicating with them, our ability to adequately process and account for customer transactions could be affected, and our business operations could be adversely impacted. Replacing these third-party providers could also entail significant delay and expense.

Our third-party providers may be vulnerable to unauthorized access, computer viruses, phishing schemes, and other security breaches. Threats to information security also exist in the processing of customer information through various other third-party providers and their personnel. We may be required to expend significant additional resources to protect against the threat of such security breaches and computer viruses, or to alleviate problems caused by such security breaches or viruses. To the extent that the activities of our third-party providers or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation, and other possible liabilities.

Failure to keep pace with technological changes could have a material adverse impact on our ability to compete for loans and deposits, and therefore on our financial condition and results of operations.

Financial products and services have become increasingly technology-driven. To some degree, our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on our ability to keep pace with technological advances and to invest in new technology as it becomes available. Many of our competitors have greater resources to invest in technology than we do and may be better equipped to market new technology-driven products and services.

If federal, state, or local tax authorities were to determine that we did not adequately provide for our taxes, our income tax expense could be increased, adversely affecting our earnings.

The amount of income taxes we are required to pay on our earnings is based on federal and state legislation and regulations. We provide for current and deferred taxes in our financial statements, based on our results of operations, business activity, legal structure, interpretation of tax statutes, assessment of risk of adjustment upon audit, and application of financial accounting standards. We may take tax return filing positions for which the final

Table of Contents

determination of tax is uncertain. Our net income and earnings per share may be reduced if a federal, state, or local authority assesses additional taxes that have not been provided for in our consolidated financial statements. There can be no assurance that we will achieve our anticipated effective tax rate either due to a change in tax law, a change in regulatory or judicial guidance, or an audit assessment that denies previously recognized tax benefits.

The inability to attract and retain key personnel could adversely impact our financial condition and results of operations.

To a large degree, our success depends on our ability to attract and retain key personnel whose expertise, knowledge of our markets, and years of industry experience would make them difficult to replace. Competition for skilled leaders in our industry can be intense, and we may not be able to hire or retain the people we would like to have working for us. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business, given the specialized knowledge of such personnel and the difficulty of finding qualified replacements on a timely basis. To attract and retain personnel with the skills and knowledge to support our business, we offer a variety of benefits that may reduce our earnings.

Reputational Risk

Damage to our reputation could significantly harm the businesses we engage in, as well as our competitive position and prospects for growth.

Our ability to attract and retain investors, customers, clients, and employees could be adversely affected if our reputation were damaged. Significant harm to our reputation could arise from many sources, including employee misconduct, litigation, or regulatory outcomes; failure to deliver minimum standards of service and quality; compliance failures, unethical behavior, unintended disclosure of confidential information; and the activities of our clients, customers, and/or counterparties. Actions by the financial services industry in general, or by certain entities or individuals within it, also could have a significantly adverse impact on our reputation.

Our actual or perceived failure to identify and address various issues also could give rise to reputational risk that could significantly harm us and our business prospects, including failure to properly address operational risks. These issues include legal and regulatory requirements; consumer protection, fair lending, and privacy issues; properly maintaining customer and associated personal information; record keeping; protecting against money laundering; sales and trading practices; and ethical issues.

Loss Share Compliance Risk

If the FDIC were to exercise its right to refuse or delay reimbursements for losses incurred on the loans acquired in our AmTrust and Desert Hills acquisitions, the impact on our earnings could be adverse.

The loans we acquired in our AmTrust and Desert Hills acquisitions are covered by loss sharing agreements with the FDIC. Under the terms of the agreements, the FDIC will reimburse us for 80% of losses on such covered loans up to a certain threshold, and for 95% of losses incurred on such covered loans beyond the initial amount. However, our failure to manage the loss sharing agreements in accordance with their respective terms could result in the FDIC refusing to reimburse us, or delaying payment, either of which actions could adversely impact our earnings to varying degrees.

To ensure that our loss sharing agreements are properly managed, we have established certain standards and procedures that are designed to effectively control our exposure to loss share compliance risk.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Although we own certain of our branch offices as well as other buildings, the majority of our facilities are leased under various lease and license agreements that expire at various times. (Please see Note 10, Commitments and Contingencies: Lease and License Commitments in Item 8, Financial Statements and Supplementary Data .) We believe that our facilities are adequate to meet our present and immediately foreseeable

needs.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal actions arising in the ordinary course of its business. All such actions, in the aggregate, involve amounts that are believed by management to be immaterial to the financial condition and results of operations of the Company.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

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

The common stock of New York Community Bancorp, Inc. trades on the New York Stock Exchange (the NYSE) under the symbol NYCB.

At December 31, 2014, the number of outstanding shares was 442,587,190 and the number of registered owners was approximately 12,800. The latter figure does not include those investors whose shares were held for them by a bank or broker at that date.

Dividends Declared per Common Share and Market Price of Common Stock

The following table sets forth the dividends declared per common share, and the intra-day high/low price range and closing prices for the Company s common stock, as reported by the NYSE, in each of the four quarters of 2014 and 2013:

	Dividends Declared per Common Share	Market Price		
		High	Low	Close
2014				
1st Quarter	$0.25	$ 17.35	$ 15.25	$ 16.07
2nd Quarter	0.25	16.30	13.77	15.98
3rd Quarter	0.25	16.58	15.35	15.87
4th Quarter	0.25	16.39	14.62	16.00
2013				
1st Quarter	$0.25	$ 14.36	$ 12.90	$ 14.35
2nd Quarter	0.25	14.38	12.91	14.00
3rd Quarter	0.25	15.86	13.99	15.11
4th Quarter	0.25	16.88	15.11	16.85

Please see the discussion of Liquidity in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, for information regarding restrictions on the Company s ability to pay dividends.

On June 27, 2014, our President and Chief Executive Officer, Joseph R. Ficalora, submitted to the NYSE his Annual CEO certification confirming our compliance with the NYSE s corporate governance listing standards, as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Stock Performance Graph

Notwithstanding anything to the contrary set forth in any of the Company s previous filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate future filings, including this Form 10-K, in whole or in part, the following stock performance graph shall not be incorporated by reference into any such filings.

The following graph compares the cumulative total return on the Company s stock in the five years ended December 31, 2014 with the cumulative total returns on a broad market index and a peer group index during the same time. The S&P Mid-Cap 400 Index was chosen as the broad market index in connection with the Company s trading activity on the NYSE. The peer group index chosen was the SNL U.S. Bank and Thrift Index, which was comprised of 443 bank and thrift institutions, including the Company, as of the date of this report. The data for the indices included in the graph were provided to us by SNL Financial.

The cumulative total returns are based on the assumption that $100.00 was invested in each of the three investments on December 31, 2009 and that all dividends paid since that date were reinvested. Such returns are based on historical results and are not intended to suggest future

performance.

Table of Contents

Comparison of 5-Year Cumulative Total Return

Among New York Community Bancorp, Inc.,

S&P Mid-Cap 400 Index, and SNL U.S. Bank and Thrift Index

ASSUMES $100 INVESTED ON DECEMBER 31, 2009

ASSUMES DIVIDEND REINVESTED

FISCAL YEAR ENDING DECEMBER 31, 2014

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
New York Community Bancorp, Inc.	$ 100.00	$ 137.97	$ 96.82	$ 110.65	$ 152.53	$ 154.44
S&P Mid-Cap 400 Index	$ 100.00	$ 126.65	$ 124.46	$ 146.71	$ 195.80	$ 214.87
SNL U.S. Bank and Thrift Index	$ 100.00	$ 111.64	$ 86.81	$ 116.57	$ 159.61	$ 178.18

Table of Contents

Share Repurchases

Shares Repurchased Pursuant to the Company s Stock-Based Incentive Plans

Participants in the Company s stock-based incentive plans may have shares of common stock withheld to fulfill the income tax obligations that arise in connection with their exercise of stock options and the vesting of their stock awards. Shares that are withheld for this purpose are repurchased pursuant to the terms of the applicable stock-based incentive plan, rather than pursuant to the share repurchase program authorized by the Board of Directors, described below.

During the twelve months ended December 31, 2014, the Company allocated $7.3 million toward the repurchase of shares of its common stock, including $940,000 in the fourth quarter, as indicated in the following table:

(dollars in thousands, except per share data)

Period	Total Shares of Common Stock Repurchased	Average Price Paid per Common Share	Total Allocation
First Quarter 2014	358,461	$16.82	$6,029
Second Quarter 2014	8,810	15.43	136
Third Quarter 2014	11,209	15.82	177
Fourth Quarter 2014:			
October	722	14.98	11
November			
December	60,235	15.42	929
Total Fourth Quarter 2014	60,957	15.42	940
2014 Total	439,437	$16.57	$7,282

Shares Repurchased Pursuant to the Board of Directors Share Repurchase Authorization

On April 20, 2004, the Board of Directors authorized the repurchase of up to five million shares of the Company s common stock. Of this amount, 1,659,816 shares were still available for repurchase at December 31, 2014. Under said authorization, shares may be repurchased on the open market or in privately negotiated transactions. No shares have been repurchased under this authorization since August 2006.

Shares that are repurchased pursuant to the Board of Directors authorization, and those that are repurchased pursuant to the Company s stock-based incentive plans, are held in our Treasury account and may be used for various corporate purposes, including, but not limited to, merger transactions and the vesting of restricted stock awards.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

(dollars in thousands, except share data)	At or For the Years Ended December 31, 2014	2013	2012	2011	2010 [1]
EARNINGS SUMMARY:					
Net interest income	$ 1,140,353	$ 1,166,616	$ 1,160,021	$ 1,200,421	$ 1,179,963
Provision for losses on non-covered loans		18,000	45,000	79,000	91,000
(Recovery of) provision for losses on covered loans	(18,587)	12,758	17,988	21,420	11,903
Non-interest income	201,593	218,830	297,353	235,325	337,923
Non-interest expense:					
Operating expenses	579,170	591,778	593,833	574,683	546,246
Amortization of core deposit intangibles	8,297	15,784	19,644	26,066	31,266
Income tax expense	287,669	271,579	279,803	254,540	296,454
Net income	485,397	475,547	501,106	480,037	541,017
Basic earnings per share	$1.09	$1.08	$1.13	$1.09	$1.24
Diluted earnings per share	1.09	1.08	1.13	1.09	1.24
Dividends paid per common share	1.00	1.00	1.00	1.00	1.00
SELECTED RATIOS:					
Return on average assets	1.01%	1.07%	1.18%	1.17%	1.29%
Return on average stockholders equity	8.41	8.46	9.06	8.73	10.03
Average stockholders equity to average assets	12.01	12.66	13.02	13.38	12.89
Operating expenses to average assets	1.21	1.33	1.40	1.40	1.31
Efficiency ratio	43.16	42.71	40.75	40.03	35.99
Interest rate spread	2.57	2.90	3.11	3.37	3.45
Net interest margin	2.67	3.01	3.21	3.46	3.45
Dividend payout ratio	91.74	92.59	88.50	91.74	80.65
BALANCE SHEET SUMMARY:					
Total assets	$ 48,559,217	$ 46,688,287	$ 44,145,100	$ 42,024,302	$ 41,190,689
Loans, net of allowances for loan losses	35,647,639	32,727,507	31,580,636	30,152,154	29,041,595
Allowance for losses on non-covered loans	139,857	141,946	140,948	137,290	158,942
Allowance for losses on covered loans	45,481	64,069	51,311	33,323	11,903
Securities	7,096,450	7,951,020	4,913,528	4,540,516	4,788,891
Deposits	28,328,734	25,660,992	24,877,521	22,325,654	21,890,328
Borrowed funds	14,226,487	15,105,002	13,430,191	13,960,413	13,536,116
Stockholders equity	5,781,815	5,735,662	5,656,264	5,565,704	5,526,220
Common shares outstanding	442,587,190	440,809,365	439,050,966	437,344,796	435,646,845
Book value per share	$13.06	$13.01	$12.88	$12.73	$12.69
Stockholders equity to total assets	11.91%	12.29%	12.81%	13.24%	13.42%
ASSET QUALITY RATIOS (excluding covered assets):					
Non-performing non-covered loans to total non-covered loans	0.23%	0.35%	0.96%	1.28%	2.63%
Non-performing non-covered assets to total non-covered assets	0.30	0.40	0.71	1.07	1.77
Allowance for losses on non-covered loans to non-performing non-covered loans	181.75	137.10	53.93	42.14	25.45
Allowance for losses on non-covered loans to total non-covered loans	0.42	0.48	0.52	0.54	0.67
Net charge-offs to average loans [2]	0.01	0.05	0.13	0.35	0.21
ASSET QUALITY RATIOS (including covered assets):					
Total non-performing loans to total loans	0.66%	0.97%	1.88%	2.30%	3.52%
Total non-performing assets to total assets	0.68	0.91	1.47	1.97	2.61
Allowances for loan losses to total non-performing loans	78.92	65.40	33.50	25.34	17.34
Allowances for loan losses to total loans	0.52	0.63	0.63	0.58	0.61

(1) The Company acquired certain assets and assumed certain liabilities of Desert Hills Bank on March 26, 2010. Accordingly, the Company s 2010 earnings reflect combined operations from that date.

(2) Average loans include covered loans.

Table of Contents

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

For the purpose of this discussion and analysis, the words we, us, our, and the Company are used to refer to New York Community Bancorp, Inc. and our consolidated subsidiaries, including New York Community Bank (the Community Bank) and New York Commercial Bank (the Commercial Bank) (collectively, the Banks).

Executive Summary

New York Community Bancorp, Inc. is the holding company for New York Community Bank, a thrift, with 242 branches in Metro New York, New Jersey, Ohio, Florida, and Arizona; and New York Commercial Bank, with 30 branches in Metro New York. With assets of $48.6 billion at December 31, 2014, we rank among the 25 largest U.S. bank holding companies and, with deposits of $28.3 billion at that date, we also rank among its 25 largest depositories.

Both of our banks are New York State-chartered and both are subject to regulation by the FDIC, the Consumer Financial Protection Bureau, and the New York State Department of Financial Services. In addition, the holding company is subject to regulation by the Board of Governors of the Federal Reserve System (the FRB), and to the requirements of the New York Stock Exchange, where shares of our common stock are traded under the symbol NYCB .

As a publicly traded company, our mission is to provide our shareholders with a solid return on their investment by producing a strong financial performance, maintaining a solid capital position, and engaging in corporate strategies that enhance the value of their shares. In support of this mission, we maintain a consistent business model, as described below:

- We originate multi-family loans on non-luxury apartment buildings in New York City that are subject to rent regulation and feature below-market rents;
- We underwrite our loans in accordance with conservative credit standards in order to maintain a high level of asset quality;
- We originate one-to-four family loans through our proprietary web-based mortgage banking platform and sell the vast majority of those loans to government-sponsored enterprises (GSEs), servicing retained;
- We are intent upon maintaining an efficient operation; and
- We grow through accretive acquisitions of other financial institutions, branches, and/or deposits.

The merits of this time-tested business model are reflected in the following achievements:

- We are the leading producer of multi-family loans for portfolio in New York City;
- We have produced a consistent record of above-average asset quality;
- We rank among the nation s top 15 aggregators of one-to-four family loans;
- We consistently rank among the nation s most efficient bank holding companies; and

We have generated solid earnings and maintained a consistent position of capital strength.

Among the external factors that tend to influence our performance, the interest rate environment is key. Just as short-term interest rates affect the cost of our deposits and that of the funds we borrow, market interest rates affect the yields on the loans we produce for investment and the securities in which we invest.

The following table summarizes the high, low, and average five- and ten-year Constant Maturity Treasury rates in 2014 and 2013:

	Constant Maturity Treasury Rates			
	5-Year		10-Year	
	2014	2013	2014	2013
High	1.85%	1.85%	3.01%	3.04%
Low	1.37	0.65	2.07	1.66
Average	1.64	1.17	2.54	2.35

In addition, residential market interest rates impact the volume of one-to-four family mortgage loans we originate in any given quarter, in view of their impact on new home purchases and refinancing activity. Accordingly, when residential mortgage interest rates are low, refinancing activity typically increases; as residential mortgage interest rates begin to rise, the refinancing of one-to-four family mortgage loans typically declines. In the first nine months of 2014, residential mortgage interest rates rose from the year-earlier level, only to fall in the fourth quarter of the year. As a result, the volume of one-to-four family loans produced was lower in 2014 than it was in the prior year.

The impact of market interest rates on our multi-family and commercial real estate lending is far less overt than the impact on our production of one-to-four family mortgage loans. Because the multi-family and commercial real estate loans we produce generate prepayment penalty income when they repay, the impact of repayment activity can be especially meaningful. While prepayment penalty income reached $136.8 million in 2013 the third consecutive year in which we established a new record the level declined to $86.8 million in 2014.

Also less overt, but nonetheless having an impact on our operations, has been the significant increase in regulation and supervision required under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act or, more simply Dodd-Frank). For example, as a bank holding company with assets in the range of $10 billion to $50 billion, we were required to submit our first Dodd-Frank Act Stress Test (DFAST) report, including the results of our stress tests, to the FRB in March 2014. Our second DFAST report will be submitted later this month (i.e., March 2015), and the results of our stress tests will be disclosed in June.

With assets of $41.2 billion at December 31, 2010, and a fundamental focus on growth through acquisition, we began in 2011 to prepare for the possibility of exceeding the threshold for classification as a Systemically Important Financial Institution (SIFI) as such term is defined by the Dodd-Frank Act. Since then, we have invested significant human, technological, and financial resources into our enterprise risk management program, while also strengthening our corporate governance policies, procedures, and practices. We also have continued to grow our balance sheet. At December 31, 2014, we recorded total assets of $48.6 billion, a $1.9 billion, or 4.0%, increase from the balance at December 31, 2013.

Essentially, a bank is designated a SIFI when the average of its total consolidated assets over the four most recent quarters exceeds $50 billion. In the third quarter of 2014, with our assets drawing closer to $50 billion, we decided to manage our assets below that level for the near-term as we continue to evaluate the impact of the SIFI threshold being crossed.

Accordingly, in the fourth quarter of 2014, we reduced our loans by $601.0 million through a combination of sales and participations, and our securities by $354.8 million through a combination of sales and calls. These reductions were largely offset by an increase in the production of multi-family loans and specialty finance loans and leases for portfolio.

While the costs of complying with Dodd-Frank have added meaningfully to our operating expenses, the impact was more than offset in 2014 by a decline in our FDIC deposit insurance assessments and the expenses associated with the management and sale of foreclosed real estate, as the quality of our assets continued to improve.

Reflecting our unique lending niche and our conservative underwriting standards, net charge-offs declined $14.9 million from the year-earlier level to $2.1 million in 2014. In addition, non-performing non-covered assets declined $36.0 million year-over-year to $138.9 million at the end of this December, the lowest level we ve recorded since December 31, 2008. Reflecting these improvements, net charge-offs represented 0.01% of average loans in 2014, and non-performing non-covered assets represented 0.30% of total non-covered assets at year-end.

While the quality of our assets generally reflects the nature of our primary lending niche and the benefit of conservative underwriting, it also reflects certain economic improvements that occurred in 2014. Those improvements are reflected in the economic data cited on the following page.

Table of Contents

The following table presents the downward trend in unemployment rates, as reported by the U.S. Department of Labor, both nationally and in the various markets that comprise our footprint, for the months indicated:

	For the Month Ended December 31, 2014	2013
Unemployment rate:		
United States	5.6%	6.7%
New York City	6.4	7.5
Arizona	6.5	7.3
Florida	5.4	5.9
New Jersey	5.7	6.7
New York	5.7	6.6
Ohio	4.7	6.6

Yet another key economic indicator is the Consumer Price Index (the CPI), which measures the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The following table indicates the change in the CPI for the twelve months ended at each of the indicated dates:

	For the Twelve Months Ended December 2014	December 2013
Change in prices:	0.8%	1.5%

The recovery is also reflected in the S&P/Case-Shiller Home Price Index for the twelve months ended December 2014 and 2013. Home prices rose 4.6% across the U.S. in the twelve months ended December 2014, as compared to 11.3% in the year-earlier twelve months. Given the impact that home prices have on residential mortgage lending, we believe the S&P/Case-Shiller Home Price Index is a particularly important economic indicator for the Company.

In addition, the volume of new home sales nationwide was at a seasonally adjusted annual rate of 481,000 in December 2014, according to estimates set forth in a U.S. Commerce Department report issued on January 27, 2015. The December 2014 rate was 8.8% higher than the rate reported in December 2013.

Yet another pertinent economic indicator is the residential rental vacancy rate in New York, as reported by the U.S. Department of Commerce, and the office vacancy rate in Manhattan, as reported by a leading commercial real estate broker, Jones Lang LaSalle. These measures are important in view of the fact that 79.9% of our multi-family loans and 87.4% of our CRE loans are secured by properties in New York State, with Manhattan accounting for 35.1% and 50.8% of our multi-family and CRE loans, respectively. As reflected in the following table, rental vacancy rates have improved in these markets over the indicated periods:

	For the Three Months Ended December 31, 2014	2013
Residential rental vacancy rate in New York	4.7%	5.8%
Manhattan office vacancy rate	9.7	11.1

In addition, the Consumer Confidence Index® moved up to 93.1 in December 2014 from 78.1 in December 2013. An index level of 90 or more is considered indicative of a strong economy.

Recent Events

On January 26, 2015, the Board of Directors declared a quarterly cash dividend of $0.25 per share, payable on February 20, 2015 to shareholders of record at the close of business on February 9, 2015.

Critical Accounting Policies

We consider certain accounting policies to be critically important to the portrayal of our financial condition and results of operations, since they require management to make complex or subjective judgments, some of which may relate to matters that are inherently uncertain. The inherent sensitivity of our consolidated financial statements to these critical accounting policies, and the judgments, estimates, and assumptions used therein, could have a material impact on our financial condition or results of operations.

We have identified the following to be critical accounting policies: the determination of the allowances for loan losses; the valuation of mortgage servicing rights (MSRs); the determination of whether an impairment of securities is other than temporary; the determination of the amount, if any, of goodwill impairment; and the determination of the valuation allowance for deferred tax assets.

The judgments used by management in applying these critical accounting policies may be influenced by adverse changes in the economic environment, which may result in changes to future financial results.

Allowances for Loan Losses

The allowance for losses on non-covered loans is increased by provisions for non-covered loan losses that are charged against earnings, and is reduced by net charge-offs and/or reversals, if any, that are credited to earnings. Although non-covered loans are held by either the Community Bank or the Commercial Bank, and a separate loan loss allowance is established for each, the total of the two allowances is available to cover all losses incurred. In addition, except as otherwise noted in the following discussion, the process for establishing the allowance for losses on non-covered loans is largely the same for each of the Community Bank and the Commercial Bank.

The methodology used for the allocation of the allowance for non-covered loan losses at December 31, 2014, 2013, and 2012 was also generally comparable, whereby the Community Bank and the Commercial Bank segregated their loss factors (used for both criticized and non-criticized loans) into a component that was primarily based on historical loss rates and a component that was primarily based on other qualitative factors that were probable to affect loan collectability. In determining the respective allowances for non-covered loan losses, management considers the Community Bank s and the Commercial Bank s current business strategies and credit processes, including compliance with applicable regulatory guidelines and with guidelines approved by the respective Boards of Directors with regard to credit limitations, loan approvals, underwriting criteria, and loan workout procedures.

The allowance for losses on non-covered loans is established based on our evaluation of incurred losses in our portfolio in accordance with GAAP, and is comprised of both specific valuation allowances and general valuation allowances.

Specific valuation allowances are established based on management s analyses of individual loans that are considered impaired. If a non-covered loan is deemed to be impaired, management measures the extent of the impairment and establishes a specific valuation allowance for that amount. A non-covered loan is classified as impaired when, based on current information and/or events, it is probable that we will be unable to collect both the principal and interest due under the contractual terms of the loan agreement. We apply this classification as necessary to non-covered loans individually evaluated for impairment in our portfolios. Smaller-balance homogenous loans and loans carried at the lower of cost or fair value are evaluated for impairment on a collective, rather than individual, basis. Loans to certain borrowers who have experienced financial difficulty and for which the terms have been modified, resulting in a concession, are considered troubled debt restructurings (TDRs) and are classified as impaired.

We generally measure impairment on an individual loan and determine the extent to which a specific valuation allowance is necessary by comparing the loan s outstanding balance to either the fair value of the collateral, less the estimated cost to sell, or the present value of expected cash flows, discounted at the loan s effective interest rate. Generally, when the fair value of the collateral, net of the estimated costs to sell, or the present value of the expected cash flows is less than the recorded investment in the loan, any shortfall is promptly charged off.

We also follow a process to assign general valuation allowances to non-covered loan categories. General valuation allowances are established by applying our loan loss provisioning methodology, and reflect the inherent risk in outstanding held-for-investment loans. This loan loss provisioning methodology considers various factors in determining the appropriate quantified risk factors to use to determine the general valuation allowances.

Table of Contents

The factors assessed begin with the historical loan loss experience for each major loan category. Our allowance for loan losses methodology also considers an estimate of the historical loss emergence period (which is the period of time between the event that triggers a loss and the confirmation and/or charge-off of that loss) for each loan portfolio segment.

During 2014, this methodology was enhanced by estimating the loss emergence period using a more granular segmentation approach. The allocation methodology consists of the following components: First, we determine an allowance for loan losses based on a quantitative loss factor for loans evaluated collectively for impairment. This quantitative loss factor is based primarily on historical loss rates, after considering loan type, historical loss and delinquency experience, and loss emergence periods. The quantitative loss factors applied in the methodology are periodically re-evaluated and adjusted to reflect changes in historical loss levels, loss emergence periods, or other risks. Lastly, we allocate an allowance for loan losses to qualitative loss factors. These qualitative loss factors are designed to account for losses that may not be provided for by the quantitative loss component due to other factors evaluated by management which include, but are not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices;
- Changes in international, national, regional, and local economic and business conditions, and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the volume and severity of past-due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
- Changes in the quality of our loan review system;
- Changes in the value of the underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- Changes in the experience, ability, and depth of lending management and other relevant staff; and
- The effect of other external factors, such as competition and legal and regulatory requirements, on the level of estimated credit losses in the existing portfolio.

By considering the factors discussed above, we determine an allowance for non-covered loan loss that is applied to each significant loan portfolio segment to determine the total allowance for losses on non-covered loans.

In 2014, we changed the historical loss period we use to determine the allowance for loan losses on non-covered loans to a rolling 16-quarter look-back period, as we believe this to be a more appropriate reflection of our historical loss experience. This change has not had a significant effect on the allowance for losses on non-covered loans, nor is it expected to do so.

The process of establishing the allowance for losses on non-covered loans also involves:

- Periodic inspections of the loan collateral by qualified in-house and external property appraisers and/or inspectors, as applicable;

- Regular meetings of executive management with the pertinent Board committee, during which observable trends in the local economy and/or the real estate market are discussed;

- Assessment of the aforementioned factors by the pertinent members of the Boards of Directors and management when making a business judgment regarding the impact of anticipated changes on the future level of loan losses; and

- Analysis of the portfolio in the aggregate, as well as on an individual loan basis, taking into consideration payment history, underwriting analyses, and internal risk ratings.

In order to determine their overall adequacy, each of the respective non-covered loan loss allowances is reviewed quarterly by management and the Board of Directors of the Community Bank or the Commercial Bank, as applicable.

We charge off loans, or portions of loans, in the period that such loans, or portions thereof, are deemed uncollectible. The collectability of individual loans is determined through an assessment of the financial condition and repayment capacity of the borrower and/or through an estimate of the fair value of any underlying collateral. For non-real estate-related consumer credits, the following past-due time periods determine when charge-offs are typically recorded: (1) Closed-end credits are charged off in the quarter that the loan becomes 120 days past due; (2) Open-end credits are charged off in the quarter that the loan becomes 180 days past due; and (3) Both closed-end and open-end credits are typically charged off in the quarter that the credit is 60 days past the date we received notification that the borrower has filed for bankruptcy.

The level of future additions to the respective non-covered loan loss allowances is based on many factors, including certain factors that are beyond our control. These include changes in economic and local market conditions, including declines in real estate values, and increases in vacancy rates and unemployment. We use the best available information to recognize losses on loans or to make additions to the loan loss allowances; however, the Community Bank and/or the Commercial Bank may be required to take certain charge-offs and/or recognize further additions to their loan loss allowances, based on the judgment of regulatory agencies with regard to information provided to them during their examinations of the Banks.

An allowance for unfunded commitments is maintained separate from the allowances for non-covered loan losses and is included in Other liabilities in the Consolidated Statements of Condition.

Allowance for Losses on Covered Loans

We account for the loans acquired in the AmTrust Bank (AmTrust) and Desert Hills Bank (Desert Hills) acquisitions (our covered loans) based on expected cash flows, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality (ASC 310-30). In accordance with ASC 310-30, we maintain the integrity of a pool of multiple loans accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Covered loans are reported exclusive of the FDIC loss share receivable. The covered loans acquired in the AmTrust and Desert Hills acquisitions are, and will continue to be, reviewed for collectability based on the expectations of cash flows from these loans. Covered loans have been aggregated into pools of loans with common characteristics. In determining the allowance for losses on covered loans, we periodically perform an analysis to estimate the expected cash flows for each of the loan pools. A provision for losses on covered loans is recorded to the extent that the expected cash flows from a loan pool have decreased for credit-related items since the acquisition date. Accordingly, during the loss share recovery period, if there is a decrease in expected cash flows due to an increase in estimated credit losses compared to the estimates made at the respective acquisition dates, the decrease in the present value of expected cash flows will be recorded as a provision for covered loan losses charged to earnings, and the allowance for covered loan losses will be increased. During the loss share recovery period, a related credit to non-interest income and an increase in the FDIC loss share receivable will be recognized at the same time, and will be measured based on the applicable loss sharing agreement percentage.

Please see Note 6, Allowances for Loan Losses for a further discussion of our allowance for losses on covered loans, as well as additional information about our allowance for losses on non-covered loans.

Mortgage Servicing Rights (MSRs)

We recognize the right to service mortgage loans for others as a separate asset referred to as mortgage servicing rights, or MSRs. MSRs are generally recognized when one-to-four family loans are sold or securitized, servicing retained, and are initially recorded, and subsequently carried, at fair value.

We base the fair value of our MSRs on the present value of estimated future net servicing income cash flows, utilizing an internal valuation model. The model we utilize is based on assumptions that market participants would use to estimate fair value, including estimates of prepayment speeds, discount rates, default rates, refinance rates, servicing costs, escrow account earnings, contractual servicing fee income, and ancillary income. We reassess, and periodically adjust, these underlying inputs and assumptions to reflect market conditions and changes in the assumptions that a market participant would consider in valuing MSRs.

Changes in the fair value of MSRs occur primarily in connection with the collection/realization of expected cash flows, as well as changes in the valuation inputs and assumptions. Changes in the fair value of MSRs are reported in Mortgage banking income in the period during which such changes occur.

Investment Securities

The securities portfolio primarily consists of mortgage-related securities and, to a lesser extent, debt and equity (together, other) securities. Securities that are classified as available for sale are carried at their estimated fair value, with any unrealized gains or losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholders equity. Securities that we have the intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost, less the non-credit portion of OTTI recorded in accumulated other comprehensive loss, net of tax (AOCL).

Table of Contents

The fair values of our securities, and particularly our fixed-rate securities, are affected by changes in market interest rates, liquidity, and credit spreads. In general, as interest rates rise and/or credit spreads widen, the fair value of fixed-rate securities will decline; as interest rates fall and/or credit spreads tighten, the fair value of fixed-rate securities will rise. We regularly conduct a review and evaluation of our securities portfolio to determine if the decline in the fair value of any security below its carrying amount is other than temporary. If we deem any decline in value to be other than temporary, the security is written down to its current fair value, creating a new cost basis, and the resultant loss (other than the OTTI on debt securities attributable to non-credit factors) is charged against earnings and recorded in Non-interest income. Our assessment of a decline in fair value includes judgment as to the financial position and future prospects of the entity that issued the investment security, as well as a review of the security s underlying collateral. Broad changes in the overall market or interest rate environment generally will not lead to a write-down.

In accordance with OTTI accounting guidance, unless we have the intent to sell, or it is more likely than not that we may be required to sell a security before recovery, OTTI is recognized as a realized loss in earnings to the extent that the decline in fair value is credit-related. If there is a decline in fair value of a security below its carrying amount and we have the intent to sell it, or it is more likely than not that we may be required to sell the security before recovery, the entire amount of the decline in fair value is charged to earnings.

Goodwill Impairment

Goodwill is presumed to have an indefinite useful life and is tested for impairment, rather than amortized, at the reporting unit level, at least once a year. We performed our annual goodwill impairment test as of December 31, 2014 and found no indication of goodwill impairment at that date.

Goodwill would be tested in less than one year s time if there were a triggering event. There were no triggering events identified during the twelve months ended December 31, 2014.

The goodwill impairment analysis is a two-step test. However, a company can, under Accounting Standards Update (ASU) No. 2011-08, Testing Goodwill for Impairment, first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under this amendment, an entity would not be required to calculate the fair value of a reporting unit unless the entity determined, based on a qualitative assessment, that it was more likely than not that its fair value was less than its carrying amount. The Company did not elect to perform a qualitative assessment in 2014. The first step (Step 1) is used to identify potential impairment, and involves comparing each reporting segment s estimated fair value to its carrying amount, including goodwill. If the estimated fair value of a reporting segment exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount exceeds the estimated fair value, there is an indication of potential impairment and the second step (Step 2) is performed to measure the amount.

Step 2 involves calculating an implied fair value of goodwill for each reporting segment for which impairment was indicated in Step 1. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, i.e., by measuring the excess of the estimated fair value of the reporting segment, as determined in Step 1, over the aggregate estimated fair values of the individual assets, liabilities, and identifiable intangibles, as if the reporting segment were being acquired in a business combination at the impairment test date. If the implied fair value of goodwill exceeds the carrying amount of goodwill assigned to the reporting segment, there is no impairment. If the carrying amount of goodwill assigned to a reporting segment exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed the carrying amount of goodwill assigned to a reporting segment, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

Quoted market prices in active markets are the best evidence of fair value and are used as the basis for measurement, when available. Other acceptable valuation methods include present-value measurements based on multiples of earnings or revenues, or similar performance measures. Differences in the identification of reporting units and in valuation techniques could result in materially different evaluations of impairment.

For the purpose of goodwill impairment testing, management has determined that the Company has two reporting segments: Banking Operations and Residential Mortgage Banking. All of our recorded goodwill has resulted from prior acquisitions and, accordingly, is attributed to Banking Operations. There is no goodwill associated with Residential Mortgage Banking, as this segment was acquired in our FDIC-assisted AmTrust acquisition, which resulted in a bargain purchase gain. In order to perform our annual goodwill impairment test, we determined the carrying value of the Banking Operations segment to be the carrying value of the Company and compared it to the fair value of the Company.

Table of Contents

Income Taxes

In estimating income taxes, management assesses the relative merits and risks of the tax treatment of transactions, taking into account statutory, judicial, and regulatory guidance in the context of our tax position. In this process, management also relies on tax opinions, recent audits, and historical experience. Although we use the best available information to record income taxes, underlying estimates and assumptions can change over time as a result of unanticipated events or circumstances such as changes in tax laws and judicial guidance influencing our overall or transaction-specific tax position.

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and the carryforward of certain tax attributes such as net operating losses. A valuation allowance is maintained for deferred tax assets that we estimate are more likely than not to be unrealizable, based on available evidence at the time the estimate is made. In assessing the need for a valuation allowance, we estimate future taxable income, considering the prudence and feasibility of tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, statutory tax rates, and future taxable income levels. In the event we were to determine that we would not be able to realize all or a portion of our net deferred tax assets in the future, we would reduce such amounts through a charge to income tax expense in the period in which that determination was made. Conversely, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through a decrease in income tax expense in the period in which that determination was made. Subsequently recognized tax benefits associated with valuation allowances recorded in a business combination would be recorded as an adjustment to goodwill.

On March 31, 2014, new tax legislation was enacted that changed the manner in which financial institutions and their affiliates are taxed in New York State. The most significant changes affecting the Company are summarized below:

- New York State tax is now determined by measuring the apportioned income of the combined group of all domestic affiliates of a New York taxpayer that participate in a unitary business relationship, rather than by applying differing rules based on the tax status of each affiliate;

- Taxable income is apportioned to New York State based on the location of the taxpayer s customers, with special rules for income from certain financial transactions. The location of the taxpayer s offices and branches are no longer relevant to the determination of income apportioned to New York State;

- The statutory tax rate is reduced from 7.1% to 6.5%; and

- Thrift institutions that maintain a qualified residential loan portfolio are entitled to a specially computed modification that reduces the income taxable to New York State.

While most of the provisions of this legislation are effective for fiscal years beginning in 2015, the statutory tax rate will not be reduced until 2016. However, certain impacts of this tax law change were reflected in our 2014 income tax expense, in the form of a one-time charge of $3.5 million. That said, it is expected that this law will result in a modest reduction in our current income tax expense beginning in 2015. The amount of the impact on our future tax expense will be affected by any changes in our operations, structure, or profitability.

In January 2015, new tax legislation was proposed by the Governor of the State of New York that would change the tax laws of New York City that are applicable to the Company in a manner similar to the changes that were made to the New York State laws described above. These changes would also be effective January 1, 2015. However, the New York City laws would differ from the New York State laws in certain ways. For example, the New York City laws would retain an alternative tax on capital; would reduce the statutory tax rate on financial institutions from 9.00% to 8.85%; and would determine the New York City apportionment of taxable income by applying a customer-based receipts factor that would become the exclusive indicator of business activity, but only after a three-year phase-out of other factors (i.e., payroll and property). Inclusive of the New York State tax law revisions described above, and absent any change in our operations, structure, or profitability, the proposed changes to the New York City tax laws would result in a modest increase in the Company s New York City and State aggregate tax expense in 2015.

Table of Contents

FINANCIAL CONDITION

Balance Sheet Summary

Our total assets rose $1.9 billion, or 4.0%, year-over-year, to $48.6 billion at December 31, 2014. The growth of our assets was primarily due to the production of loans held for investment and, more particularly, the production of held-for-investment multi-family loans. Including a $3.1 billion increase in the portfolio of multi-family loans to $23.8 billion, loans held for investment rose $3.2 billion to $33.0 billion at December 31, 2014. The benefit of the increase in loans held for investment was partly offset by an $854.6 million reduction in the balance of securities.

The growth of our portfolio of loans held for investment was largely funded by the growth of our deposits, which rose $2.7 billion from the year-earlier balance to $28.3 billion at December 31, 2014. While certificates of deposit (CDs) declined $511.5 million year-over-year, the impact was more than offset by a $2.0 billion increase in NOW and money market accounts, a $1.1 billion increase in savings accounts, and a $36.4 million increase in non-interest-bearing accounts. In tandem with the increase in deposits, borrowed funds fell $878.5 million year-over-year to $14.2 billion.

Stockholders equity rose $46.2 million year-over-year to $5.8 billion, representing 11.91% of total assets and a book value per share of $13.06. Tangible stockholders equity rose $54.5 million during this time, to $3.3 billion, representing 7.24% of tangible assets and a tangible book value per share of $7.54. (Please see the discussion and reconciliations of stockholders equity and tangible stockholders equity, total assets and tangible assets, and the related measures that appear on the last page of this discussion and analysis of financial condition and results of operations.)

Loans

Total loans grew $2.9 billion year-over-year, to $35.8 billion, representing 73.8% of total assets at December 31, 2014. Covered loans represented $2.4 billion, or 6.8%, of the year-end 2014 balance, and non-covered loans accounted for the remaining $33.4 billion, or 93.2%. Included in non-covered loans were $33.0 billion of loans held for investment, and $379.4 million of loans held for sale.

Covered Loans

In December 2009 and March 2010, we acquired certain assets and assumed certain liabilities of AmTrust and Desert Hills, respectively, in FDIC-assisted acquisitions. Covered loans refers to the loans we acquired in those transactions, and are referred to as such because they are covered by loss sharing agreements with the FDIC. The loss sharing agreements require the FDIC to reimburse us for 80% of losses up to a specified threshold, and for 95% of losses beyond that threshold, with respect to covered loans and covered other real estate owned (OREO).

At December 31, 2014, covered loans represented $2.4 billion, or 6.8%, of the total loan balance, a decline from $2.8 billion, representing 8.5% of total loans, at the prior year-end. The decline in covered loans was primarily due to repayments.

One-to-four family loans, originated at both fixed and adjustable rates, represented $2.2 billion of total covered loans at the end of this December, with all other types of covered loans representing $216.2 million, combined. Covered other loans consist of commercial real estate (CRE) loans; acquisition, development, and construction (ADC) loans; multi-family loans; commercial and industrial (C&I) loans; home equity lines of credit (HELOCs); and consumer loans.

At December 31, 2014, $1.7 billion, or 70.8%, of the loans in our covered loan portfolio were variable-rate loans, with a contractual weighted average interest rate of 3.28%. The remainder of the portfolio consisted of fixed-rate loans. The interest rates on 84.1% of our covered variable rate loans were scheduled to reprice within twelve months and annually thereafter, and we generally expect such loans to reprice at lower interest rates. The interest rates on our variable-rate covered loans are indexed to either the one-year LIBOR or the one-year Treasury rate, plus a spread in the range of 2% to 5%, subject to certain caps.

In 2014, we recovered $18.6 million from the allowance for covered loan losses, reflecting an increase in expected cash flows from certain pools of acquired loans that had previously experienced a decline in credit quality. The recovery was largely offset by FDIC indemnification expense of $14.9 million, recorded in Non-interest income in the corresponding year. In contrast, we recorded a provision for losses on covered loans of $12.8 million in 2013, as the expected cash flows from certain pools of acquired loans declined in connection with a decrease in credit quality. The provision was largely offset by FDIC indemnification income of $10.2 million, recorded in Non-interest income in the corresponding year.

Table of Contents

While the loss sharing agreements with respect to our covered one-to-four family loans and home equity loans extend for ten years from the dates of acquisition, the loss sharing agreements with respect to all other covered loans and the OREO acquired in the Desert Hills transaction expire five years from the acquisition dates. Accordingly, in March 2015, approximately $23.4 million of other covered loans and $942,000 of OREO acquired in our Desert Hills transaction will transfer to held-for-investment as the loss sharing agreements to which they currently are subject will expire during said month.

Geographical Analysis of the Covered Loan Portfolio

The following table presents a geographical analysis of our covered loan portfolio at December 31, 2014:

(in thousands)	
California	$ 423,755
Florida	409,536
Arizona	195,676
Ohio	154,771
Massachusetts	116,583
Michigan	109,880
New York	84,628
Illinois	84,603
Maryland	65,116
New Jersey	58,610
Nevada	57,652
Minnesota	53,704
Washington	52,587
Colorado	51,477
North Carolina	50,772
All other states	459,272
Total covered loans	$ 2,428,622

Loan Maturity and Repricing Analysis: Covered Loans

The following table sets forth the maturity or period to repricing of our covered loan portfolio at December 31, 2014. Loans that have adjustable rates are shown as being due or repricing in the period during which their interest rates are next subject to change.

	Covered Loans at December 31, 2014		
(in thousands)	One-to-Four Family	All Other Loans	Total Loans
Amount due or repricing:			
Within one year	$ 1,147,394	$ 202,436	$ 1,349,830
After one year:			
One to five years	217,681	8,219	225,900
Over five years	847,367	5,525	852,892
Total due or repricing after one year	1,065,048	13,744	1,078,792
Total amounts due or repricing, gross	$ 2,212,442	$ 216,180	$ 2,428,622

The following table sets forth, as of December 31, 2014, the dollar amount of all covered loans due or repricing after December 31, 2015, and indicates whether such loans have fixed or adjustable rates of interest.

(in thousands)	Due or Repricing after December 31, 2015		
	Fixed	Adjustable	Total
One-to-four family	$ 752,504	$ 312,544	$ 1,065,048
All other loans	6,565	7,179	13,744
Total loans	$ 759,069	$ 319,723	$ 1,078,792

51

Non-Covered Loans Held for Investment

Non-covered loans held for investment totaled $33.0 billion at the end of this December, representing 92.1% of total loans and a $3.2 billion, or 10.7%, increase from the balance at December 31, 2013. In addition to multi-family loans and CRE loans, the held-for-investment portfolio includes substantially smaller balances of one-to-four family loans, ADC loans, and other loans, with C&I loans comprising the bulk of the other loan portfolio.

In 2014, originations of held-for-investment loans represented $11.0 billion, or 77.5%, of total loan originations, a $140.2 million decrease from the volume produced in the prior year. Consistent with management s focus on containing the growth of our assets in the near-term, the increase in the volume of multi-family loans and specialty finance loans and leases we originated was exceeded by reductions in the volume of CRE, one-to-four family, ADC, and other C&I loans produced.

Multi-Family Loans

Multi-family loans are our principal asset. The loans we produce are primarily secured by non-luxury, residential apartment buildings in New York City that are rent-regulated and feature below-market rents a market we refer to as our primary lending niche. Consistent with our emphasis on multi-family lending, multi-family loan originations represented $7.6 billion, or 68.9%, of the loans we produced in 2014 for investment, exceeding the year-earlier volume by $167.4 million and establishing a new record with regard to the volume of multi-family loans produced in a single year.

At December 31, 2014, multi-family loans represented $23.8 billion, or 72.2%, of total non-covered loans held for investment, reflecting a year-over-year increase of $3.1 billion, or 15.1%. At December 31, 2014 and 2013, respectively, the average multi-family loan had a principal balance of $5.0 million and $4.5 million; the expected weighted average life of the portfolio was 3.0 years and 2.9 years at the respective dates.

The majority of our multi-family loans are made to long-term owners of buildings with apartments that are subject to rent regulation and feature below-market rents. Our borrowers typically use the funds we provide to make building-wide improvements and renovations to certain apartments, as a result of which they are able to increase the rents their tenants pay. In doing so, the borrower creates more cash flows to borrow against in future years.

In addition to underwriting multi-family loans on the basis of the buildings income and condition, we consider the borrowers credit history, profitability, and building management expertise. Borrowers are required to present evidence of their ability to repay the loan from the buildings current rent rolls, their financial statements, and related documents.

While a small percentage of our multi-family loans are ten-year fixed rate credits, the vast majority of our multi-family loans feature a term of ten or twelve years, with a fixed rate of interest for the first five or seven years of the loan, and an alternative rate of interest in years six through ten or eight through twelve. The rate charged in the first five or seven years is generally based on intermediate-term interest rates plus a spread. During the remaining years, the loan resets to an annually adjustable rate that is tied to the prime rate of interest, plus a spread. Alternately, the borrower may opt for a fixed rate that is tied to the five-year fixed advance rate of the Federal Home Loan Bank of New York (the FHLB-NY), plus a spread. The fixed-rate option also requires the payment of one percentage point of the then-outstanding loan balance. In either case, the minimum rate at repricing is equivalent to the rate in the initial five- or seven-year term.

As the rent roll increases, the typical property owner seeks to refinance the mortgage, and generally does so before the loan reprices in year six or eight. The expected weighted average life of the portfolio at December 31, 2014 and 2013, as noted above, is indicative of this practice.

Multi-family loans that refinance within the first five or seven years are typically subject to an established prepayment penalty schedule. Depending on the remaining term of the loan at the time of prepayment, the penalties normally range from five percentage points to one percentage point of the then-current loan balance. If a loan extends past the fifth or seventh year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of five points to one point over years six through ten or eight through twelve. For example, a ten-year multi-family loan that prepays in year three would generally be expected to pay a prepayment penalty equal to three percentage points of the remaining principal balance. A twelve-year multi-family loan that prepays in year one or two would generally be expected to pay a penalty equal to five percentage points.

Prepayment penalties are recorded as interest income and are therefore reflected in the average yields on our loans and assets, our interest rate spread and net interest margin, and the level of net interest income we record. No assumptions are involved in the recognition of prepayment penalty income, as such income is only recorded when cash is received.

Our success as a multi-family lender partly reflects the solid relationships we have developed with the market s leading mortgage brokers, who are familiar with our lending practices, our underwriting standards, and our long-standing practice of basing our loans on the cash flows produced by the properties. The process of producing such loans is generally four to six weeks in duration and, because the multi-family market is largely broker-driven, the expense incurred in sourcing such loans is substantially reduced.

At December 31, 2014, the vast majority of our multi-family loans were secured by rental apartment buildings. In addition, 75.1% of our multi-family loans were secured by buildings in New York City and 4.9% were secured by buildings elsewhere in New York State. The remaining 20.1% of multi-family loans were secured by buildings outside these markets, including in the four other states served by our retail branch offices.

Our emphasis on multi-family loans is driven by several factors, including their structure, which reduces our exposure to interest rate volatility to some degree. Another factor driving our focus on multi-family lending has been the comparative quality of the loans we produce. Reflecting the nature of the buildings securing our loans, our underwriting standards, and the generally conservative loan-to-value ratios (LTVs) our multi-family loans feature at origination, a relatively small percentage of the multi-family loans that have transitioned to non-performing status have actually resulted in losses, even when the credit cycle has taken a downward turn.

We primarily underwrite our multi-family loans based on the current cash flows produced by the collateral property, with a reliance on the income approach to appraising the properties, rather than the sales approach. The sales approach is subject to fluctuations in the real estate market, as well as general economic conditions, and is therefore likely to be more risky in the event of a downward credit cycle turn. We also consider a variety of other factors, including the physical condition of the underlying property; the net operating income of the mortgaged premises prior to debt service; the debt service coverage ratio (DSCR), which is the ratio of the property s net operating income to its debt service; and the ratio of the loan amount to the appraised value of the property. The multi-family loans we are originating today generally represent no more than 75% of the lower of the appraised value or the sales price of the underlying property, and typically feature an amortization period of up to 30 years. In addition to requiring a minimum DSCR of 120% on multi-family buildings, we obtain a security interest in the personal property located on the premises, and an assignment of rents and leases.

Accordingly, while our multi-family lending niche has not been immune to downturns in the credit cycle, we continue to believe that the multi-family loans we produce involve less credit risk than certain other types of loans. In general, buildings that are subject to rent regulation have tended to be stable, with occupancy levels remaining more or less constant over time. Because the rents are typically below market and the buildings securing our loans are generally maintained in good condition, they have been more likely to retain their tenants in adverse economic times. In addition, we underwrite our multi-family loans on the basis of the current cash flows generated by the underlying properties, and exclude any short-term property tax exemptions and abatement benefits the property owners receive.

Commercial Real Estate Loans

At December 31, 2014, CRE loans represented $7.6 billion, or 23.1%, of total loans held for investment, as compared to $7.4 billion, or 24.7%, at December 31, 2013. At the respective year-ends, the average CRE loan had a principal balance of $5.0 million and $4.7 million, and the portfolio had an expected weighted average life of 3.2 years and 3.3 years. In 2014, CRE loans represented $1.7 billion, or 15.1%, of the loans we produced for investment; in 2013, the comparable volume and percentage were $2.2 billion and 19.4%.

The CRE loans we produce are secured by income-producing properties such as office buildings, retail centers, mixed-use buildings, and multi-tenanted light industrial properties. At December 31, 2014, 71.5% of our CRE loans were secured by properties in New York City, while properties on Long Island accounted for 13.2%. Other parts of New York State accounted for 2.7% of the properties securing our CRE credits, while all other states accounted for 12.6%, combined.

The pricing of our CRE loans is similar to the pricing of our multi-family credits. While a small percentage of our CRE loans feature ten-year fixed-rate terms, they primarily feature a fixed rate of interest for the first five or seven years of the loan that is generally based on intermediate-term interest rates plus a spread. During years six through ten or eight through twelve, the loan resets to an annually adjustable rate that is tied

53

to the prime rate of interest, plus a spread. Alternately, the borrower may opt for a fixed rate that is tied to the five-year fixed advance rate of the FHLB-NY plus a spread. The fixed-rate option also requires the payment of an amount equal to one percentage point of the then-outstanding loan balance. In either case, the minimum rate at repricing is equivalent to the rate in the initial five- or seven-year term.

Prepayment penalties apply to our CRE loans, as they do our multi-family credits. Depending on the remaining term of the loan at the time of prepayment, the penalties normally range from five percentage points to one percentage point of the then-current loan balance. If a loan extends past the fifth or seventh year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of five points to one point over years six through ten or eight through twelve. Our CRE loans tend to refinance within three to four years of origination, as reflected in the expected weighted average life of the CRE portfolio noted above.

The repayment of loans secured by commercial real estate is often dependent on the successful operation and management of the underlying properties. To minimize our credit risk, we originate CRE loans in adherence with conservative underwriting standards, and require that such loans qualify on the basis of the property s current income stream and DSCR. The approval of a loan also depends on the borrower s credit history, profitability, and expertise in property management, and generally requires a minimum DSCR of 130% and a maximum LTV of 65%. In addition, the origination of CRE loans typically requires a security interest in the fixtures, equipment, and other personal property of the borrower and/or an assignment of the rents and/or leases.

One-to-Four Family Loans

For many years, the vast majority of our one-to-four family loans held for investment were loans we had acquired in our merger transactions prior to 2009. However, in 2012, we began to capitalize on our proprietary mortgage banking platform to originate hybrid adjustable-rate one-to-four family loans for our own portfolio.

While this practice continued through the first six months of 2014, we reclassified most of our one-to-four family loans that were held for investment as loans held for sale in the second half of the year. As our assets grew closer to $50 billion and the current SIFI threshold, we largely offset the growth of our multi-family and CRE loans, and our specialty finance loans and leases, by reducing the balance of held-for-investment one-to-four family loans.

Accordingly, the balance of one-to-four family loans held for investment declined $421.8 million from the year-earlier balance to $138.9 million at December 31, 2014. The latter balance represented 0.42% of total loans held for investment, a decrease from 1.9% at the previous year-end.

Acquisition, Development, and Construction Loans

At December 31, 2014, ADC loans represented $258.1 million, or 0.78%, of total loans held for investment, reflecting an $86.0 million decrease from the balance at the prior year-end. Reflecting our primary focus on multi-family and CRE lending, we originated a modest $96.8 million of ADC loans over the course of the year.

At December 31, 2014, 79.4% of the loans in our ADC portfolio were for land acquisition and development; the remaining 20.6% consisted of loans that were provided for the construction of owner-occupied homes and commercial properties. Loan terms vary based upon the scope of the construction, and generally range from 18 to 24 months; they also feature a floating rate of interest tied to prime, with a floor. In addition, 73.8% of the loans in the ADC portfolio were for properties in New York City, with Manhattan accounting for more than half of New York City s share.

Because ADC loans are generally considered to have a higher degree of credit risk, especially during a downturn in the credit cycle, borrowers are required to provide a guarantee of repayment and completion. In the twelve months ended December 31, 2014, we recovered losses against guarantees of $276,000, as compared to $1.4 million in the prior year. The risk of loss on an ADC loan is largely dependent upon the accuracy of the initial appraisal of the property s value upon completion of construction; the developer s experience; the estimated cost of construction, including interest; and the estimated time to complete and/or sell or lease such property.

When applicable, as a condition to closing an ADC loan, it is our practice to require that residential properties be pre-sold and that commercial properties be pre-leased.

Other Loans

Other loans totaled $1.1 billion at December 31, 2014, representing 3.5% of total loans held for investment and a $288.4 million, or 33.8%, increase from the year-earlier amount. C&I loans represented all but $31.9 million of the current year-end total, as compared to all but $39.0 million at the prior year-end. In other words, C&I loans accounted for $1.1 billion, or 97.2%, of other loans at the end of this December, as compared to $813.7 million, or 95.4%, at December 31, 2013.

The increase in C&I loans was primarily due to the growth in specialty finance loans and leases, a tribute to NYCB Specialty Finance Company, LLC, which completed its first full year of operation as a subsidiary of New York Community Bank at December 31, 2014. Located in Foxboro, Massachusetts, the subsidiary is staffed by a group of industry veterans with expertise in originating and underwriting senior secured debt and equipment loans and leases. The subsidiary participates in syndicated loans that are brought to us, and equipment loans and leases that are assigned to us, by a select group of nationally recognized sources, and generally are made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide.

The loans and leases we fund fall into three distinct categories (asset-based lending, dealer floor-plan lending, and equipment loan and lease financing) and each of our credits is secured with a perfected first security interest or outright ownership in the underlying collateral, and structured as senior debt or as a non-cancelable lease. The pricing of our asset-based and dealer floor-plan loans are at floating rates predominately tied to LIBOR, while our equipment financing credits are at fixed rates at a spread over treasuries.

At December 31, 2014, specialty finance loans and leases represented $632.8 million of total C&I loans, including $208.7 million of equipment leases, and accounted for $848.5 million of the C&I loans we produced during the year.

In contrast to the loans produced by our specialty finance subsidiary, the other C&I loans we produce are primarily made to small and mid-size businesses in the five boroughs of New York City and on Long Island. Other C&I loans represented $476.4 million of total C&I loans at December 31, 2014, and accounted for $530.3 million of all the C&I loans we produced over the course of the year.

The other C&I loans we produce are tailored to meet the specific needs of our borrowers, and include term loans, demand loans, revolving lines of credit, and, to a lesser extent, loans that are partly guaranteed by the Small Business Administration. A broad range of other C&I loans, both collateralized and unsecured, are made available to businesses for working capital (including inventory and accounts receivable), business expansion, the purchase of machinery and equipment, and other general corporate needs. In determining the term and structure of other C&I loans, several factors are considered, including the purpose, the collateral, and the anticipated sources of repayment. Other C&I loans are typically secured by business assets and personal guarantees of the borrower, and include financial covenants to monitor the borrower s financial stability.

The interest rates on our other C&I loans can be fixed or floating, with floating rate loans being tied to prime or some other market index, plus an applicable spread. Our floating rate loans may or may not feature a floor rate of interest. The decision to require a floor on other C&I loans depends on the level of competition we face for such loans from other institutions, the direction of market interest rates, and the profitability of our relationship with the borrower.

An added benefit of other C&I lending is the opportunity to establish full-scale banking relationships with our borrowers. Many of our borrowers provide us with deposits, and many take advantage of our fee-based cash management, investment, and trade finance services.

The remainder of the other loan portfolio consists primarily of home equity loans and lines of credit, as well as a variety of consumer loans, most of which were originated by our pre-2009 merger partners prior to their joining the Company. We currently do not offer home equity loans or lines of credit.

Lending Authority

The loans we originate for investment are subject to federal and state laws and regulations, and are underwritten in accordance with loan underwriting policies and procedures approved by the Mortgage Committee, the Credit Committee, and the respective Boards of Directors.

Table of Contents

In accordance with the Banks policies, all loans originated by the Banks are presented to the Mortgage Committee or the Credit Committee, as applicable. In addition, all loans of $20.0 million or more originated by the Community Bank, and all loans of $10.0 million or more originated by the Commercial Bank, are reported to the applicable Board of Directors. In 2014, 225 loans of $10.0 million or more were originated by the Banks, with an aggregate loan balance of $5.6 billion at origination. In 2013, 224 loans of $10.0 million or more were originated by the Banks, with an aggregate loan balance at origination of $5.3 billion.

At December 31, 2014, as at the prior year-end, our largest loan was in the amount of $262.5 million; the interest rate on the credit was 3.7% at both dates. The loan was originated by the Community Bank on June 28, 2013 to the owner of a commercial office building located in Manhattan, and, as of the date of this report, has been current since origination.

Geographical Analysis of the Portfolio of Non-Covered Loans Held for Investment

The following table presents a geographical analysis of the multi-family and CRE loans in our held-for-investment loan portfolio at December 31, 2014:

	At December 31, 2014			
	Multi-Family Loans		Commercial Real Estate Loans	
(dollars in thousands)	Amount	Percent of Total	Amount	Percent of Total
New York City:				
Manhattan	$ 8,367,265	35.11%	$ 3,879,810	50.82%
Brooklyn	4,126,649	17.32	601,423	7.88
Bronx	2,794,688	11.73	206,812	2.71
Queens	2,526,475	10.60	728,126	9.54
Staten Island	70,554	0.29	41,052	0.53
Total New York City	$ 17,885,631	75.05%	$ 5,457,223	71.48%
Long Island	463,640	1.94	1,007,514	13.20
Other New York State	699,771	2.94	205,530	2.69
All other states	4,782,804	20.07	964,053	12.63
Total	$ 23,831,846	100.00%	$ 7,634,320	100.00%

At December 31, 2014, the largest concentration of one-to-four family loans held for investment was in California, with a total of $40.2 million; the largest concentration of ADC loans held for investment was in New York City, with a total of $190.5 million at that date. The majority of our other loans held for investment were secured by properties and/or businesses located in Metro New York.

Table of Contents

Loan Maturity and Repricing Analysis: Non-Covered Loans Held for Investment

The following table sets forth the maturity or period to repricing of our portfolio of non-covered loans held for investment at December 31, 2014. Loans that have adjustable rates are shown as being due in the period during which their interest rates are next subject to change.

	Non-Covered Loans Held for Investment at December 31, 2014					
(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Other	Total Loans
Amount due:						
Within one year	$ 496,891	$ 581,431	$ 19,213	$257,391	$ 666,084	$ 2,021,010
After one year:						
One to five years	13,691,422	3,661,940	17,319	725	340,730	17,712,136
Over five years	9,643,533	3,390,949	102,383		134,350	13,271,215
Total due or repricing after one year	23,334,955	7,052,889	119,702	725	475,080	30,983,351
Total amounts due or repricing, gross	$ 23,831,846	$ 7,634,320	$ 138,915	$258,116	$ 1,141,164	$ 33,004,361

The following table sets forth, as of December 31, 2014, the dollar amount of all non-covered loans held for investment that are due after December 31, 2015, and indicates whether such loans have fixed or adjustable rates of interest:

	Due after December 31, 2015		
(in thousands)	Fixed	Adjustable	Total
Mortgage Loans:			
Multi-family	$ 4,186,410	$ 19,148,545	$ 23,334,955
Commercial real estate	1,958,697	5,094,192	7,052,889
One-to-four family	42,021	77,681	119,702
Acquisition, development, and construction		725	725
Total mortgage loans	6,187,128	24,321,143	30,508,271
Other loans	277,506	197,574	475,080
Total loans	$ 6,464,634	$ 24,518,717	$ 30,983,351

Non-Covered Loans Held for Sale

Our portfolio of non-covered loans held for sale primarily consists of one-to-four family loans originated through our mortgage banking platform. The platform is not only used by the Bank to serve our retail customers in New York, New Jersey, Ohio, Florida, and Arizona, but also by approximately 890 clients community banks, credit unions, mortgage companies, and mortgage brokers to originate full-documentation, prime credit one-to-four family loans across the United States. While the vast majority of the one-to-four family loans held for sale we produce are agency-conforming loans sold to GSEs, we also utilize our mortgage banking platform to originate jumbo loans for sale to other private mortgage investors.

To a lesser extent, the portfolio of loans held for sale includes certain C&I and one-to-four family loans that previously had been held for investment but were transferred to held for sale in the second half of 2014.

Loans held for sale totaled $379.4 million at December 31, 2014, a $72.5 million increase from the balance at the prior year-end. At December 31, 2014 and 2013, loans held for sale represented 1.06% and 0.93% of total loans, respectively, with the increase largely reflecting the C&I loans held for investment that were transferred to held for sale. Specifically, one-to-four family loans represented $220.9 million, or 58.2%, of loans held for sale at the end of this December, while C&I loans represented the remaining $158.5 million, or 41.8%.

While the production of one-to-four family loans was constrained in the first nine months of the year, as residential mortgage interest rates trended higher, loan demand increased markedly in the last three months of the year as such rates declined. Nonetheless, the volume of one-to-four family loans produced for sale in 2014 fell to $3.1 billion from $6.2 billion in the prior year. Of the one-to-four family loans we produced in 2014, $2.9 billion, or 92.8%, were agency-conforming loans and $220.7 million, or 7.2%, were non-conforming (i.e., jumbo) loans.

To mitigate the risks inherent in originating and reselling residential mortgage loans, we utilize processes, proprietary technologies, and third-party software application tools that seek to ensure that the loans meet investors program eligibility, underwriting, and collateral requirements. In addition, compliance verification and fraud detection tools are utilized throughout the processing, underwriting, and loan closing stages to assist in the determination that the loans we originate and acquire are in compliance with applicable local, state, and federal laws and regulations. Controlling, auditing, and validating the data upon which the credit decision is made (and the loan documents created) substantially mitigates the risk of our originating or acquiring a loan that subsequently is deemed to be in breach of loan sale representations and warranties made by us to loan investors.

We require the use of our proprietary processes, origination systems, and technologies for all loans we close. Collectively, these tools and processes are known internally as our proprietary Gemstone system. By mandating usage of Gemstone for all table-funded loan originations, we are able to tightly control key risk aspects across the spectrum of loan origination activities. Our clients access Gemstone via secure Internet protocols, and initiate the process by submitting required loan application data and other required income, asset, debt, and credit documents to us electronically. Key data is then verified by a combination of trusted third-party validations and internal reviews conducted by our loan underwriters and quality control specialists. Once key data is independently verified, it is locked down within the Gemstone system to further ensure the integrity of the transaction.

In addition, all trusted source third-party vendors are directly connected to the Gemstone system via secure electronic data interfaces. Within the Gemstone system, these trusted sources provide key risk and control services throughout the origination process, including ordering and receipt of credit report information, tax returns, independent collateral appraisals, private mortgage insurance certificates, automated underwriting and program eligibility determinations, flood insurance determination, fraud detection applications, local/state/federal regulatory compliance reviews, predatory or high cost loan reviews, and legal document preparation services. Our employees augment the automated system controls by performing audits during the process, which include the final underwriting of the loan file (the credit decision), and various other pre-funding and post-funding quality control reviews.

Both the agency-conforming and non-conforming (i.e., jumbo) one-to-four family loans we originate for sale require that we make certain representations and warranties with regard to the underwriting, documentation, and legal/regulatory compliance, and we may be required to repurchase a loan or loans if it is found that a breach of the representations and warranties has occurred. In such case, we would be exposed to any subsequent credit loss on the mortgage loans that might or might not be realized in the future.

As governed by our agreements with the GSEs and other third parties to whom we sell loans, the representations and warranties we make relate to several factors, including, but not limited to, the ownership of the loan; the validity of the lien securing the loan; the absence of delinquent taxes or liens against the property securing the loan as of its closing date; the process used to select the loan for inclusion in a transaction; and the loan s compliance with any applicable criteria, including underwriting standards, loan program guidelines, and compliance with applicable federal, state, and local laws.

We record a liability for estimated losses relating to these representations and warranties, which is included in Other liabilities in the accompanying Consolidated Statements of Condition. The related expense is recorded in Mortgage banking income in the accompanying Consolidated Statements of Income and Comprehensive Income. At December 31, 2014 and 2013, the respective liabilities for estimated possible future losses relating to these representations and warranties were $8.2 million and $8.5 million. The methodology used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a variety of factors, including, but not limited to, actual default experience, estimated future defaults, historical loan repurchase rates, the frequency and potential severity of defaults, the probability that a repurchase request will be received, and the probability that a loan will be required to be repurchased.

Representation and Warranty Reserve

The following table sets forth the activity in our representation and warranty reserve during the periods indicated:

(in thousands)	For the Years Ended December 31, 2014	2013
Balance, beginning of period	$ 8,460	$ 8,272
Repurchase losses	(300)	(402)
Provision for repurchase losses:		
Loan sales		590
Change in estimates		
Balance, end of period	$ 8,160	$ 8,460

Indemnified and Repurchased Loans

The following table sets forth our activity with regard to repurchased loans and the loans we indemnified for GSEs during the twelve months ended December 31, 2014 and 2013:

	For the Years Ended December 31, 2014		2013	
(dollars in thousands)	Number of Loans	Amount	Number of Loans	Amount
Balance, beginning of period	29	$ 7,143	12	$ 2,286
New indemnifications			12	3,611
New repurchases	12	3,693	8	1,706
Transfers to REO	(3)	(545)		
Principal payoffs	(7)	(2,097)	(3)	(286)
Principal payments		(278)		(253)
Modifications/other				79
Balance, end of period [(1)]	31	$ 7,916	29	$ 7,143

(1) *Of the thirty-one period-end loans, eighteen loans with an aggregate principal balance of $4.4 million were repurchased, and are now held for investment. The other thirteen loans, with an aggregate principal balance of $3.5 million, were indemnified and are all performing as of the date of this report.*

Because the level of mortgage loan repurchase losses is dependent on economic factors, investor demand strategies, and other external conditions that may change over the lives of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. However, we believe the amount and range of reasonably possible losses in excess of our reserve would not be material to our operations or to our financial condition or results of operations.

Table of Contents

Repurchase and Indemnification Requests

The following table sets forth our repurchase and indemnification requests during the periods indicated:

	For the Years Ended December 31,			
	2014		2013	
(dollars in thousands)	Number of Loans	Amount [1]	Number of Loans	Amount [1]
Balance, beginning of period	18	$ 4,057	20	$ 5,073
New repurchase requests [2]	81	19,548	71	16,785
Successful rebuttal/rescission	(63)	(13,722)	(53)	(12,484)
New indemnifications [3]			(12)	(3,611)
Loan repurchases [4]	(12)	(3,693)	(8)	(1,706)
Balance, end of period [5]	24	$ 6,190	18	$ 4,057

(1) *Represents the loan balance as of the repurchase request date.*
(2) *All requests relate to one-to-four family loans originated for sale.*
(3) *An indemnification agreement is an arrangement whereby the Company protects the GSEs against future losses.*
(4) *Of the twelve loans repurchased during the year ended December 31, 2014, seven were originated through our mortgage banking operations and five were originated by a bank we acquired in 2007. Of the eight loans repurchased during the year ended December 31, 2013, six were originated through our mortgage banking operations and two were originated by a bank we acquired in 2007.*
(5) *Of the twenty-four requests as of December 31, 2014, twenty were from Fannie Mae and four were from Freddie Mac. Both Fannie Mae and Freddie Mac allow 60 days to respond to a repurchase request. Failure to respond in a timely manner could result in our having an obligation to repurchase the loan.*

Please see Item 7A, Quantitative and Qualitative Disclosures about Market Risk, for a discussion of the strategies we employ to mitigate the interest rate risk associated with our production of one-to-four family loans for sale.

Loan Origination Analysis

The following table summarizes our production of loans held for investment and loans held for sale in the years ended December 31, 2014 and 2013:

	For the Years Ended December 31,			
	2014		2013	
(dollars in thousands)	Amount	Percent of Total	Amount	Percent of Total
Mortgage Loan Originations for Investment:				
Multi-family	$ 7,584,154	53.39%	$ 7,416,786	42.62%
Commercial real estate	1,661,066	11.69	2,168,072	12.46
One-to-four family	287,577	2.03	418,815	2.41
Acquisition, development, and construction	96,762	0.68	149,866	0.86
Total mortgage loan originations for investment	9,629,559	67.79	10,153,539	58.35
Other Loan Originations for Investment:				
Specialty finance	848,482	5.97	257,526	1.48
Other commercial and industrial	530,330	3.74	736,221	4.23
Other	6,253	0.04	7,579	0.04

Total other loan originations for investment	1,385,065	9.75	1,001,326	5.75
Total loan originations for investment	$ 11,014,624	77.54%	$ 11,154,865	64.10%
Loan originations for sale	3,189,694	22.46	6,247,936	35.90
Total loan originations	$ 14,204,318	100.00%	$ 17,402,801	100.00%

Table of Contents

Loan Portfolio Analysis

The following table summarizes the composition of our loan portfolio at each year-end for the five years ended December 31, 2014:

	At December 31,													
	2014			2013			2012			2011			20	
)	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Pe of L
	$ 23,831,846	66.54%	71.39%	$ 20,699,927	62.89%	68.71%	$ 18,595,833	58.55%	65.30%	$ 17,430,628	57.49%	65.61%	$ 16,807,913	
	7,634,320	21.32	22.87	7,364,231	22.37	24.44	7,436,598	23.41	26.11	6,855,244	22.61	25.81	5,439,611	
	138,915	0.39	0.41	560,730	1.70	1.86	203,435	0.64	0.71	127,361	0.42	0.48	170,392	
	258,116	0.72	0.77	344,100	1.05	1.14	397,917	1.25	1.40	445,671	1.47	1.68	569,537	
	31,863,197	88.97	95.44	28,968,988	88.01	96.15	26,633,783	83.85	93.52	24,858,904	81.99	93.58	22,987,453	
	632,827	1.77	1.89	172,698	0.52	0.57								
d	476,394	1.33	1.43	640,993	1.95	2.13	590,044	1.86	2.07	599,986	1.98	2.26	641,663	
	31,943	0.09	0.10	39,036	0.12	0.13	49,880	0.16	0.18	69,907	0.23	0.26	85,559	
	1,141,164	3.19	3.42	852,727	2.59	2.83	639,924	2.02	2.25	669,893	2.21	2.52	727,222	
	$ 33,004,361	92.16	98.86	$ 29,821,715	90.60	98.98	$ 27,273,707	85.87	95.77	$ 25,528,797	84.20	96.10	$ 23,714,675	
	379,399	1.06	1.14	306,915	0.93	1.02	1,204,370	3.79	4.23	1,036,918	3.42	3.90	1,207,077	
	$ 33,383,760	93.22	100.00%	$ 30,128,630	91.53	100.00%	$ 28,478,077	89.66	100.00%	$ 26,565,715	87.62	100.00%	$ 24,921,752	
	2,428,622	6.78		2,788,618	8.47		3,284,061	10.34		3,753,031	12.38		4,297,869	
	$ 35,812,382	100.00%		$ 32,917,248	100.00%		$ 31,762,138	100.00%		$ 30,318,746	100.00%		$ 29,219,621	1
	20,595			16,274			10,757			4,021			(7,181)	
s	(139,857)			(141,946)			(140,948)			(137,290)			(158,942)	
	(45,481)			(64,069)			(51,311)			(33,323)			(11,903)	
	$ 35,647,639			$ 32,727,507			$ 31,580,636			$ 30,152,154			$ 29,041,595	

Table of Contents

Outstanding Loan Commitments

At December 31, 2014, we had outstanding loan commitments of $2.6 billion, an increase from $2.1 billion at the prior year-end. Loans held for investment represented $2.1 billion of the year-end 2014 total and $1.9 billion of the year-end 2013 amount. In contrast, loans held for sale represented $494.6 million of outstanding loan commitments at the end of this December, as compared to $231.5 million at December 31, 2013. At December 31, 2014, multi-family and CRE loans together represented $1.0 billion of our outstanding held-for-investment loan commitments; one-to-four family loans, ADC loans, and other loans held for investment represented $1.3 million, $301.8 million, and $734.3 million, respectively, of the total at that date.

In addition to loan commitments, we had commitments to issue financial stand-by, performance stand-by, and commercial letters of credit totaling $201.0 million at December 31, 2014, as compared to $213.7 million at the prior year-end.

Financial stand-by letters of credit primarily are issued for the benefit of other financial institutions or municipalities, on behalf of certain of our current borrowers, and obligate us to guarantee payment of a specified financial obligation.

Performance stand-by letters of credit are primarily issued for the benefit of local municipalities on behalf of certain of our borrowers. These borrowers are mainly developers of residential subdivisions with whom we currently have a lending relationship. Performance letters of credit obligate us to make payments in the event that a specified third party fails to perform under non-financial contractual obligations.

Commercial letters of credit act as a means of ensuring payment to a seller upon shipment of goods to a buyer. Although commercial letters of credit are used to effect payment for domestic transactions, the majority are used to settle payments in international trade. Typically, such letters of credit require the presentation of documents that describe the commercial transaction, and provide evidence of shipment and the transfer of title.

The fees we collect in connection with the issuance of letters of credit are included in Fee income in the Consolidated Statements of Income and Comprehensive Income.

Asset Quality

Non-Covered Loans Held for Investment and Non-Covered Other Real Estate Owned

With the ability of borrowers to repay their loans improving with the economy and local real estate values, the balance of non-performing non-covered assets declined at the end of this December to its lowest level since December 31, 2008. Specifically, non-performing non-covered assets represented $138.9 million, or 0.30%, of total non-covered assets at December 31, 2014, as compared to $174.9 million, or 0.40%, at December 31, 2013.

The 20.6% decline in non-performing assets was the result of a $26.6 million decrease in non-performing loans to $77.0 million and a $9.4 million decline in non-covered OREO to $62.0 million. The improvement in the balance of non-performing non-covered loans was primarily due to a group of non-performing multi-family loans to a single borrower, in the amount of $32.2 million, that transitioned to OREO and was subsequently sold at a gain of $6.0 million during 2014.

Table of Contents

The following table presents our non-performing loans by loan type and the changes in the respective balances from December 31, 2013 to December 31, 2014:

(dollars in thousands)	December 31, 2014	December 31, 2013	Change from December 31, 2013 to December 31, 2014 Amount	Percent
Non-Performing Non-Covered Loans:				
Non-accrual non-covered mortgage loans:				
Multi-family	$ 31,089	$ 58,395	$ (27,306)	(46.76)%
Commercial real estate	24,824	24,550	274	1.12
One-to-four family	11,032	10,937	95	0.87
Acquisition, development, and construction	654	2,571	(1,917)	(74.56)
Total non-accrual non-covered mortgage loans	67,599	96,453	(28,854)	(29.92)
Non-accrual non-covered other loans	9,351	7,084	2,267	32.00
Total non-performing non-covered loans	$ 76,950	$ 103,537	$ (26,587)	(25.68)%

Reflecting the reduction in the year-end balance, non-performing non-covered loans represented 0.23% of non-performing covered loans at the end of December, as compared to 0.35% at December 31, 2013.

The following table sets forth the changes in non-performing non-covered loans over the twelve months ended December 31, 2014:

(in thousands)	
Balance at December 31, 2013	$ 103,537
New non-accrual	65,263
Charge-offs	(2,604)
Transferred to other real estate owned	(38,831)
Loan payoffs, including dispositions and principal pay-downs	(38,582)
Restored to performing status	(11,833)
Balance at December 31, 2014	$ 76,950

A loan generally is classified as a non-accrual loan when it is 90 days or more past due or when we no longer expect to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. At December 31, 2014 and 2013, all of our non-performing loans were non-accrual loans. A loan is generally returned to accrual status when the loan is current and we have reasonable assurance that the loan will be fully collectible.

We monitor non-accrual loans both within and beyond our primary lending area in the same manner. Monitoring loans generally involves inspecting and re-appraising the collateral properties; holding discussions with the principals and managing agents of the borrowing entities and/or retained legal counsel, as applicable; requesting financial, operating, and rent roll information; confirming that hazard insurance is in place or force-placing such insurance; monitoring tax payment status and advancing funds as needed; and appointing a receiver, whenever possible, to collect rents, manage the operations, provide information, and maintain the collateral properties.

It is our policy to order updated appraisals for all non-performing loans, irrespective of loan type, that are collateralized by multi-family buildings, CRE properties, or land, in the event that such a loan is 90 days or more past due, and if the most recent appraisal on file for the property is more than one year old. Appraisals are ordered annually until such time as the loan becomes performing and is returned to accrual status. It is not our policy to obtain updated appraisals for performing loans. However, appraisals may be ordered for performing loans when a

borrower requests an increase in the loan amount, a modification in loan terms, or an extension of a maturing loan. We do not analyze current LTVs on a portfolio-wide basis.

Non-performing loans are reviewed regularly by management and reported on a monthly basis to the Mortgage Committee of the Community Bank, the Credit Committee of the Commercial Bank, and the Boards of Directors of the respective Banks. In accordance with our charge-off policy, collateral-dependent non-performing loans are written down to their current appraised values, less certain transaction costs. Workout specialists from our Loan Workout Unit actively pursue borrowers who are delinquent in repaying their loans in an effort to collect payment. In addition, outside counsel with experience in foreclosure proceedings are retained to institute such action with regard to such borrowers.

Table of Contents

Properties that are acquired through foreclosure are classified as OREO, and are recorded at the lower of the unpaid principal balance or fair value at the date of acquisition, less the estimated cost of selling the property. It is our policy to require an appraisal and environmental assessment of properties classified as OREO before foreclosure, and to re-appraise the properties on an as-needed basis, and not less than annually, until they are sold. We dispose of such properties as quickly and prudently as possible, given current market conditions and the property s condition.

The improvement in asset quality was further reflected in the balance of non-covered loans 30 to 89 days past due at the end of this December as compared to the balance at December 31, 2013. The following table presents our loans 30 to 89 days past due by loan type and the changes in the respective balances from December 31, 2013 to December 31, 2014:

	December 31,		Change from December 31, 2013 to December 31, 2014	
(dollars in thousands)	2014	2013	Amount	Percent
Non-Covered Loans 30-89 Days Past Due:				
Multi-family	$ 464	$ 33,678	$ (33,214)	(98.62)%
Commercial real estate	1,464	1,854	(390)	(21.04)
One-to-four family	3,086	1,076	2,010	186.80
Other loans	1,178	481	697	144.91
Total non-covered loans 30-89 days past due	$ 6,192	$ 37,089	$ (30,897)	(83.31)%

To mitigate the potential for credit losses, we underwrite our loans in accordance with credit standards that we consider to be prudent. In the case of multi-family and CRE loans, we look first at the consistency of the cash flows being generated by the property to determine its economic value using the income approach, and then at the market value of the property that collateralizes the loan. The amount of the loan is then based on the lower of the two values, with the economic value more typically used.

The condition of the collateral property is another critical factor. Multi-family buildings and CRE properties are inspected from rooftop to basement as a prerequisite to approval, with a member of the Mortgage or Credit Committee participating in inspections on multi-family loans to be originated in excess of $7.5 million, and a member of the Mortgage or Credit Committee participating in inspections on CRE loans to be originated in excess of $4.0 million. Furthermore, independent appraisers, whose appraisals are carefully reviewed by our experienced in-house appraisal officers and staff, perform appraisals on collateral properties. In many cases, a second independent appraisal review is performed.

In addition, we work with a select group of mortgage brokers who are familiar with our credit standards and whose track record with our lending officers is typically greater than ten years. Furthermore, in New York City, where the majority of the buildings securing our multi-family loans are located, the rents that tenants may be charged on certain apartments are typically restricted under certain rent-control or rent-stabilization laws. As a result, the rents that tenants pay for such apartments are generally lower than current market rents. Buildings with a preponderance of such rent-regulated apartments are less likely to experience vacancies in times of economic adversity.

To further manage our credit risk, our lending policies limit the amount of credit granted to any one borrower, and typically require minimum DSCRs of 120% for multi-family loans and 130% for CRE loans. Although we typically will lend up to 75% of the appraised value on multi-family buildings and up to 65% on commercial properties, the average LTVs of such credits at origination were below those amounts at December 31, 2014. Exceptions to these LTV limitations are reviewed on a case-by-case basis.

The repayment of loans secured by commercial real estate is often dependent on the successful operation and management of the underlying properties. To minimize our credit risk, we originate CRE loans in adherence with conservative underwriting standards, and require that such loans qualify on the basis of the property s current income stream and DSCR. The approval of a CRE loan also depends on the borrower s credit history, profitability, and expertise in property management.

Although the reasons for a loan to default will vary from credit to credit, our multi-family and CRE loans, in particular, typically have not resulted in significant losses. Such loans are generally originated at conservative LTVs and DSCRs, as previously stated. Furthermore, in the case of multi-family loans, the cash flows generated by the properties are generally below-market and have significant value.

With regard to ADC loans, we typically lend up to 75% of the estimated as-completed market value of multi-family and residential tract projects; however, in the case of home construction loans to individuals, the limit is 80%. With respect to commercial construction loans, we typically lend up to 65% of the estimated as-completed market value of the property. Credit risk is also managed through the loan disbursement process. Loan proceeds are disbursed periodically in increments as construction progresses, and as warranted by inspection reports provided to us by our own lending officers and/or consulting engineers.

Furthermore, our loan portfolio has been structured to manage our exposure to both credit and interest rate risk. The vast majority of the loans in our portfolio are intermediate-term credits, with multi-family and CRE loans typically repaying or refinancing within three to four years of origination. In addition, our multi-family loans are largely secured by buildings with rent-regulated apartments that tend to maintain a high level of occupancy, regardless of economic conditions in our marketplace.

To minimize the risk involved in specialty finance lending and leasing, we participate in syndicated loans that are brought to us, and equipment loans and leases that are assigned to us, by a select group of nationally recognized sources who have had long-term relationships with our experienced lending officers. Our specialty finance loans and leases generally are made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide.

In a credit downturn, the ability of these borrowers to generate cash flows may be diminished, and their ability to repay their obligations may deteriorate. Accordingly, each of our credits is secured with a perfected first security interest or outright ownership in the underlying collateral, and structured as senior debt or as a non-cancelable lease. To further minimize the risk involved in specialty finance lending and leasing, we re-underwrite each transaction. In addition, we retain outside counsel to conduct a further review of the underlying documentation.

Other C&I loans are typically underwritten on the basis of the cash flows produced by the borrower s business, and are generally collateralized by various business assets, including, but not limited to, inventory, equipment, and accounts receivable. As a result, the capacity of the borrower to repay is substantially dependent on the degree to which the business is successful. Furthermore, the collateral underlying the loan may depreciate over time, may not be conducive to appraisal, and may fluctuate in value, based upon the operating results of the business. Accordingly, personal guarantees are also a normal requirement for other C&I loans.

The procedures we follow with respect to delinquent loans are generally consistent across all categories, with late charges assessed, and notices mailed to the borrower, at specified dates. We attempt to reach the borrower by telephone to ascertain the reasons for delinquency and the prospects for repayment. When contact is made with a borrower at any time prior to foreclosure or recovery against collateral property, we attempt to obtain full payment, and will consider a repayment schedule to avoid taking such action. Delinquencies are addressed by our Loan Workout Unit and every effort is made to collect rather than initiate foreclosure proceedings.

Fair values for all multi-family buildings, CRE properties, and land are determined based on the appraised value. If an appraisal is more than one year old and the loan is classified as either non-performing or as an accruing troubled debt restructuring (TDR), then an updated appraisal is required to determine fair value. Estimated disposition costs are deducted from the fair value of the property to determine estimated net realizable value. In the instance of an outdated appraisal on an impaired loan, we adjust the original appraisal by using a third-party index value to determine the extent of impairment until an updated appraisal is received.

While we strive to originate loans that will perform fully, adverse economic and market conditions, among other factors, can adversely impact a borrower s ability to repay. In 2014, net charge-offs fell $14.9 million year-over-year to $2.1 million, as charge-offs of $8.1 million were largely offset by recoveries of $6.0 million. As a result, the ratio of net charge-offs to average loans improved to 0.01% in 2014 from 0.05% in the prior year. Of the loans charged off in 2014, $755,000 and $1.6 million, respectively, were multi-family and CRE credits, while one-to-four family and other loans accounted for $410,000 and $5.3 million, respectively.

Reflecting the net charge-offs mentioned above, and the absence of any provision, the allowance for losses on non-covered loans was $139.9 million at December 31, 2014, as compared to $141.9 million at the prior year-end. Partly reflecting the decrease in non-performing non-covered loans mentioned earlier in this discussion, the

allowance for losses on non-covered loans represented 181.75% of non-performing non-covered loans at the end of this December, as compared to 137.10% at December 31, 2013. In addition, the allowance for losses on non-covered loans represented 0.42% and 0.48% of total non-covered loans at December 31, 2014 and 2013, respectively.

Based upon all relevant and available information at the end of this December, management believes that the allowance for losses on non-covered loans was appropriate at that date.

Historically, our level of charge-offs has been relatively low in adverse credit cycles, even when the volume of non-performing loans has increased. This distinction has been largely due to the nature of our primary lending niche (multi-family loans collateralized by non-luxury apartment buildings in New York City that are rent-regulated and feature below-market rents), and to our conservative underwriting practices that require, among other things, low LTVs.

Reflecting the strength of the underlying collateral for these loans and the collateral structure, a relatively small percentage of our non-performing multi-family loans have resulted in losses over time. Low LTVs provide a greater likelihood of full recovery and reduce the possibility of incurring a severe loss on a credit. Furthermore, in many cases, low LTVs result in our having fewer loans with a potential for the borrower to walk away from the property. Although borrowers may default on loan payments, they have a greater incentive to protect their equity in the collateral property and to return their loans to performing status.

Given that our CRE loans are underwritten in accordance with underwriting standards that are similar to those that apply to our multi-family credits, an increase in non-performing CRE loans historically has not resulted in a corresponding increase in losses on such loans.

In addition, at December 31, 2014, one-to-four family loans, ADC loans, and other loans represented 0.42%, 0.78%, and 3.5%, respectively, of total non-covered loans held for investment, as compared to 1.9%, 1.2%, and 2.9%, respectively, at December 31, 2013. Furthermore, 0.25% of our ADC loans were non-performing at the end of this December, while 7.9% and 0.82% of one-to-four family loans and other loans, respectively, were non-performing at that date.

In view of these factors, we do not believe that our level of non-performing non-covered loans will result in a comparable level of loan losses, and will not necessarily require an increase in our loan loss provision or allowance for non-covered loans in any given period. As indicated, non-performing non-covered loans represented 0.23% of total non-covered loans at December 31, 2014; the ratio of net charge-offs to average loans for the twelve months ended at that date was 0.01%.

The following tables present the number and amount of non-performing multi-family and CRE loans by originating bank at December 31, 2014 and 2013:

As of December 31, 2014	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
(dollars in thousands)	Number	Amount	Number	Amount
New York Community Bank	13	$ 30,547	22	$ 18,962
New York Commercial Bank	2	542	4	5,862
Total for New York Community Bancorp	15	$ 31,089	26	$ 24,824

As of December 31, 2013	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
(dollars in thousands)	Number	Amount	Number	Amount
New York Community Bank	21	$ 58,093	23	$ 15,898
New York Commercial Bank	1	302	5	8,652

Total for New York Community Bancorp	22	$ 58,395	28	$ 24,550

Table of Contents

The following table presents information about our five largest non-performing loans at December 31, 2014, all of which are non-covered held-for-investment loans:

Type of Loan	Loan No. 1 Multi-Family	Loan No. 2 Multi-Family	Loan No. 3 CRE	Loan No. 4 Multi-Family	Loan No. 5 CRE
Origination Date	1/05/06	5/23/11 (1)	Various (2)	6/10/10	9/12/05
Origination Balance	$12,640,000	$50,708,107	$4,999,999	$3,600,000	$4,300,000
Full Commitment Balance (3)	$12,640,000	$50,708,107	$4,999,999	$3,600,000	$4,300,000
Balance at December 31, 2014	$10,217,022	$9,108,193	$4,999,999	$3,138,781	$2,840,977
Associated Allowance	None	None	None	$25,908	None
Non-Accrual Date	March 2014	May 2013	December 2014	September 2014	September 2013
Origination LTV Ratio	79%	85%	36%	67%	73%
Current LTV Ratio	90%	64%	36%	58%	54%
Last Appraisal	March 2014	January 2014	June 2010	September 2014	September 2014

(1) Loan No. 2 consists of various loans with origination dates extending as far back as 2006 that were restructured into a TDR on May 23, 2011. The Company completed foreclosures on 30 of the 32 collateral properties in 2014, thereby reducing the balance to the level reflected in the table at December 31, 2014.

(2) Loan No. 3 consists of two loans with origination dates of July 13, 2010 and September 8, 2011.

(3) The full commitment balance represents the original amount committed to the borrower; however, due to the delinquency status of these loans, no additional funds can be advanced.

The following is a description of the five loans identified in the preceding table:

No. 1 - The borrower is an owner of real estate and is based in New Jersey. The loan is collateralized by a multi-family complex with 314 residential units and four retail stores in Atlantic City, New Jersey. No allocation for the non-covered loan loss allowance was necessary for this loan as determined by using the fair value of collateral method defined in ASC 301-10 and -35.

No. 2 - The borrower is an owner of real estate and is based in Connecticut. The loan is collateralized by two multi-family complexes with 217 residential units in Hartford, Connecticut. No allocation for the non-covered loan loss allowance was necessary for this loan as determined by using the fair value of collateral method defined in ASC 301-10 and -35.

No. 3 - The borrower is an owner of real estate and is based in New York. The loan is collateralized by an 87,500- square foot commercial building in Bethpage, New York. No allocation for the allowance for loan losses was necessary as determined by an internal value calculation using the fair value of collateral method defined in ASC 301-10 and -35. An updated appraisal has been ordered and we expect to receive it by March 31, 2015.

No. 4 - The borrower is an owner of real estate and is based in New York. The loan is collateralized by a multi-family building with 40 residential units in Hempstead, New York. An allocation of $25,908 to the allowance for losses on non-covered loans was determined to be necessary, based on the total loan exposure, which includes negative escrow.

No. 5 - The borrower is an owner of real estate and is based in New Jersey. The loan is collateralized by a 33,040- square foot medical/professional office building in Raritan, New Jersey. No allocation for the non-covered loan loss allowance was necessary for this loan as determined by using the fair value of collateral method defined in ASC 301-10 and -35.

Troubled Debt Restructurings

In an effort to proactively manage delinquent loans, we have selectively extended such concessions as rate reductions and extensions of maturity dates, as well as forbearance agreements, to certain borrowers who have experienced financial difficulty. In accordance with GAAP, we are required to account for such loan modifications or restructurings as TDRs.

Table of Contents

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circumstances of each transaction, which may change from period to period, and involve management s judgment regarding the likelihood that the concession will result in the maximum recovery for the Company.

Loans modified as TDRs are placed on non-accrual status until we determine that future collection of principal and interest is reasonably assured. This generally requires that the borrower demonstrate performance according to the restructured terms for at least six consecutive months.

At December 31, 2014, loans modified as TDRs totaled $45.8 million, including accruing loans of $15.8 million and non-accrual loans of $29.9 million. Loans on which concessions were made with respect to rate reductions and/or extension of maturity dates totaled $39.4 million; loans in connection with which forbearance agreements were reached amounted to $6.4 million. At December 31, 2013, loans modified as TDRs totaled $80.3 million, including accruing loans and non-accrual loans of $13.4 million and $66.9 million, respectively. The significant reduction in TDRs was primarily due to a group of non-performing multi-family loans in the amount of $32.2 million that were transferred to OREO in 2014.

Based on the number of loans performing in accordance with their revised terms, our success rate for restructured multi-family and CRE loans was 91.0% at the end of December. In addition, our success rate was 100% for all other loan types at the end of the year.

Analysis of Troubled Debt Restructurings

The following table presents information regarding our TDRs as of December 31, 2014:

(in thousands)	Accruing	Non-Accrual	Total
Multi-family	$ 7,697	$ 17,879	$ 25,576
Commercial real estate	8,139	9,939	18,078
One-to-four family		260	260
Acquisition, development, and construction		654	654
Commercial and industrial		1,195	1,195
Total	$ 15,836	$ 29,927	$ 45,763

The following table presents information regarding our TDRs as of December 31, 2013:

(in thousands)	Accruing	Non-Accrual	Total
Multi-family	$ 10,083	$ 50,548	$ 60,631
Commercial real estate	2,198	15,626	17,824
One-to-four family			
Acquisition, development, and construction			
Commercial and industrial	1,129	758	1,887
Total	$ 13,410	$ 66,932	$ 80,342

The following table sets forth the changes in TDRs over the twelve months ended December 31, 2014:

(in thousands)	Accruing	Non-Accrual	Total
Balance at December 31, 2013	$ 13,410	$ 66,932	$ 80,342
New TDRs		11,085	11,085
Charge-offs		(334)	(334)
Transferred from accruing to non-accrual	(2,231)	2,231	

Transferred to other real estate owned		(33,485)	(33,485)
Transferred to accruing from non-accrual	6,023	(6,023)	
Loan payoffs, including dispositions and principal pay-downs	(1,366)	(10,479)	(11,845)
Balance at December 31, 2014	$ 15,836	$ 29,927	$ 45,763

On a limited basis, we may provide additional credit to a borrower after the loan has been placed on non-accrual status or modified as a TDR if, in management s judgment, the value of the property after the additional loan funding is greater than the initial value of the property plus the additional loan funding amount. In 2014, no such additional credit was provided. Furthermore, the terms of our restructured loans typically would not restrict us from cancelling outstanding commitments for other credit facilities to a borrower in the event of non-payment of a restructured loan.

Except for the non-accrual loans and TDRs disclosed in this filing, we did not have any potential problem loans at December 31, 2014 that would have caused management to have serious doubts as to the ability of a borrower to comply with present loan repayment terms and that would have resulted in such disclosure if that were the case.

Table of Contents

Asset Quality Analysis (Excluding Covered Loans, Covered OREO, and Non-Covered Loans Held for Sale)

The following table presents information regarding our consolidated allowance for losses on non-covered loans, our non-performing non-covered assets, and our non-covered loans 30 to 89 days past due at each year-end in the five years ended December 31, 2014. Covered loans are considered to be performing due to the application of the yield accretion method, as discussed elsewhere in this report. Therefore, covered loans are not reflected in the amounts or ratios provided in this table.

	At December 31,				
(dollars in thousands)	2014	2013	2012	2011	2010
Allowance for Losses on Non-Covered Loans:					
Balance at beginning of year	$ 141,946	$ 140,948	$ 137,290	$ 158,942	$ 127,491
Provision for losses on non-covered loans		18,000	45,000	79,000	91,000
Charge-offs:					
Multi-family	(755)	(12,922)	(27,939)	(71,187)	(27,042)
Commercial real estate	(1,615)	(3,489)	(5,046)	(11,900)	(3,359)
One-to-four family	(410)	(351)	(574)	(1,208)	(931)
Acquisition, development, and construction		(1,503)	(5,974)	(9,153)	(9,884)
Other loans	(5,296)	(7,092)	(6,685)	(12,462)	(19,569)