NEW YORK COMMUNITY BANCORP INC
Form 10-Q
November 07, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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)

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

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 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 "large accelerated filer," "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 Exchange Act). Yes ¨ No x

442,647,425	
Number of shares of common stock outstanding at	
November 3, 2014	

NEW YORK COMMUNITY BANCORP, INC.

FORM 10-Q

Quarter Ended September 30, 2014

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)

	September 30, 2014 (unaudited)	December 31, 2013
Assets:		
Cash and cash equivalents	$ 662,537	$ 644,550
Securities:		
Available-for-sale ($58,540 and $79,905 pledged, respectively)	243,032	280,738
Held-to-maturity ($4,749,889 and $4,945,905 pledged, respectively) (fair value of $7,317,015 and $7,445,244, respectively)	7,268,244	7,670,282
Total securities	7,511,276	7,951,020
Non-covered loans held for sale	680,147	306,915
Non-covered loans held for investment, net of deferred loan fees and costs	32,252,009	29,837,989
Less: Allowance for losses on non-covered loans	(139,744)	(141,946)
Non-covered loans held for investment, net	32,112,265	29,696,043
Covered loans	2,504,622	2,788,618
Less: Allowance for losses on covered loans	(45,682)	(64,069)
Covered loans, net	2,458,940	2,724,549
Total loans, net	35,251,352	32,727,507
Federal Home Loan Bank stock, at cost	520,445	561,390
Premises and equipment, net	300,573	273,299
FDIC loss share receivable	418,510	492,674
Goodwill	2,436,131	2,436,131
Core deposit intangibles, net	9,816	16,240
Mortgage servicing rights	237,221	241,018
Bank-owned life insurance	909,881	893,522
Other real estate owned (includes $35,797 and $37,477, respectively, of other real estate owned covered by loss sharing agreements)	99,535	108,869
Other assets	322,495	342,067
Total assets	$ 48,679,772	$ 46,688,287
Liabilities and Stockholders' Equity:		
Deposits:		
NOW and money market accounts	$ 12,409,449	$ 10,536,947
Savings accounts	7,152,261	5,921,437
Certificates of deposit	6,324,385	6,932,096
Non-interest-bearing accounts	2,421,676	2,270,512
Total deposits	28,307,771	25,660,992
Borrowed funds:		

Wholesale borrowings:		
Federal Home Loan Bank advances	10,312,316	10,872,576
Repurchase agreements	3,425,000	3,425,000
Fed funds purchased	297,000	445,000
Total wholesale borrowings	14,034,316	14,742,576
Other borrowings	362,596	362,426
Total borrowed funds	14,396,912	15,105,002
Other liabilities	197,091	186,631
Total liabilities	42,901,774	40,952,625
Stockholders' equity:		
Preferred stock at par $0.01 (5,000,000 shares authorized; none issued)	--	--
Common stock at par $0.01 (600,000,000 shares authorized; 442,659,460 and 440,873,285 shares issued; and 442,648,147 and 440,809,365 shares outstanding, respectively)	4,427	4,409
Paid-in capital in excess of par	5,362,233	5,346,017
Retained earnings	443,949	422,761
Treasury stock, at cost (11,313 and 63,920 shares, respectively)	(178)	(1,032)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain on securities available for sale, net of tax of $1,720 and $171, respectively	2,559	277
Net unrealized loss on the non-credit portion of other-than-temporary impairment ("OTTI") losses on securities, net of tax of $3,454 and $3,586, respectively	(5,404)	(5,604)
Net unrealized loss on pension and post-retirement obligations, net of tax of $20,056 and $21,126, respectively	(29,588)	(31,166)
Total accumulated other comprehensive loss, net of tax	(32,433)	(36,493)
Total stockholders' equity	5,777,998	5,735,662
Total liabilities and stockholders' equity	$ 48,679,772	$ 46,688,287

See accompanying notes to the consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest Income:				
Mortgage and other loans	$360,499	$370,341	$1,056,586	$1,125,496
Securities and money market investments	66,572	57,334	203,678	151,560
Total interest income	427,071	427,675	1,260,264	1,277,056
Interest Expense:				
NOW and money market accounts	10,632	8,613	28,399	27,565
Savings accounts	9,741	6,285	24,473	15,512
Certificates of deposit	18,330	20,206	55,854	64,223
Borrowed funds	99,339	98,340	294,867	300,465
Total interest expense	138,042	133,444	403,593	407,765
Net interest income	289,029	294,231	856,671	869,291
Provision for losses on non-covered loans	--	5,000	--	15,000
(Recovery of) provision for losses on covered loans	(3,945)	9,467	(18,387)	18,587
Net interest income after (recovery of) provision for loan losses	292,974	279,764	875,058	835,704
Non-Interest Income:				
Mortgage banking income	16,606	16,205	46,507	65,530
Fee income	9,188	9,799	27,512	28,532
Bank-owned life insurance	6,888	7,916	20,530	22,506
Net gain on sales of securities	182	1,019	5,317	17,764
FDIC indemnification (expense) income	(3,156)	7,573	(14,710)	14,869
Gain on Visa shares sold	--	--	3,856	--
Other income	11,578	8,212	42,102	30,819
Total non-interest income	41,286	50,724	131,114	180,020
Non-Interest Expense:				
Operating expenses:				
Compensation and benefits	78,033	77,083	228,616	237,989
Occupancy and equipment	23,619	24,342	73,997	72,101
General and administrative	41,524	44,785	130,319	135,279
Total operating expenses	143,176	146,210	432,932	445,369
Amortization of core deposit intangibles	2,019	4,117	6,424	12,719
Total non-interest expense	145,195	150,327	439,356	458,088
Income before income taxes	189,065	180,161	566,816	557,636

Income tax expense	68,807	65,961	212,616	202,244
Net income	$120,258	$114,200	$354,200	$355,392
Other comprehensive income, net of tax:				
Change in net unrealized gain/loss on securities available for sale, net of tax of				
$292; $1,770; $3,696; and $4,152, respectively	(432)	(2,625)	5,453	(6,143)
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of $110; $10; $132; and $4,795, respectively	166	16	200	7,557
Change in pension and post-retirement obligations, net of tax of				
$357; $1,008; $1,070; and $3,024, respectively	526	1,486	1,578	4,458
Less: Reclassification adjustment for sales of available-for-sale securities, net of tax of $73; $405; $2,146; and $2,503, respectively	(109)	(614)	(3,171)	(3,709)
Total other comprehensive income (loss), net of tax	151	(1,737)	4,060	2,163
Total comprehensive income, net of tax	$120,409	$112,463	$358,260	$357,555
Basic earnings per share	$0.27	$0.26	$0.80	$0.80
Diluted earnings per share	$0.27	$0.26	$0.80	$0.80

See accompanying notes to the consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except share data)

(unaudited)

	For the Nine Months Ended September 30, 2014
Common Stock (Par Value: $0.01):	
Balance at beginning of year	$ 4,409
Shares issued for restricted stock awards (1,782,601 shares)	18
Shares issued for exercise of stock options (3,574 shares)	--
Balance at end of period	4,427
Paid-in Capital in Excess of Par:	
Balance at beginning of year	5,346,017
Shares issued for restricted stock awards, net of forfeitures	(7,073)
Compensation expense related to restricted stock awards	20,720
Tax effect of stock plans	2,569
Balance at end of period	5,362,233
Retained Earnings:	
Balance at beginning of year	422,761
Net income	354,200
Dividends paid on common stock ($0.75 per share)	(331,627)
Stock options exercised	(82)
Effect of adopting Accounting Standards Update 2014-01	(1,303)
Balance at end of period	443,949
Treasury Stock:	
Balance at beginning of year	(1,032)
Purchase of common stock (378,480 shares)	(6,343)
Exercise of stock options (8,990 shares)	142
Shares issued for restricted stock awards (422,097 shares)	7,055
Balance at end of period	(178)
Accumulated Other Comprehensive Loss, net of tax:	
Balance at beginning of year	(36,493)
Other comprehensive income, net of tax	4,060
Balance at end of period	(32,433)
Total stockholders' equity	$ 5,777,998

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Nine Months Ended September 30,	
	2014	2013
Cash Flows from Operating Activities:		
Net income	$354,200	$355,392
Adjustments to reconcile net income to net cash provided by operating activities:		
(Recovery of) provision for loan losses	(18,387)	33,587
Depreciation and amortization	20,656	21,057
Amortization of discounts and premiums, net	(6,094)	(2,098)
Amortization of core deposit intangibles	6,424	12,719
Net gain on sales of securities	(5,317)	(17,764)
Gain on sale of loans	(15,308)	(48,809)
Gain on Visa shares sold	(3,856)	--
Stock plan-related compensation	20,720	16,626
Deferred tax expense	4,281	32,430
Changes in assets and liabilities:		
Decrease (increase) in other assets	90,509	(20,473)
Increase in other liabilities	4,771	15,630
Origination of loans held for sale	(2,214,983)	(5,510,041)
Proceeds from sale of loans originated for sale	2,256,216	6,440,377
Net cash provided by operating activities	493,832	1,328,633
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	558,888	617,351
Proceeds from repayment of securities available for sale	8,277	54,709
Proceeds from sale of securities held to maturity	--	191,142
Proceeds from sale of securities available for sale	254,491	593,551
Purchase of securities held to maturity	(150,338)	(3,075,597)
Purchase of securities available for sale	(216,000)	(535,347)
Proceeds from sale of Visa shares	3,856	--
Net redemption (purchase) of Federal Home Loan Bank stock	40,945	(83,685)
Net increase in loans	(2,531,383)	(1,476,755)
Purchase of premises and equipment, net	(47,930)	(21,378)
Net cash used in investing activities	(2,079,194)	(3,736,009)
Cash Flows from Financing Activities:		
Net increase in deposits	2,646,779	431,829
Net (decrease) increase in short-term borrowed funds	(703,100)	1,925,000
Net decrease in long-term borrowed funds	(4,990)	(789,749)
Tax effect of stock plans	2,569	797
Cash dividends paid on common stock	(331,627)	(330,172)

Treasury stock purchases	(6,343)	(4,352)
Net cash received from stock option exercises	61	327
Net cash provided by financing activities	1,603,349	1,233,680
Net increase (decrease) in cash and cash equivalents	17,987	(1,173,696)
Cash and cash equivalents at beginning of period	644,550	2,427,258
Cash and cash equivalents at end of period	$662,537	$1,253,562
Supplemental information:		
Cash paid for interest	$413,102	$415,399
Cash paid for income taxes	176,654	118,322
Non-cash investing and financing activities:		
Transfers to other real estate owned from loans	107,936	96,729
Transfer of loans from held for investment to held for sale	398,715	--

See accompanying notes to the consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

Organization

Formerly known as Queens County Bancorp, Inc., New York Community Bancorp, Inc. (on a stand-alone basis, the "Parent Company" or, collectively with its subsidiaries, the "Company") was organized under Delaware law on July 20, 1993 and is the holding company for 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"). In addition, for the purpose of these Consolidated Financial Statements, the "Community Bank" and the "Commercial Bank" refer not only to the respective banks but also to their respective subsidiaries.

The Community Bank is the primary banking subsidiary of the Company. Founded on April 14, 1859 and formerly known as Queens County Savings Bank, the Community Bank converted from a state-chartered mutual savings bank to the capital stock form of ownership on November 23, 1993, at which date the Company issued its initial offering of common stock (par value: $0.01 per share) at a price of $25.00 per share. The Commercial Bank was established on December 30, 2005.

Reflecting nine stock splits between September 30, 1994 and February 17, 2004, the Company's initial offering price adjusts to $0.93 per share. All share and per share data presented in this report reflect the impact of the stock splits.

The Company changed its name to New York Community Bancorp, Inc. on November 21, 2000 in anticipation of completing the first of eight business combinations that expanded its footprint well beyond Queens County to encompass all five boroughs of New York City, Long Island, and Westchester County in New York, and seven counties in the northern and central parts of New Jersey. The Company expanded beyond this region to south Florida, northeast Ohio, and central Arizona through its FDIC-assisted acquisition of certain assets and its assumption of certain liabilities of AmTrust Bank ("AmTrust") in December 2009, and extended its Arizona franchise through its FDIC-assisted acquisition of certain assets and its assumption of certain liabilities of Desert Hills Bank ("Desert Hills") in March 2010. On June 28, 2012, the Company completed its 11th transaction when it assumed the deposits of Aurora Bank FSB.

Reflecting its growth through acquisitions, the Community Bank currently operates 242 branches, four of which operate directly under the Community Bank name. The remaining 238 Community Bank branches operate through seven divisional banks: Queens County Savings Bank, Roslyn Savings Bank, Richmond County Savings Bank, and Roosevelt Savings Bank (in New York); Garden State Community Bank in New Jersey; AmTrust Bank in Florida and Arizona; and Ohio Savings Bank in Ohio.

The Commercial Bank currently operates 30 branches in Manhattan, Queens, Brooklyn, Westchester County, and Long Island (all in New York), including 18 branches that operate under the name "Atlantic Bank."

Basis of Presentation

The following is a description of the significant accounting and reporting policies that the Company and its wholly-owned subsidiaries follow in preparing and presenting their consolidated financial statements, which conform

to U.S. generally accepted accounting principles ("GAAP") and to general practices within the banking industry. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in the near term are used in connection with the determination of the allowances for loan losses; the valuation of mortgage servicing rights ("MSRs"); the evaluation of goodwill for impairment; the evaluation of other-than-temporary impairment ("OTTI") on securities; and the evaluation of the need for a valuation allowance on the Company's deferred tax assets.

The unaudited consolidated financial statements include the accounts of the Company and other entities in which the Company has a controlling financial interest. All inter-company accounts and transactions are eliminated in consolidation. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2013 Annual Report on Form 10-K. The Company currently has certain unconsolidated subsidiaries in the form of wholly-owned statutory business trusts, which were formed to issue guaranteed capital debentures ("capital securities"). Please see Note 7, "Borrowed Funds," for additional information regarding these trusts.

Effects of New Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-01, "Investments – Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects." The amendments in ASU No. 2014-01 provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The Company chose to apply this new guidance for the period beginning on January 1, 2014.

The impact of applying this new guidance included a $1.3 million reduction in the balance of retained earnings as of January 1, 2014. The total amount of affordable housing tax credits and other tax benefits projected to be recognized during calendar year 2014, and the related amount of amortization recognized as a component of income tax expense for calendar year 2014, are $4.0 million and $2.8 million, respectively. The commitment of additional anticipated equity contributions of $7.3 million relating to current investments is reflected in "Other liabilities." Retrospective application of the new amortization methodology would not result in a material change to prior-period presentations.

Note 2. Computation of Earnings per Share

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the same method as basic EPS, however, the computation reflects the potential dilution that would occur if outstanding in-the-money stock options were exercised and converted into common stock.

Unvested stock-based compensation awards containing non-forfeitable rights to dividends are considered participating securities, and therefore are included in the two-class method for calculating EPS. Under the two-class method, all earnings (distributed and undistributed) are allocated to common shares and participating securities, based on their respective rights to receive dividends. The Company grants restricted stock to certain employees under its stock-based compensation plans. Recipients receive cash dividends during the vesting periods of these awards, including on the unvested portion of such awards. Since these dividends are non-forfeitable, the unvested awards are considered participating securities and therefore have earnings allocated to them.

The following table presents the Company's computation of basic and diluted EPS for the periods indicated:

	Three Months Ended		Nine Months Ended	
(in thousands, except share and per share data)	September 30, 2014	2013	September 30, 2014	2013
Net income	$120,258	$114,200	$354,200	$355,392
Less: Dividends paid on and earnings allocated to participating securities	(851)	(723)	(2,500)	(2,248)
Earnings applicable to common stock	$119,407	$113,477	$351,700	$353,144
Weighted average common shares outstanding	441,127,550	439,435,579	440,953,121	439,199,487
Basic earnings per common share	$0.27	$0.26	$0.80	$0.80

Earnings applicable to common stock	$119,407	$113,477	$351,700	$353,144
Weighted average common shares outstanding	441,127,550	439,435,579	440,953,121	439,199,487
Potential dilutive common shares [(1)]	--	--	--	3,971
Total shares for diluted earnings per share computation	441,127,550	439,435,579	440,953,121	439,203,458
Diluted earnings per common share and common share equivalents	$0.27	$0.26	$0.80	$0.80

(1) Options to purchase 58,560 shares of the Company's common stock that were outstanding in the three and nine months ended September 30, 2014, at a weighted average exercise price of $18.04, were excluded from the respective computations of diluted EPS because their inclusion would have had an antidilutive effect. Options to purchase 62,040 shares of the Company's common stock that were outstanding in the three and nine months ended September 30, 2013, at a weighted average exercise price of $17.95, were excluded from the respective computations of diluted EPS because their inclusion also would have had an antidilutive effect.

Note 3. Reclassifications Out of Accumulated Other Comprehensive Loss ("AOCL")

(in thousands)	For the Nine Months Ended September 30, 2014	
Details About Accumulated Other Comprehensive Loss	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Consolidated Statement of Income and Comprehensive Income [1]
Unrealized gains on available-for-sale securities	$5,317	Net gain on sales of securities
	(2,146)	Income tax expense
	$3,171	Net gain on sales of securities, net of tax
Amortization of defined benefit pension plan items:		
Prior-service costs	$186	Included in the computation of net periodic (credit) expense [2]
Actuarial losses	(2,820)	Included in the computation of net periodic (credit) expense [2]
	(2,634)	Total before tax
	1,064	Income tax benefit
	$(1,570)	Amortization of defined benefit pension plan items, net of tax
Total reclassifications for the period	$1,601	

(1) Amounts in parentheses indicate expense items.
(2) Please see Note 9, "Pension and Other Post-Retirement Benefits," for additional information.

Note 4. Securities

The following table summarizes the Company's portfolio of securities available for sale at September 30, 2014:

	September 30, 2014			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE [1] certificates	$19,295	$ 1,397	$ --	$20,692
GSE CMOs [2]	59,499	743	1,167	59,075
Private label CMOs	9,417	--	50	9,367
Total mortgage-related securities	$88,211	$ 2,140	$ 1,217	$89,134

Other Securities:				
Municipal bonds	$964	$ 133	$ --	$ 1,097
Capital trust notes	13,428	51	1,870	11,609
Preferred stock	118,205	5,116	635	122,686
Common stock	17,943	608	45	18,506
Total other securities	$150,540	$ 5,908	$ 2,550	$ 153,898
Total securities available for sale	$238,751	$ 8,048	$ 3,767	$ 243,032

(1) Government-sponsored enterprise
(2) Collateralized mortgage obligations
At September 30, 2014, the fair value of marketable equity securities included corporate preferred stock of $122.7 million and common stock of $18.5 million, with the latter primarily consisting of mutual funds that are Community Reinvestment Act-qualified investments.

The following table summarizes the Company's portfolio of securities available for sale at December 31, 2013:

	December 31, 2013			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates	$23,759	$ 1,442	$ 1	$25,200
GSE CMOs	62,082	598	1,861	60,819
Private label CMOs	10,214	--	12	10,202
Total mortgage-related securities	$96,055	$ 2,040	$ 1,874	$96,221
Other Securities:				
Municipal bonds	$957	$ 69	$ --	$1,026
Capital trust notes	13,419	60	1,681	11,798
Preferred stock	118,205	1,936	3,902	116,239
Common stock	51,654	4,093	293	55,454
Total other securities	$184,235	$ 6,158	$ 5,876	$184,517
Total securities available for sale	$280,290	$ 8,198	$ 7,750	$280,738

The following tables summarize the Company's portfolio of securities held to maturity at September 30, 2014 and December 31, 2013:

	September 30, 2014				
(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$2,515,030	$2,515,030	$ 74,212	$ 13,892	$2,575,350
GSE CMOs	1,764,784	1,764,784	55,971	3,352	1,817,403
Total mortgage-related securities	$4,279,814	$4,279,814	$ 130,183	$ 17,244	$4,392,753
Other Securities:					
GSE debentures	$2,780,330	$2,780,330	$ 16,530	$ 86,860	$2,710,000
Corporate bonds	73,211	73,211	12,381	--	85,592
Municipal bonds	59,277	59,277	5	1,775	57,507
Capital trust notes	84,470	75,612	5,587	10,036	71,163
Total other securities	$2,997,288	$2,988,430	$ 34,503	$ 98,671	$2,924,262
Total securities held to maturity [(1)]	$7,277,102	$7,268,244	$ 164,686	$ 115,915	$7,317,015

(1) Held-to-maturity securities are reported at a carrying amount equal to amortized cost less the non-credit portion of OTTI recorded in AOCL. At September 30, 2014, the non-credit portion of OTTI recorded in AOCL was $8.9 million (before taxes).

	December 31, 2013				
(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$2,529,102	$2,529,102	$ 30,145	$ 61,280	$2,497,967
GSE CMOs	1,878,885	1,878,885	29,330	22,520	1,885,695
Total mortgage-related securities	$4,407,987	$4,407,987	$ 59,475	$ 83,800	$4,383,662
Other Securities:					
GSE debentures	$3,053,253	$3,053,253	$ 6,512	$ 208,506	$2,851,259
Corporate bonds	72,899	72,899	11,063	--	83,962
Municipal bonds	60,462	60,462	19	3,849	56,632
Capital trust notes	84,871	75,681	3,134	9,086	69,729
Total other securities	$3,271,485	$3,262,295	$ 20,728	$ 221,441	$3,061,582
Total securities held to maturity [1]	$7,679,472	$7,670,282	$ 80,203	$ 305,241	$7,445,244

(1) Held-to-maturity securities are reported at a carrying amount equal to amortized cost less the non-credit portion of OTTI recorded in AOCL. At December 31, 2013, the non-credit portion of OTTI recorded in AOCL was $9.2 million (before taxes).

The Company had $520.4 million and $561.4 million of Federal Home Loan Bank ("FHLB") stock, at cost, at September 30, 2014 and December 31, 2013, respectively, primarily consisting of stock in the FHLB-New York ("FHLB-NY"). The Company is required to maintain an investment in FHLB-NY stock in order to have access to the funding it provides to the Company.

The following table summarizes the gross proceeds, gross realized gains, and gross realized losses from the sale of available-for-sale securities during the nine months ended September 30, 2014 and 2013:

	For the Nine Months Ended September 30,	
(in thousands)	2014	2013
Gross proceeds	$254,491	$593,551
Gross realized gains	5,317	6,212
Gross realized losses	--	--

In addition, during the nine months ended September 30, 2013, the Company sold held-to-maturity securities with gross proceeds of $191.1 million and gross realized gains of $11.6 million, all of which were securities on which the Company had collected a substantial portion (at least 85%) of the initial principal balance. No comparable sales occurred in the first nine months of 2014.

In the following table, the beginning balance represents the credit loss component for debt securities on which OTTI occurred prior to January 1, 2014. For credit-impaired debt securities, OTTI recognized in earnings after that date is presented as an addition in two components, based upon whether the current period is the first time a debt security was credit-impaired (initial credit impairment) or is not the first time a debt security was credit-impaired (subsequent credit impairment).

(in thousands)	For the Nine Months Ended September 30, 2014
Beginning credit loss amount as of December 31, 2013	$ 216,334
Add: Initial other-than-temporary credit losses	--
Subsequent other-than-temporary credit losses	--
Amount previously recognized in AOCL	--
Less: Realized losses for securities sold	--
Securities intended or required to be sold	--
Increases in expected cash flows on debt securities	--
Ending credit loss amount as of September 30, 2014	$ 216,334

The following table summarizes the carrying amounts and estimated fair values of held-to-maturity debt securities, and the amortized costs and estimated fair values of available-for-sale debt securities, at September 30, 2014, by contractual maturity. Mortgage-related securities held to maturity and available for sale, all of which have prepayment provisions, are distributed to a maturity category based on the ends of the estimated average lives of such securities. Principal and amortization prepayments are not shown in maturity categories as they occur, but are considered in the determination of estimated average life.

	At September 30, 2014									
(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations	Average Yield	Municipal Bonds	Average Yield [1]	Other Debt Securities [2]	Average Yield	Fair Value
Held-to-Maturity Securities:									
Due within one year	$--	-- %	$--	-- %	$--	-- %	$--	-- %	$--
Due from one to five years	841	5.89	60,190	4.17	967	2.96	--	--	67,544
Due from five to ten years	3,233,780	3.22	2,707,852	2.74	--	--	47,251	3.14	6,000,178
Due after ten years	1,045,193	3.36	12,288	3.99	58,310	2.85	101,572	5.80	1,249,293
Total debt securities held to maturity	$4,279,814	3.25 %	$2,780,330	2.78 %	$59,277	2.85 %	$148,823	4.96 %	$7,317,015
Available-for-Sale Securities: [3]									
Due within one year	$--	-- %	$--	-- %	$125	6.09 %	$--	-- %	$126
Due from one to five years	4,083	6.82	--	--	558	6.45	--	--	4,921
Due from five to ten years	16,137	3.72	--	--	281	6.63	--	--	17,416
Due after ten years	67,991	3.59	--	--	--	--	13,428	5.67	79,377
Total debt securities available for sale	$88,211	3.76 %	$--	-- %	$964	6.46 %	$13,428	5.67 %	$101,840

(1) Not presented on a tax-equivalent basis.
(2) Consists of corporate bonds and capital trust notes. Included in capital trust notes are $247,000 of pooled trust preferred securities held to maturity, all of which are due after ten years. The remaining capital trust notes consist of single-issue trust preferred securities.
(3) As equity securities have no contractual maturity, they have been excluded from this table.

The following table presents held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of September 30, 2014:

At September 30, 2014 (in thousands)	Less than Twelve Months Fair Value	Unrealized Loss	Twelve Months or Longer Fair Value	Unrealized Loss	Total Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Debt Securities:						
GSE debentures	$129,894	$ 75	$2,150,525	$ 86,785	$2,280,419	$ 86,860
GSE certificates	269,519	1,606	493,289	12,286	762,808	13,892
GSE CMOs	52,932	93	147,839	3,259	200,771	3,352
Municipal bonds	14,078	158	42,456	1,617	56,534	1,775
Capital trust notes	24,907	93	36,238	9,943	61,145	10,036
Total temporarily impaired held-to-maturity debt securities	$491,330	$ 2,025	$2,870,347	$ 113,890	$3,361,677	$ 115,915
Temporarily Impaired Available-for-Sale Securities:						
Debt Securities:						
Private label CMOs	$9,367	$ 50	$--	$ --	$9,367	$ 50
GSE CMOs	--	--	45,456	1,167	45,456	1,167
Capital trust notes	1,993	8	5,566	1,862	7,559	1,870
Total temporarily impaired available-for-sale debt securities	$11,360	$ 58	$51,022	$ 3,029	$62,382	$ 3,087
Equity securities	8,897	171	14,784	509	23,681	680
Total temporarily impaired available-for-sale securities	$20,257	$ 229	$65,806	$ 3,538	$86,063	$ 3,767

The following table presents held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of December 31, 2013:

At December 31, 2013	Less than Twelve Months		Twelve Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Debt Securities:						
GSE debentures	$2,777,417	$ 208,506	$--	$ --	$2,777,417	$ 208,506
GSE certificates	1,684,793	61,280	--	--	1,684,793	61,280
GSE CMOs	936,691	22,520	--	--	936,691	22,520
Municipal bonds	55,333	3,849	--	--	55,333	3,849
Capital trust notes	24,900	100	37,181	8,986	62,081	9,086
Total temporarily impaired held-to-maturity debt securities	$5,479,134	$ 296,255	$37,181	$ 8,986	$5,516,315	$ 305,241
Temporarily Impaired Available-for-Sale Securities:						
Debt Securities:						
GSE certificates	$--	$ --	$110	$ 1	$110	$ 1
Private label CMOs	10,202	12	--	--	10,202	12
GSE CMOs	44,725	1,861	--	--	44,725	1,861
Capital trust notes	1,992	8	5,746	1,673	7,738	1,681
Total temporarily impaired available-for-sale debt securities	$56,919	$ 1,881	$5,856	$ 1,674	$62,775	$ 3,555
Equity securities	75,886	4,195	--	--	75,886	4,195
Total temporarily impaired available-for-sale securities	$132,805	$ 6,076	$5,856	$ 1,674	$138,661	$ 7,750

An OTTI loss on impaired securities must be fully recognized in earnings if an investor has the intent to sell the debt security, or if it is more likely than not that the investor will be required to sell the debt security before recovery of its amortized cost. However, even if an investor does not expect to sell a debt security, it must evaluate the expected cash flows to be received and determine if a credit loss has occurred. In the event that a credit loss occurs, only the amount of impairment associated with the credit loss is recognized in earnings. Amounts relating to factors other than credit losses are recorded in AOCL. FASB guidance also requires additional disclosures regarding the calculation of credit losses, as well as factors considered by the investor in reaching a conclusion that an investment is not other-than-temporarily impaired.

Securities in unrealized loss positions are analyzed as part of the Company's ongoing assessment of OTTI. When the Company intends to sell such securities, the Company recognizes an impairment loss equal to the full difference between the amortized cost basis and the fair value of those securities. When the Company does not intend to sell equity or debt securities in an unrealized loss position, potential OTTI is considered based on a variety of factors, including the length of time and extent to which the fair value has been less than the cost; adverse conditions specifically related to the industry, the geographic area, or financial condition of the issuer, or the underlying

collateral of a security; the payment structure of the security; changes to the rating of the security by a rating agency; the volatility of the fair value changes; and changes in fair value of the security after the balance sheet date. For debt securities, the Company estimates cash flows over the remaining life of the underlying collateral to assess whether credit losses exist and, where applicable, to determine if any adverse changes in cash flows have occurred. The Company's cash flow estimates take into account expectations of relevant market and economic data as of the end of the reporting period. As of September 30, 2014, the Company did not intend to sell its securities with an unrealized loss position, and it was more likely than not that the Company would not be required to sell these securities before recovery of their amortized cost basis. The Company believes that the securities with an unrealized loss position were not other-than-temporarily impaired as of September 30, 2014.

Other factors considered in determining whether or not an impairment is temporary include the severity of the impairment; the cause of the impairment; the near-term prospects of the issuer; and the forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums).

Management's assertion regarding its intent not to sell, or that it is not more likely than not that the Company will be required to sell a security before its anticipated recovery, is based on a number of factors, including a quantitative estimate of the expected recovery period (which may extend to maturity), and management's intended strategy with respect to the identified security or portfolio. If management does have the intent to sell, or believes it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the unrealized loss is charged directly to earnings in the Consolidated Statement of Income and Comprehensive Income.

The unrealized losses on the Company's GSE mortgage-related securities and GSE debentures at September 30, 2014 were primarily caused by movements in market interest rates and spread volatility, rather than credit risk. It is expected that these securities will not be settled at a price that is less than the amortized cost of the Company's investment. Because the Company does not have the intent to sell the investments, and it is not more likely than not that the Company will be required to sell them before the anticipated recovery of fair value, which may be at maturity, the Company did not consider these investments to be other than temporarily impaired at September 30, 2014.

The Company reviews quarterly financial information related to its investments in municipal bonds and capital trust notes, as well as other information that is released by each of the issuers of such bonds and notes, to determine their continued creditworthiness. The contractual terms of these investments do not permit settling the securities at prices that are less than the amortized costs of the investments; therefore, the Company expects that these investments will not be settled at prices that are less than their amortized costs. The Company continues to monitor these investments and currently estimates that the present value of expected cash flows is not less than the amortized cost of the securities. Because the Company does not have the intent to sell the investments, and it is not more likely than not that the Company will be required to sell them before the anticipated recovery of fair value, which may be at maturity, it did not consider these investments to be other-than-temporarily impaired at September 30, 2014. It is possible that these securities will perform worse than is currently expected, which could lead to adverse changes in cash flows from these securities and potential OTTI losses in the future. Future events that could trigger material unrecoverable declines in the fair values of the Company's investments, and result in potential OTTI losses, include, but are not limited to, government intervention; deteriorating asset quality and credit metrics; significantly higher levels of default and loan loss provisions; losses in value on the underlying collateral; deteriorating credit enhancement; net operating losses; and further illiquidity in the financial markets.

At September 30, 2014, the Company's equity securities portfolio consisted of perpetual preferred stock, common stock, and mutual funds. The Company considers a decline in the fair value of available-for-sale equity securities to be other than temporary if the Company does not expect to recover the entire amortized cost basis of the security. The unrealized losses on the Company's equity securities at the end of September 2014 were primarily caused by market volatility. The Company evaluated the near-term prospects of a recovery of fair value for each security in the portfolio, together with the severity and duration of impairment to date. Based on this evaluation, and its ability and intent to hold these investments for a reasonably sufficient period of time to realize a near-term forecasted recovery of fair value, the Company did not consider these investments to be other-than-temporarily impaired at September 30, 2014. Nonetheless, it is possible that these equity securities will perform worse than is currently expected, which could lead to adverse changes in their fair values, or the failure of the securities to fully recover in value as presently forecasted by management. This potentially would cause the Company to record OTTI losses in future periods. Events that could trigger material declines in the fair values of these securities include, but are not limited to, deterioration in the equity markets; a decline in the quality of the loan portfolios of the issuers in which the Company has invested; and the recording of higher loan loss provisions and net operating losses by such issuers.

The investment securities designated as having a continuous loss position for twelve months or more at September 30, 2014 consisted of thirty-one agency mortgage-backed securities, seventeen agency debt securities, six agency CMOs, six capital trust notes, two municipal bonds, and one preferred stock security. At December 31, 2013, the investment securities designated as having a continuous loss position for twelve months or more consisted of six capital trust notes and one mortgage-backed security. At September 30, 2014 and December 31, 2013, the combined market value of the respective securities represented unrealized losses of $117.4 million and $10.7 million. At September 30, 2014, the fair value of securities having a continuous loss position for twelve months or more was 3.9% below the collective amortized cost of $3.1 billion. At December 31, 2013, the fair value of such securities was 19.9% below the collective amortized cost of $53.7 million.

Note 5. Loans

The following table sets forth the composition of the loan portfolio at September 30, 2014 and December 31, 2013:

	September 30, 2014		December 31, 2013	
(dollars in thousands)	Amount	Percent of Non-Covered Loans Held for Investment	Amount	Percent of Non-Covered Loans Held for Investment
Non-Covered Loans Held for Investment:				
Mortgage Loans:				
Multi-family	$22,862,495	70.93 %	$20,699,927	69.41 %
Commercial real estate	7,660,776	23.78	7,364,231	24.70
One-to-four family	404,750	1.26	560,730	1.88
Acquisition, development, and construction	310,585	0.96	344,100	1.15
Total mortgage loans held for investment	31,238,606	96.92 %	28,968,988	97.14 %
Other Loans:				
Commercial and industrial	824,186	2.56	712,260	2.39
Lease financing, net of unearned income of $7,771 and $5,723	135,833	0.42	101,431	0.34
Total commercial and industrial loans	960,019	2.98	813,691	2.73
Other	33,956	0.11	39,036	0.13
Total other loans held for investment	993,975	3.08	852,727	2.86
Total non-covered loans held for investment	$32,232,581	100.00 %	$29,821,715	100.00 %
Net deferred loan origination costs	19,428		16,274	
Allowance for losses on non-covered loans	(139,744)		(141,946)	
Non-covered loans held for investment, net	$32,112,265		$29,696,043	
Covered loans	2,504,622		2,788,618	
Allowance for losses on covered loans	(45,682)		(64,069)	
Total covered loans, net	$2,458,940		$2,724,549	
Loans held for sale	680,147		306,915	
Total loans, net	$35,251,352		$32,727,507	

Non-Covered Loans

Non-Covered Loans Held for Investment

The vast majority of the loans the Company originates for investment are multi-family loans, most of which are collateralized by non-luxury apartment buildings in New York City that are rent-regulated and feature below-market rents. In addition, the Company originates commercial real estate (“CRE”) loans, most of which are collateralized by properties located in New York City and Long Island.

The Company also originates one-to-four family loans; acquisition, development, and construction (“ADC”) loans; and commercial and industrial (“C&I”) loans for investment. ADC loans are primarily originated for multi-family and residential tract projects in New York City and on Long Island, while one-to-four family loans are originated both

within and beyond the markets served by its branch offices. C&I loans consist of asset-based loans, equipment loans and leases, and dealer floor plan loans (together, "specialty finance loans and leases") that are made to nationally recognized borrowers throughout the U.S. and are senior debt-secured; and other C&I loans, both secured and unsecured, that primarily are made to small and mid-size businesses in Metro New York. Such C&I loans are typically made for working capital, business expansion, and the purchase of machinery and equipment.

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

The one-to-four family loans that are held for investment consist primarily of hybrid loans (both jumbo and agency-conforming) that have been made at conservative loan-to-value ratios to borrowers with a documented history of repaying their debts.

ADC loans typically involve a higher degree of credit risk than loans secured by improved or owner-occupied real estate. Accordingly, borrowers are required to provide a guarantee of repayment and completion, and loan proceeds are disbursed as construction progresses, as certified by in-house or third-party engineers. 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 or development; the estimated cost of construction, including interest; and the estimated time to complete and/or sell or lease such property. The Company seeks to minimize these risks by maintaining conservative lending policies and rigorous underwriting standards. However, if the estimate of value proves to be inaccurate, the cost of completion is greater than expected, the length of time to complete and/or sell or lease the collateral property is greater than anticipated, or if there is a downturn in the local economy or real estate market, the property could have a value upon completion that is insufficient to assure full repayment of the loan. This could have a material adverse effect on the quality of the ADC loan portfolio, and could result in losses or delinquencies.

To minimize the risk involved in specialty finance lending and leasing, the Company primarily participates in broadly syndicated asset-based loans, equipment loan and lease financing, and dealer floor plan loans that are presented by those who are on an approved list of select, nationally recognized sources with whom its lending officers have established long-term funding relationships. The loans and leases, which are secured by a perfected first security interest in the underlying collateral and structured as senior debt, are made to large corporate obligors, the majority of which are publicly traded, carry investment grade or near-investment grade ratings, participate in stable industries, and are located nationwide. To further minimize the risk involved in specialty finance lending and leasing, the Company re-underwrites each transaction; in addition, it retains outside counsel to conduct a further review of the underlying documentation.

To minimize the risks involved in other C&I lending, the Company underwrites such loans on the basis of the cash flows produced by the business; requires that such loans be collateralized by various business assets, including inventory, equipment, and accounts receivable, among others; and requires 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.

Included in non-covered loans held for investment at September 30, 2014 and December 31, 2013 were loans to non-officer directors of $130.1 million and $149.4 million, respectively.

Loans Held for Sale

The Community Bank's mortgage banking operation was established in January 2010 to originate, aggregate, and service one-to-four family loans. Community banks, credit unions, mortgage companies, and mortgage brokers use its proprietary web-accessible mortgage banking platform to originate and close one-to-four family loans throughout the U.S. These loans are generally sold, servicing retained, to GSEs. To a much lesser extent, the Community Bank uses its mortgage banking platform to originate fixed-rate jumbo loans under contract for sale to other financial institutions. The volume of jumbo loan originations has been insignificant to date, and the Company does not expect such loans to represent a material portion of the held-for-sale loans it originates. Included in the September 30, 2014 held for sale balance were $398.7 million of one-to-four family and commercial and industrial loans that transferred from loans held for investment during the quarter. The Company also services mortgage loans for various third parties, primarily including those it sells to GSEs. The unpaid principal balance of loans serviced for others was $22.1 billion at September 30, 2014 and $21.5 billion at December 31, 2013.

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Asset Quality

The following table presents information regarding the quality of the Company's non-covered loans held for investment at September 30, 2014:

(in thousands)	Loans 30-89 Days Past Due	Non-Accrual Loans	Loans 90 Days or More Delinquent and Still Accruing Interest	Total Past Due Loans	Current Loans	Total Loans Receivable
Multi-family	$ 2,516	$29,942	$ --	$32,458	$22,830,037	$22,862,495
Commercial real estate	164	28,586	--	28,750	7,632,026	7,660,776
One-to-four family	2,451	10,575	--	13,026	391,724	404,750
Acquisition, development, and construction	--	2,328	--	2,328	308,257	310,585
Commercial and industrial [1]	--	8,439	--	8,439	951,580	960,019
Other	1,274	1,149	--	2,423	31,533	33,956
Total	$ 6,405	$81,019	$ --	$87,424	$32,145,157	$32,232,581

(1) Includes lease financing receivables, all of which were current at September 30, 2014.

The following table presents information regarding the quality of the Company's non-covered loans held for investment at December 31, 2013:

(in thousands)	Loans 30-89 Days Past Due	Non-Accrual Loans	Loans 90 Days or More Delinquent and Still Accruing Interest	Total Past Due Loans	Current Loans	Total Loans Receivable
Multi-family	$ 33,678	$58,395	$ --	$92,073	$20,607,854	$20,699,927
Commercial real estate	1,854	24,550	--	26,404	7,337,827	7,364,231
One-to-four family	1,076	10,937	--	12,013	548,717	560,730
Acquisition, development, and construction	--	2,571	--	2,571	341,529	344,100
Commercial and industrial [1]	1	5,735	--	5,736	807,955	813,691
Other	480	1,349	--	1,829	37,207	39,036
Total	$ 37,089	$103,537	$ --	$140,626	$29,681,089	$29,821,715

(1) Includes lease financing receivables, all of which were current at December 31, 2013.

The following table summarizes the Company's portfolio of non-covered loans held for investment by credit quality indicator at September 30, 2014:

(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Total Mortgage Loans	Commercial and Industrial	Other[1]	Total Other Loan Segment
Credit Quality Indicator:								
Pass	$22,799,073	$7,611,591	$398,617	$307,918	$31,117,199	$910,114	$32,808	$942,922
Special mention	27,104	13,636	--	--	40,740	40,957	--	40,957
Substandard	36,318	35,549	6,133	2,667	80,667	8,948	1,148	10,096
Doubtful	--	--	--	--	--	--	--	--
Total	$22,862,495	$7,660,776	$404,750	$310,585	$31,238,606	$960,019	$33,956	$993,975

(1) Includes lease financing receivables, all of which were classified as "pass."

The following table summarizes the Company's portfolio of non-covered loans held for investment by credit quality indicator at December 31, 2013:

(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Total Mortgage Loans	Commercial and Industrial	Other[1]	Total Other Loan Segment
Credit Quality Indicator:								
Pass	$20,527,460	$7,304,502	$554,132	$333,805	$28,719,899	$793,693	$37,688	$831,381
Special mention	73,549	25,407	--	7,400	106,356	13,036	--	13,036
Substandard	98,918	33,822	6,598	2,895	142,233	6,808	1,348	8,156
Doubtful	--	500	--	--	500	154	--	154
Total	$20,699,927	$7,364,231	$560,730	$344,100	$28,968,988	$813,691	$39,036	$852,727

(1) Includes lease financing receivables, all of which were classified as "pass."

The preceding classifications follow regulatory guidelines and can be generally described as follows: pass loans are of satisfactory quality; special mention loans have a potential weakness or risk that may result in the deterioration of future repayment; substandard loans are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged (these loans have a well-defined weakness and there is a distinct possibility that the Company will sustain some loss); and doubtful loans, based on existing circumstances, have weaknesses that make collection or liquidation in full highly questionable and improbable. In addition, one-to-four family loans are classified utilizing an inter-regulatory agency methodology that incorporates the extent of delinquency and the loan-to-value ratios. These classifications are the most current available and generally have been updated within the last twelve months.

Troubled Debt Restructurings

The Company is required to account for certain held-for-investment loan modifications or restructurings as "Troubled Debt Restructurings" ("TDRs"). In general, a modification or restructuring of a loan constitutes a TDR if the Company grants a concession to a borrower experiencing financial difficulty. Loans modified as TDRs generally are placed on non-accrual status until the Company determines that future collection of principal and interest is reasonably assured, which requires that the borrower demonstrate performance according to the restructured terms for a period of at least six consecutive months.

In an effort to proactively manage delinquent loans, the Company has selectively extended to certain borrowers concessions such as rate reductions, extension of maturity dates, and forbearance agreements. As of September 30, 2014, loans on which concessions were made with respect to rate reductions and/or extension of maturity dates amounted to $37.0 million; loans on which forbearance agreements were reached amounted to $6.0 million.

The following table presents information regarding the Company's TDRs as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013

(in thousands)	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Loan Category:						
Multi-family	$9,962	$ 12,642	$22,604	$10,083	$ 50,548	$60,631
Commercial real estate	2,137	16,158	18,295	2,198	15,626	17,824
One-to-four family	--	--	--	--	--	--
Acquisition, development, and construction	--	935	935	--	--	--
Commercial and industrial	--	1,203	1,203	1,129	758	1,887
Total	$12,099	$ 30,938	$43,037	$13,410	$ 66,932	$80,342

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 involves judgment by Company personnel regarding the likelihood that the concession will result in the maximum recovery for the Company.

In the nine months ended September 30, 2014, the Company classified one ADC loan in the amount of $935,000, one C&I loan in the amount of $499,000, one multi-family loan in the amount of $316,000, and one CRE loan in the amount of $2.1 million, as non-accrual TDRs. While other concessions were granted to the borrowers, the interest rates on the loans were maintained. As a result, these TDRs did not have a financial impact on the Company's results of operations during the current nine-month period, with the exception of a $334,000 charge-off recorded in connection with aforementioned $2.1 million CRE loan.

At September 30, 2014, none of the loans that had been modified as TDRs during the twelve months ended at that date were in payment default. A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

The Company does not consider a payment to be in default when the loan is in forbearance, or otherwise granted a delay of payment, when the agreement to forebear or allow a delay of payment is part of a modification. Subsequent to the modification, the loan is not considered to be in default until payment is contractually past due in accordance with the modified terms. However, the Company does consider a loan with multiple modifications or forbearance periods to be in default, and would also consider a loan to be in default if it was in bankruptcy or was partially charged off subsequent to modification.

Covered Loans

The following table presents the carrying value of covered loans acquired in the AmTrust and Desert Hills acquisitions as of September 30, 2014:

(dollars in thousands)	Amount	Percent of Covered Loans
Loan Category:		
One-to-four family	$2,282,064	91.1 %
All other loans	222,558	8.9
Total covered loans	$2,504,622	100.0 %

The Company refers to the loans acquired in the AmTrust and Desert Hills transactions as "covered loans" because the Company is being reimbursed for a substantial portion of losses on these loans under the terms of the FDIC loss sharing agreements. Covered loans are accounted for under Accounting Standards Codification ("ASC") Topic 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30") and are initially measured at fair value, which includes estimated future credit losses expected to be incurred over the lives of the loans. Under ASC 310-30, purchasers are permitted to aggregate acquired loans into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

At September 30, 2014 and December 31, 2013, the unpaid principal balances of covered loans were $3.0 billion and $3.3 billion, respectively. The carrying values of such loans were $2.5 billion and $2.8 billion, respectively, at the corresponding dates.

At the respective acquisition dates, the Company estimated the fair values of the AmTrust and Desert Hills loan portfolios, which represented the expected cash flows from the portfolios, discounted at market-based rates. In estimating such fair values, the Company: (a) calculated the contractual amount and timing of undiscounted principal and interest payments (the "undiscounted contractual cash flows"); and (b) estimated the expected amount and timing of undiscounted principal and interest payments (the "undiscounted expected cash flows"). The amount by which the undiscounted expected cash flows exceed the estimated fair value (the "accretable yield") is accreted into interest income over the lives of the loans. The amount by which the undiscounted contractual cash flows exceed the undiscounted expected cash flows is referred to as the "non-accretable difference." The non-accretable difference represents an estimate of the credit risk in the loan portfolios at the respective acquisition dates.

The accretable yield is affected by changes in interest rate indices for variable rate loans, changes in prepayment assumptions, and changes in expected principal and interest payments over the estimated lives of the loans. Changes in interest rate indices for variable rate loans increase or decrease the amount of interest income expected to be collected, depending on the direction of interest rates. Prepayments affect the estimated lives of covered loans and could change the amount of interest income and principal expected to be collected. Changes in expected principal and interest payments over the estimated lives of covered loans are driven by the credit outlook and by actions that may be taken with borrowers.

The Company periodically evaluates the estimates of the cash flows it expects to collect. Expected future cash flows from interest payments are based on variable rates at the time of the periodic evaluation. Estimates of expected cash flows that are impacted by changes in interest rate indices for variable rate loans and prepayment assumptions are treated as prospective yield adjustments and included in interest income.

Changes in the accretable yield for covered loans in the nine months ended September 30, 2014 were as follows:

(in thousands)	Accretable Yield
Balance at beginning of period	$ 796,993
Reclassification from non-accretable difference	302,617
Accretion	(104,195)
Balance at end of period	$ 995,415

In the preceding table, the line item “reclassification from non-accretable difference” includes changes in cash flows that the Company expects to collect due to changes in prepayment assumptions, changes in interest rates on variable rate loans, and changes in loss assumptions. As of the Company’s most recent periodic evaluation, the underlying credit assumptions improved which resulted in an increase in future expected interest cash flows and, consequently, an increase in the accretable yield. The effect of this increase was partially offset by the coupon rates on variable rate loans resetting lower, which resulted in a decrease in future expected interest cash flows and, consequently, a decrease in the accretable yield.

In connection with the AmTrust and Desert Hills acquisitions, the Company also acquired other real estate owned (“OREO”), all of which is covered under the FDIC loss sharing agreements. Covered OREO was initially recorded at its estimated fair value on the acquisition date, based on independent appraisals, less the estimated selling costs. Any subsequent write-downs due to declines in fair value have been charged to non-interest expense, and have been partially offset by loss reimbursements under the FDIC loss sharing agreements. Any recoveries of previous write-downs have been credited to non-interest expense and partially offset by the portion of the recovery that was due to the FDIC.

The FDIC loss share receivable represents the present value of the estimated losses to be reimbursed by the FDIC. The estimated losses were based on the same cash flow estimates used in determining the fair value of the covered loans. The FDIC loss share receivable is reduced as losses on covered loans are recognized and as loss sharing payments are received from the FDIC. Realized losses in excess of acquisition-date estimates result in an increase in the FDIC loss share receivable. Conversely, if realized losses are lower than the acquisition-date estimates, the FDIC loss share receivable is reduced by amortization to interest income.

The following table presents information regarding the Company’s covered loans that were 90 days or more past due at September 30, 2014 and December 31, 2013:

(in thousands)	September 30, 2014	December 31, 2013
Covered Loans 90 Days or More Past Due:		
One-to-four family	$ 144,881	$ 201,425
Other loans	7,900	10,060

Total covered loans 90 days or more past due	$ 152,781	$ 211,485

The following table presents information regarding the Company's covered loans that were 30 to 89 days past due at September 30, 2014 and December 31, 2013:

(in thousands)	September 30, 2014	December 31, 2013
Covered Loans 30-89 Days Past Due:		
One-to-four family	$ 45,045	$ 52,250
Other loans	3,931	5,679
Total covered loans 30-89 days past due	$ 48,976	$ 57,929

At September 30, 2014, the Company had $49.0 million of covered loans that were 30 to 89 days past due, and covered loans of $152.8 million that were 90 days or more past due but considered to be performing due to the application of the yield accretion method under ASC 310-30. The remaining portion of the Company's covered loan portfolio totaled $2.3 billion at September 30, 2014 and was considered current at that date. ASC 310-30 allows the Company to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Loans that may have been classified as non-performing loans by AmTrust or Desert Hills were no longer classified as non-performing by the Company because, at the respective dates of acquisition, the Company believed that it would fully collect the new carrying value of these loans. The new carrying value represents the contractual balance, reduced by the portion that is expected to be uncollectible (i.e., the non-accretable difference) and by an accretable yield (discount) that is recognized as interest income. It is important to note that management's judgment is required in reclassifying loans subject to ASC 310-30 as performing loans, and such judgment is dependent on having a reasonable expectation about the timing and amount of the cash flows to be collected, even if the loan is contractually past due.

The primary credit quality indicator for covered loans is the expectation of underlying cash flows. The Company recorded a recovery for losses on covered loans of $3.9 million in the three months ended September 30, 2014. The recovery was largely due to an increase in expected cash flows in the acquired portfolios of one-to-four family and home equity loans, and was partly offset by FDIC indemnification expense of $3.2 million recorded in non-interest income in the corresponding three-month period.

The Company recovered $18.4 million from the allowance for losses on covered loans during the nine months ended September 30, 2014. The recoveries were recorded in connection with an increase in expected cash flows on certain pools of loans acquired in the Company's FDIC-assisted transactions, and were partly offset by FDIC indemnification expense of $14.7 million, which was recorded in non-interest income in the corresponding nine-month period.

Note 6. Allowances for Loan Losses

The following tables provide information regarding the Company's allowances for losses on non-covered and covered loans, based upon the method of evaluating loan impairment, at the dates indicated:

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at September 30, 2014:			
Loans individually evaluated for impairment	$--	$--	$--
Loans collectively evaluated for impairment	126,598	13,146	139,744
Acquired loans with deteriorated credit quality	23,972	21,710	45,682
Total	$150,570	$34,856	$185,426

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at December 31, 2013:			
Loans individually evaluated for impairment	$--	$--	$--
Loans collectively evaluated for impairment	127,840	14,106	141,946
Acquired loans with deteriorated credit quality	56,705	7,364	64,069
Total	$184,545	$21,470	$206,015

The following tables provide additional information regarding the methods used to evaluate the Company's loan portfolio for impairment:

(in thousands)	Mortgage	Other	Total
Loans Receivable at September 30, 2014:			
Loans individually evaluated for impairment	$66,923	$6,713	$73,636
Loans collectively evaluated for impairment	31,171,683	987,262	32,158,945
Acquired loans with deteriorated credit quality	2,282,064	222,558	2,504,622
Total	$33,520,670	$1,216,533	$34,737,203

(in thousands)	Mortgage	Other	Total
Loans Receivable at December 31, 2013:			
Loans individually evaluated for impairment	$109,389	$6,996	$116,385
Loans collectively evaluated for impairment	28,859,599	845,731	29,705,330
Acquired loans with deteriorated credit quality	2,529,200	259,418	2,788,618
Total	$31,498,188	$1,112,145	$32,610,333

Allowance for Losses on Non-Covered Loans

The following table summarizes activity in the allowance for losses on non-covered loans for the nine months ended September 30, 2014 and 2013:

	For the Nine Months Ended September 30,					
	2014			2013		
(in thousands)	Mortgage	Other	Total	Mortgage	Other	Total
Balance, beginning of period	$127,840	$14,106	$141,946	$127,934	$13,014	$140,948
Charge-offs	(2,610)	(5,194)	(7,804)	(12,716)	(7,039)	(19,755)
Recoveries	1,368	4,234	5,602	3,580	1,541	5,121
Provision for loan losses	--	--	--	6,851	8,149	15,000
Balance, end of period	$126,598	$13,146	$139,744	$125,649	$15,665	$141,314

Please see “Critical Accounting Policies” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information regarding the Company’s allowance for losses on non-covered loans.

The following table presents additional information about the Company’s impaired non-covered loans at September 30, 2014:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance:					
Multi-family	$ 36,148	$43,459	$ --	$ 56,218	$ 916
Commercial real estate	28,558	30,907	--	29,827	1,136
One-to-four family	1,282	1,281	--	1,061	--
Acquisition, development, and construction	935	1,245	--	467	158
Commercial and industrial	6,713	12,045	--	7,984	235
Total impaired loans with no related allowance	$ 73,636	$88,937	$ --	$ 95,557	$ 2,445
Impaired loans with an allowance recorded:					
Multi-family	$ --	$--	$ --	$ --	$ --
Commercial real estate	--	--	--	613	--
One-to-four family	--	--	--	77	--
Acquisition, development, and construction	--	--	--	--	--

Commercial and industrial	--	--	--	--	--
Total impaired loans with an allowance recorded	$ --	$ --	$ --	$ 690	$ --
Total impaired loans:					
Multi-family	$ 36,148	$ 43,459	$ --	$ 56,218	$ 916
Commercial real estate	28,558	30,907	--	30,440	1,136
One-to-four family	1,282	1,281	--	1,138	--
Acquisition, development, and construction	935	1,245	--	467	158
Commercial and industrial	6,713	12,045	--	7,984	235
Total impaired loans	$ 73,636	$ 88,937	$ --	$ 96,247	$ 2,445

The following table presents additional information about the Company's impaired non-covered loans at December 31, 2013:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance:					
Multi-family	$ 78,771	$ 94,265	$ --	$ 117,208	$ 1,991
Commercial real estate	30,619	32,474	--	43,566	1,604
One-to-four family	--	--	--	3,611	89
Acquisition, development, and construction	--	--	--	275	--
Commercial and industrial	6,995	34,199	--	6,890	366
Total impaired loans with no related allowance	$ 116,385	$ 160,938	$ --	$ 171,550	$ 4,050
Impaired loans with an allowance recorded:					
Multi-family	$ --	$ --	$ --	$ 2,442	$ --
Commercial real estate	--	--	--	900	--
One-to-four family	--	--	--	--	--
Acquisition, development, and construction	--	--	--	--	--
Commercial and industrial	--	--	--	--	--
Total impaired loans with an allowance recorded	$ --	$ --	$ --	$ 3,342	$ --
Total impaired loans:					
Multi-family	$ 78,771	$ 94,265	$ --	$ 119,650	$ 1,991
Commercial real estate	30,619	32,474	--	44,466	1,604
One-to-four family	--	--	--	3,611	89
Acquisition, development, and construction	--	--	--	275	--
Commercial and industrial	6,995	34,199	--	6,890	366
Total impaired loans	$ 116,385	$ 160,938	$ --	$ 174,892	$ 4,050

Allowance for Losses on Covered Loans

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, the Company periodically performs an analysis to estimate the expected cash flows for each of the loan pools. The Company records a provision for (recovery of) losses on covered loans to the extent that the expected cash flows from a loan pool have decreased or increased since the acquisition date. Accordingly, if there is a decrease in expected cash flows due to an increase in estimated credit losses (as compared to the estimates made at the respective acquisition dates), the decrease in the present value of expected cash flows is recorded as a provision for covered loan losses charged to earnings, and an allowance for covered loan losses is established. A related credit to non-interest income and an increase in the FDIC loss share receivable is recognized at the same time, and measured based on the applicable loss sharing agreement percentage. Additionally, if there is an increase in expected cash flows due to a decrease in estimated credit losses (as compared to the estimates made at the respective acquisition dates), the increase in the present value of expected cash flows is recorded as a recovery of prior-period impairment charged to earnings, and the allowance for covered loan losses is reduced. A related debit to

non-interest income and a decrease in the FDIC loss share receivable is recognized at the same time, and measured based on the applicable loss sharing agreement percentage.

The following table summarizes activity in the allowance for losses on covered loans for the nine months ended September 30, 2014 and 2013:

	For the Nine Months Ended September 30,	
(in thousands)	2014	2013
Balance, beginning of period	$64,069	$51,311
(Recovery of) provision for losses on covered loans	(18,387)	18,586
Balance, end of period	$45,682	$69,897

Note 7. Borrowed Funds

The following table summarizes the Company's borrowed funds at September 30, 2014 and December 31, 2013:

(in thousands)	September 30, 2014	December 31, 2013
Wholesale borrowings:		
FHLB advances	$ 10,312,316	$ 10,872,576
Repurchase agreements	3,425,000	3,425,000
Fed funds purchased	297,000	445,000
Total wholesale borrowings	$ 14,034,316	$ 14,742,576
Other borrowings:		
Junior subordinated debentures	$ 358,296	$ 358,126
Preferred stock of subsidiaries	4,300	4,300
Total other borrowings	$ 362,596	$ 362,426
Total borrowed funds	$ 14,396,912	$ 15,105,002

At September 30, 2014 and December 31, 2013, the Company had $358.3 million and $358.1 million, respectively, of outstanding junior subordinated deferrable interest debentures ("junior subordinated debentures") held by statutory business trusts (the "Trusts") that issued guaranteed capital securities. The capital securities qualified as Tier 1 capital of the Company at those dates. However, with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the qualification of capital securities as Tier 1 capital will be phased out by January 1, 2016.

The Trusts are accounted for as unconsolidated subsidiaries in accordance with GAAP. The proceeds of each issuance were invested in a series of junior subordinated debentures of the Company and the underlying assets of each statutory business trust are the relevant debentures. The Company has fully and unconditionally guaranteed the obligations under each trust's capital securities to the extent set forth in a guarantee by the Company to each trust. The Trusts' capital securities are each subject to mandatory redemption, in whole or in part, upon repayment of the debentures at their stated maturity or earlier redemption.

The following junior subordinated debentures were outstanding at September 30, 2014:

Issuer	Interest Rate of Capital Securities and Debentures	Junior Subordinated Debenture Carrying Amount	Capital Securities Amount Outstanding	Date of Original Issue	Stated Maturity	First Optional Redemption Date
		(dollars in thousands)				
New York Community Capital	6.000%	$144,370	$ 138,019	Nov. 4, 2002	Nov. 1, 2051	Nov. 4, 2007 (1)

Trust V (BONUSES[SM] Units)						
New York Community Capital						
Trust X	1.834	123,712	120,000	Dec. 14, 2006	Dec. 15, 2036	Dec. 15, 2011 (2)
PennFed Capital Trust III	3.484	30,928	30,000	June 2, 2003	June 15, 2033	June 15, 2008 (2)
New York Community						
Capital Trust XI	1.883	59,286	57,500	April 16, 2007	June 30, 2037	June 30, 2012 (2)
Total junior subordinated						
debentures		$358,296	$ 345,519			

(1) Callable subject to certain conditions as described in the prospectus filed with the SEC on November 4, 2002.
(2) Callable from this date forward.

Note 8. Mortgage Servicing Rights

The Company had MSRs of $237.2 million and $241.0 million, respectively, at September 30, 2014 and December 31, 2013, with both balances consisting entirely of residential MSRs.

Residential MSRs are carried at fair value, with changes in fair value recorded as a component of non-interest income in each period. The Company uses various derivative instruments to mitigate the income statement-effect of changes in fair value due to changes in valuation inputs and assumptions regarding its residential MSRs. The effects of changes in the fair value of the derivatives are recorded in "Non-interest income." MSRs do not trade in an active open market with readily observable prices. Accordingly, the Company bases the fair value of its MSRs on the present value of estimated future net servicing income cash flows. The Company estimates future net servicing income cash flows with 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. The Company reassesses, and periodically adjusts, the underlying inputs and assumptions to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset.

The value of residential MSRs at any given time is significantly affected by the mortgage interest rates that are then currently available in the marketplace which, in turn, influence mortgage loan prepayment speeds. During periods of declining interest rates, the value of MSRs generally declines as an increase in mortgage refinancing activity results in an increase in prepayments. Conversely, during periods of rising interest rates, the value of MSRs generally increases as mortgage refinancing activity declines.

Up to and including the third quarter of 2013, the Company securitized MSRs in addition to residential MSRs. Securitized MSRs were carried at the lower of the initial carrying value, adjusted for amortization, or fair value, and were amortized in proportion to, and over the period of, estimated net servicing income. Such MSRs were periodically evaluated for impairment, based on the difference between their carrying amount and their current fair value. If it was determined that impairment existed, the resultant loss was charged to earnings. Reflecting amortization, the Company had no securitized MSRs at December 31, 2013.

The following tables set forth the changes in the balances of residential and securitized MSRs for the periods indicated:

	For the Three Months Ended September 30, 2014		For the Three Months Ended September 30, 2013	
(in thousands)	Residential	Securitized	Residential	Securitized
Carrying value, beginning of period	$228,815	$ --	$214,959	$ 97
Additions	9,637	--	18,725	--
Increase (decrease) in fair value:				
Due to changes in valuation assumptions	13,583	--	6,589	--
Due to other changes [1]	(14,814)	--	(12,168)	--
Amortization	--	--	--	(97)
Carrying value, end of period	$237,221	$ --	$228,105	$ --

(1) Net servicing cash flows, including loan payoffs, and the passage of time.

	For the Nine Months Ended September 30, 2014		For the Nine Months Ended September 30, 2013	
(in thousands)	Residential	Securitized	Residential	Securitized
Carrying value, beginning of period	$241,018	$ --	$144,520	$ 193

Additions	23,620	--	73,398	--
Increase (decrease) in fair value:				
Due to changes in valuation assumptions	13,091	--	54,437	--
Due to other changes [1]	(40,508)	--	(44,250)	--
Amortization	--	--	--	(193)
Carrying value, end of period	$237,221	$ --	$228,105	$ --

(1) Net servicing cash flows, including loan payoffs, and the passage of time.

The following table presents the key assumptions used in calculating the fair value of the Company's residential MSRs at the dates indicated:

	September 30, 2014	December 31, 2013
Expected weighted average life	88 months	93 months
Constant prepayment speed	8.4 %	8.3 %
Discount rate	10.0	10.5
Primary mortgage rate to refinance	4.2	4.5
Cost to service (per loan per year):		
Current	$ 63	$ 53
30-59 days or less delinquent	213	103
60-89 days delinquent	313	203
90-119 days delinquent	413	303
120 days or more delinquent	563	553

Note 9. Pension and Other Post-Retirement Benefits

The following tables set forth certain disclosures regarding the Company's pension and post-retirement plans for the periods indicated:

	For the Three Months Ended September 30,			
	2014		2013	
(in thousands)	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Components of net periodic (credit) expense:				
Interest cost	$1,474	$ 190	$1,364	$ 171
Service cost	--	1	--	1
Expected return on plan assets	(4,859)	--	(4,147)	--
Amortization of prior-service loss	--	(62)	--	(62)
Amortization of net actuarial loss	822	118	2,351	164
Net periodic (credit) expense	$(2,563)	$ 247	$(432)	$ 274

	For the Nine Months Ended September 30,			
	2014		2013	
(in thousands)	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Components of net periodic (credit) expense:				
Interest cost	$4,422	$ 569	4,092	512
Service cost	--	3	--	3
Expected return on plan assets	(14,577)	--	(12,441)	--
Amortization of prior-service loss	--	(186)	--	(187)
Amortization of net actuarial loss	2,466	354	7,054	493

Net periodic (credit) expense	$(7,689)	$ 740	$(1,295)	$ 821

The Company expects to contribute $1.5 million to its post-retirement plan to pay premiums and claims for the fiscal year ending December 31, 2014. The Company does not expect to make any contributions to its pension plan in 2014.

For additional information regarding the Company's pension and post-retirement benefits, please see Note 12 to the Consolidated Financial Statements in the Company's 2013 Annual Report on Form 10-K.

Note 10. Stock-Based Compensation

At September 30, 2014, the Company had a total of 14,460,853 shares available for grants as options, restricted stock, or other forms of related rights under the New York Community Bancorp, Inc. 2012 Stock Incentive Plan (the "2012 Stock Incentive Plan"), which was approved by the Company's shareholders at its Annual Meeting on June 7, 2012. Included in this amount were 1,030,673 shares that were transferred from the New York Community Bancorp, Inc. 2006 Stock Incentive Plan (the "2006 Stock Incentive Plan"), which was approved by the Company's shareholders at its Annual Meeting on June 7, 2006 and reapproved at its Annual Meeting on June 2, 2011. The Company granted 2,374,998 shares of restricted stock in the nine months ended September 30, 2014, with an average fair value of $16.80 per share on the date of grant and a vesting period of five years. The nine-month amount includes 45,500 shares that were granted in the third quarter with an average fair value of $15.71 per share on the date of grant. Compensation and benefits expense related to the restricted stock grants is recognized on a straight-line basis over the vesting period, and totaled $20.7 million and $16.6 million, respectively, in the nine months ended September 30, 2014 and 2013, including $6.8 million and $5.7 million, respectively, in the three months ended at those dates.

A summary of activity with regard to restricted stock awards in the nine months ended September 30, 2014 is presented in the following table:

	For the Nine Months Ended September 30, 2014	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at beginning of year	5,043,642	$ 14.27
Granted	2,374,998	16.80
Vested	(1,327,531)	14.55
Cancelled	(102,300)	15.23
Unvested at end of period	5,988,809	15.19

As of September 30, 2014, unrecognized compensation cost relating to unvested restricted stock totaled $72.9 million. This amount will be recognized over a remaining weighted average period of 3.2 years.

In addition, the Company had the following stock option plans at September 30, 2014: the 1998 Richmond County Financial Corp. Stock Compensation Plan; the 1998 Long Island Financial Corp. Stock Option Plan; and the 2004 Synergy Financial Group Stock Option Plans (all plans collectively referred to as the "Stock Option Plans"). All stock options granted under the Stock Option Plans expire ten years from the date of grant.

The Company uses the modified prospective approach to recognize compensation costs related to share-based payments at fair value on the date of grant, and recognizes such costs in the financial statements over the vesting period during which the employee provides service in exchange for the award. As there were no unvested options at any time during the nine months ended September 30, 2014, or the year ended December 31, 2013, the Company did not record any compensation and benefits expense relating to stock options during those periods.

To satisfy the exercise of options, the Company either issues new shares of common stock or uses common stock held in Treasury. In the event that Treasury stock is used, the difference between the average cost of Treasury shares and the exercise price is recorded as an adjustment to retained earnings or paid-in capital on the date of exercise. At September 30, 2014, there were 58,560 stock options outstanding. There were no shares available for future issuance

under the Stock Option Plans at that date.

The status of the Stock Option Plans at September 30, 2014, and changes that occurred during the nine months ended at that date, are summarized below:

	For the Nine Months Ended September 30, 2014	
	Number of Stock Options	Weighted Average Exercise Price
Stock options outstanding, beginning of year	126,821	$ 15.21
Granted	--	--
Exercised	(42,214)	12.69
Expired/forfeited	(26,047)	12.94
Stock options outstanding, end of period	58,560	18.04
Options exercisable, end of period	58,560	18.04

The intrinsic value of stock options outstanding and exercisable at September 30, 2014 was $0. The intrinsic value of options exercised during the nine months ended September 30, 2014 and 2013 was $132,000 and $106,000, respectively.

Note 11. Fair Value Measurements

GAAP sets forth a definition of fair value, establishes a consistent framework for measuring fair value, and requires disclosure for each major asset and liability category measured at fair value on either a recurring or non-recurring basis. GAAP also clarifies that fair value is an “exit” price, representing the amount that would be received when selling an asset, or paid when transferring a liability, in an orderly transaction between market participants. Fair value is thus a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3 – Inputs to the valuation methodology are significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants use in pricing an asset or liability.
A financial instrument’s categorization within this valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables present assets and liabilities that were measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013, and that were included in the Company's Consolidated Statements of Condition at those dates:

	Fair Value Measurements at September 30, 2014 Using				
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments[1]	Total Fair Value
Assets:					
Mortgage-Related Securities Available for Sale:					
GSE certificates	$--	$ 20,692	$ --	$ --	$ 20,692
GSE CMOs	--	59,075	--	--	59,075
Private label CMOs	--	9,367	--	--	9,367
Total mortgage-related securities	$--	$ 89,134	$ --	$ --	$ 89,134
Other Securities Available for Sale:					
Municipal bonds	$--	$ 1,097	$ --	$ --	$ 1,097
Capital trust notes	--	11,609	--	--	11,609
Preferred stock	94,406	28,280	--	--	122,686
Common stock	16,848	1,658	--	--	18,506
Total other securities	$ 111,254	$ 42,644	$ --	$ --	$ 153,898
Total securities available for sale	$ 111,254	$ 131,778	$ --	$ --	$ 243,032
Other Assets:					
Loans held for sale	$--	$ 680,147	$ --	$ --	$ 680,147
Mortgage servicing rights	--	--	237,221	--	237,221
Interest rate lock commitments	--	--	2,180	--	2,180
Derivative assets-other [2]	3,184	1,269	--	(2,602)	1,851
Liabilities:					
Derivative liabilities	$ (1,623)	$ (1,889)	$ --	$ 3,422	$ (90)

(1) Includes cash collateral received from, and paid to, counterparties.

(2) Includes $3.2 million to purchase Treasury options.

(in thousands)	Fair Value Measurements at December 31, 2013 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments[1]	Total Fair Value
Assets:					
Mortgage-Related Securities Available for Sale:					
GSE certificates	$--	$ 25,200	$ --	$ --	$25,200
GSE CMOs	--	60,819	--	--	60,819
Private label CMOs	--	10,202	--	--	10,202
Total mortgage-related securities	$--	$ 96,221	$ --	$ --	$96,221
Other Securities Available for Sale:					
Municipal bonds	$--	$ 1,026	$ --	$ --	$1,026
Capital trust notes	--	11,798	--	--	11,798
Preferred stock	89,942	26,297	--	--	116,239
Common stock	52,740	2,714	--	--	55,454
Total other securities	$142,682	$ 41,835	$ --	$ --	$184,517
Total securities available for sale	$142,682	$ 138,056	$ --	$ --	$280,738
Other Assets:					
Loans held for sale	$--	$ 306,915	$ --	$ --	$306,915
Mortgage servicing rights	--	--	241,018	--	241,018
Interest rate lock commitments	--	--	258	--	258
Derivative assets-other [2]	1,267	5,155	--	(4,848)	1,574
Liabilities:					
Derivative liabilities	$(590)	$ (7,422)	$ --	$ 7,624	$(388)

(1) Includes cash collateral received from, and paid to, counterparties.

(2) Includes $1.3 million to purchase Treasury options.

The Company reviews and updates the fair value hierarchy classifications for its assets on a quarterly basis. Changes from one quarter to the next that are related to the observability of inputs for a fair value measurement may result in a reclassification from one hierarchy level to another.

A description of the methods and significant assumptions utilized in estimating the fair values of available-for-sale securities follows.

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities, exchange-traded securities, and derivatives.

If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models. These pricing models primarily use market-based or independently sourced market parameters as inputs, including, but not limited to, yield curves, interest rates, equity or debt prices, and credit spreads. In addition to observable market information, models incorporate transaction details such as maturity and cash flow assumptions. Securities valued in this manner would generally be classified within Level 2 of the valuation hierarchy, and primarily include such instruments as mortgage-related and corporate debt securities.

In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. In valuing capital trust notes, which may include pooled trust preferred securities, collateralized debt obligations ("CDOs"), and certain single-issue capital trust notes, the determination of fair value may require benchmarking to similar instruments or analyzing default and recovery rates. Therefore, capital trust notes are valued using a model based on the specific collateral composition and cash flow structure of the securities. Key inputs to the model consist of market spread data for each credit rating, collateral type, and other relevant contractual features. In instances where quoted price information is available, the price is considered when arriving at a security's fair value. Where there is limited activity or less transparency around the inputs to the valuation of preferred stock, the valuation is based on a discounted cash flow model.

Periodically, the Company uses fair values supplied by independent pricing services to corroborate the fair values derived from the pricing models. In addition, the Company reviews the fair values supplied by independent pricing services, as well as their underlying pricing methodologies, for reasonableness. The Company challenges pricing services' valuations that appear to be unusual or unexpected.

The Company carries loans held for sale originated by the Residential Mortgage Banking segment at fair value, in accordance with ASC Topic 825, "Financial Instruments." The fair value of loans held for sale is primarily based on quoted market prices for securities backed by similar types of loans. Changes in the fair value of these assets are largely driven by changes in interest rates subsequent to loan funding, and changes in the fair value of servicing associated with the mortgage loans held for sale. Loans held for sale are classified within Level 2 of the valuation hierarchy.

MSRs do not trade in an active open market with readily observable prices. The Company bases the fair value of its MSRs on the present value of estimated future net servicing income cash flows, utilizing an internal valuation model. The Company estimates future net servicing income cash flows with 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. The Company reassesses and periodically adjusts the underlying inputs and assumptions to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset. MSR fair value measurements use significant unobservable inputs and, accordingly, are classified within Level 3.

Exchange-traded derivatives that are valued using quoted prices are classified within Level 1 of the valuation hierarchy. The majority of the Company's derivative positions are valued using internally developed models that use readily observable market parameters as their basis. These are parameters that are actively quoted and can be validated by external sources, including industry pricing services. Where the types of derivative products have been in existence for some time, the Company uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit quality of the counterparty. Furthermore, many of these models do not contain a high level of subjectivity, as the methodologies used in the models do not require significant judgment, and inputs to the models are readily observable from actively quoted markets, as is the case for "plain vanilla" interest rate swaps and option contracts. Such instruments are generally classified within Level 2 of the valuation hierarchy. Derivatives that are valued based on models with significant unobservable market parameters, and that are normally traded less actively, have trade activity that is one-way, and/or are traded in less-developed markets, are classified within Level 3 of the valuation hierarchy.

The fair values of interest rate lock commitments ("IRLCs") for residential mortgage loans that the Company intends to sell are based on internally developed models. The key model inputs primarily include the sum of the value of the forward commitment based on the loans' expected settlement dates and the projected values of the MSRs, loan level price adjustment factors, and historical IRLC closing ratios. The closing ratio is computed by the Company's mortgage banking operation and is periodically reviewed by management for reasonableness. Such derivatives are classified as Level 3.

While the Company believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in different estimates of fair values at a reporting date.

Fair Value Option

Loans Held for Sale

The Company has elected the fair value option for its loans held for sale. The Company's loans held for sale consist of one-to-four family mortgage loans and commercial and industrial loans, none of which was 90 days or more past due at September 30, 2014. Management believes that the mortgage banking business operates on a short-term cycle. Therefore, in order to reflect the most relevant valuations for the key components of this business, and to reduce timing differences in amounts recognized in earnings, the Company has elected to record loans held for sale at fair value to match the recognition of IRLCs, MSRs, and derivatives, all of which are recorded at fair value in earnings. Fair value is based on independent quoted market prices of mortgage-backed securities comprised of loans with similar features to those of the Company's loans held for sale, where available, and adjusted as necessary for such items as servicing value, guaranty fee premiums, and credit spread adjustments.

The following table reflects the difference between the fair value carrying amount of loans held for sale for which the Company has elected the fair value option, and the unpaid principal balance:

	September 30, 2014			December 31, 2013		
(in thousands)	Fair Value Carrying Amount	Aggregate Unpaid Principal	Fair Value Carrying Amount Less Aggregate Unpaid Principal	Fair Value Carrying Amount	Aggregate Unpaid Principal	Fair Value Carrying Amount Less Aggregate Unpaid Principal
Loans held for sale	$680,147	$672,945	$ 7,202	$306,915	$303,805	$ 3,110

Gains and Losses Included in Income for Assets Where the Fair Value Option Has Been Elected

The assets accounted for under the fair value option are initially measured at fair value. Gains and losses from the initial measurement and subsequent changes in fair value are recognized in earnings.

The following table presents the changes in fair value related to initial measurement, and the subsequent changes in fair value included in earnings, for loans held for sale and MSRs for the periods indicated:

	Gain (Loss) Included in Mortgage Banking Income from Changes in Fair Value [1]			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands)	2014	2013	2014	2013
Loans held for sale	$2,278	$6,892	$9,212	$(7,873)
Mortgage servicing rights	(1,231)	(5,579)	(27,417)	10,187
Total gain (loss)	$1,047	$1,313	$(18,205)	$2,314

(1) Does not include the effect of hedging activities.

The Company has determined that there is no instrument-specific credit risk related to its loans held for sale, due to the short duration of such assets.

Changes in Level 3 Fair Value Measurements

The following tables present, for the nine months ended September 30, 2014 and 2013, a roll-forward of the balance sheet amounts (including changes in fair value) for financial instruments classified in Level 3 of the valuation hierarchy:

	Total Realized/Unrealized Gains/(Losses) Recorded in	Change in Unrealized Gains/

(in thousands)	Fair Value January 1, 2014	Income/ (Loss)	Comprehensive (Loss) Income	Issuances	Settlements	Transfers to/(from) Level 3	Fair Value at Sept. 30, 2014	(Losses) Related to Instruments Held at September 30, 2014
Mortgage servicing rights	$241,018	$ (27,417)	$ --	$23,620	$ --	$ --	$237,221	$ 13,091
Interest rate lock commitments	258	1,922	--	--	--	--	2,180	2,180

(in thousands)	Fair Value January 1, 2013	Total Realized/Unrealized Gains/(Losses) Recorded in Income/ (Loss)	Comprehensive (Loss) Income	Issuances	Settlements	Transfers to/(from) Level 3	Fair Value at Sept. 30, 2013	Change in Unrealized Gains/ (Losses) Related to Instruments Held at September 30, 2013
Available-for-sale capital securities	$18,569	$ --	$ 2,413	$ --	$ --	$ --	$20,982	$ 2,413
Mortgage servicing rights	144,520	10,187	--	73,398	--	--	228,105	54,437
Interest rate lock commitments	21,446	(15,256)	--	--	--	--	6,190	6,190

The Company's policy is to recognize transfers in and out of Levels 1, 2, and 3 as of the end of the reporting period. There were no transfers in or out of Level 3 during the nine months ended September 30, 2014 or 2013. During the nine months ended September 30, 2013, the Company transferred certain preferred stock to Level 2 from Level 1 as a result of decreased observable market activity for these securities. There were no gains or losses recognized as a result of the transfer of securities during the nine months ended September 30, 2013.

For Level 3 assets and liabilities measured at fair value on a recurring basis as of September 30, 2014, the significant unobservable inputs used in the fair value measurements were as follows:

(dollars in thousands)	Fair Value at Sept. 30, 2014	Valuation Technique	Significant Observable Inputs	Significant Unobservable Input Value	
Mortgage Servicing Rights	$ 237,221	Discounted Cash Flow	Weighted Average Constant Prepayment Rate [1]	8.40	%
			Weighted Average Discount Rate	10.00	
Interest Rate Lock Commitments	2,180	Discounted Cash Flow	Weighted Average Closing Ratio	72.94	

(1) Represents annualized loan repayment rate assumptions.

The significant unobservable inputs used in the fair value measurement of the Company's MSRs are the weighted average constant prepayment rate and the weighted average discount rate. Significant increases or decreases in either of those inputs in isolation could result in significantly lower or higher fair value measurements. Although the constant prepayment rate and the discount rate are not directly interrelated, they generally move in opposite directions.

The significant unobservable input used in the fair value measurement of the Company's IRLCs is the closing ratio, which represents the percentage of loans currently in an interest rate lock position that management estimates will ultimately close. Generally, the fair value of an IRLC is positive if the prevailing interest rate is lower than the IRLC rate, and the fair value of an IRLC is negative if the prevailing interest rate is higher than the IRLC rate. Therefore, an increase in the closing ratio (i.e., a higher percentage of loans estimated to close) will result in the fair value of the IRLC increasing if in a gain position, or decreasing if in a loss position. The closing ratio is largely dependent on the stage of processing that a loan is currently in, and the change in prevailing interest rates from the time of the interest rate lock.

Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a non-recurring basis. Such instruments are subject to fair value adjustments under certain circumstances (e.g., when there is evidence of impairment). The following tables present assets and liabilities that were measured at fair value on a non-recurring basis as of September 30, 2014 and December 31, 2013, and that were included in the Company's Consolidated Statements of Condition at those dates:

	Fair Value Measurements at September 30, 2014 Using			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value

Certain impaired loans	$--	$ --	$ 9,851	$ 9,851
Other assets [1]	--	18,030	--	18,030
Total	$--	$ 18,030	$ 9,851	$ 27,881

(1) Represents the fair value of OREO, based on the appraised value of the collateral subsequent to its initial classification as OREO.

	Fair Value Measurements at December 31, 2013 Using			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Certain impaired loans	$--	$ --	$ 47,535	$ 47,535
Other assets [1]	--	19,810	--	19,810
Total	$--	$ 19,810	$ 47,535	$ 67,345

(1) Represents the fair value of OREO, based on the appraised value of the collateral subsequent to its initial classification as OREO.

The fair values of collateral-dependent impaired loans are determined using various valuation techniques, including consideration of appraised values and other pertinent real estate market data.

Other Fair Value Disclosures

FASB guidance requires the disclosure of fair value information about the Company's on- and off-balance-sheet financial instruments. When available, quoted market prices are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present-value estimates or other valuation techniques. Such fair values are significantly affected by the assumptions used, the timing of future cash flows, and the discount rate.

Because assumptions are inherently subjective in nature, estimated fair values cannot be substantiated by comparison to independent market quotes. Furthermore, in many cases, the estimated fair values provided would not necessarily be realized in an immediate sale or settlement of such instruments.

The following tables summarize the carrying values, estimated fair values, and fair value measurement levels of financial instruments that were not carried at fair value on the Company's Consolidated Statements of Condition at September 30, 2014 and December 31, 2013:

	September 30, 2014				
			Fair Value Measurement Using		
(in thousands)	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Cash and cash equivalents	$662,537	$662,537	$662,537	$--	$--
Securities held to maturity	7,268,244	7,317,015	--	7,315,978	1,037
FHLB stock [1]	520,445	520,445	--	520,445	--
Loans, net	35,251,352	35,837,523	--	--	35,837,523
Financial Liabilities:					
Deposits	$28,307,771	$28,330,141	$21,983,386 [2]	$6,346,755 [3]	$--
Borrowed funds	14,396,912	15,256,216	--	15,256,216	--

(1) Carrying value and estimated fair value are at cost.

(2) NOW and money market accounts, savings accounts, and non-interest-bearing accounts.

(3) Certificates of deposit.

	December 31, 2013				
			Fair Value Measurement Using		
(in thousands)	Carrying Value	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					

Cash and cash equivalents	$644,550	$644,550	$644,550	$--	$--
Securities held to maturity	7,670,282	7,445,244	--	7,438,091	7,153
FHLB stock [1]	561,390	561,390	--	561,390	--
Loans, net	32,727,507	32,628,361	--	--	32,628,361
Financial Liabilities:					
Deposits	$25,660,992	$25,712,388	$18,728,896 [2]	$6,983,492 [3]	$--
Borrowed funds	15,105,002	16,058,931	--	16,058,931	--

(1) Carrying value and estimated fair value are at cost.

(2) NOW and money market accounts, savings accounts, and non-interest-bearing accounts.

(3) Certificates of deposit.

The methods and significant assumptions used to estimate fair values for the Company's financial instruments follow:

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks and fed funds sold. The estimated fair values of cash and cash equivalents are assumed to equal their carrying values, as these financial instruments are either due on demand or have short-term maturities.

Securities

If quoted market prices are not available for a specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These pricing models primarily use market-based or independently sourced market parameters as inputs, including, but not limited to, yield curves, interest rates, equity or debt prices, and credit spreads. In addition to observable market information, pricing models also incorporate transaction details such as maturity and cash flow assumptions.

Federal Home Loan Bank Stock

Ownership in equity securities of the FHLB is restricted and there is no established market for their resale. The carrying amount approximates the fair value.

Loans

The loan portfolio is segregated into various components for valuation purposes in order to group loans based on their significant financial characteristics, such as loan type (mortgage or other) and payment status (performing or non-performing). The estimated fair values of mortgage and other loans are computed by discounting the anticipated cash flows from the respective portfolios. The discount rates reflect current market rates for loans with similar terms to borrowers of similar credit quality. The estimated fair values of non-performing mortgage and other loans are based on recent collateral appraisals.

The methods used to estimate the fair value of loans are extremely sensitive to the assumptions and estimates used. While management has attempted to use assumptions and estimates that best reflect the Company's loan portfolio and current market conditions, a greater degree of subjectivity is inherent in these values than in those determined in active markets. Accordingly, readers are cautioned in using this information for purposes of evaluating the financial condition and/or value of the Company in and of itself or in comparison with any other company.

Mortgage Servicing Rights

MSRs do not trade in an active market with readily observable prices. Accordingly, the Company utilizes a valuation model that calculates the present value of estimated future cash flows. The model incorporates various assumptions, including estimates of prepayment speeds, discount rates, refinance rates, servicing costs, and ancillary income. The Company reassesses and periodically adjusts the underlying inputs and assumptions to reflect current market conditions and assumptions that a market participant would consider in valuing the MSR asset.

Derivative Financial Instruments

For exchange-traded futures and exchange-traded options, fair value is based on observable quoted market prices in an active market. For forward commitments to buy and sell loans and mortgage-backed securities, fair value is based on observable market prices for similar loans and securities in an active market. The fair value of IRLCs for one-to-four

family mortgage loans that the Company intends to sell is based on internally developed models. The key model inputs primarily include the sum of the value of the forward commitment based on the loans' expected settlement dates, the value of MSRs arrived at by an independent MSR broker, government agency price adjustment factors, and historical IRLC fall-out factors.

Deposits

The fair values of deposit liabilities with no stated maturity (i.e., NOW and money market accounts, savings accounts, and non-interest-bearing accounts) are equal to the carrying amounts payable on demand. The fair values of certificates of deposit ("CDs") represent contractual cash flows, discounted using interest rates currently offered on deposits with similar characteristics and remaining maturities. These estimated fair values do not include the intangible value of core deposit relationships, which comprise a significant portion of the Company's deposit base.

Borrowed Funds

The estimated fair value of borrowed funds is based either on bid quotations received from securities dealers or the discounted value of contractual cash flows with interest rates currently in effect for borrowed funds with similar maturities and structures.

Off-Balance-Sheet Financial Instruments

The fair values of commitments to extend credit and unadvanced lines of credit are estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the commitments and the creditworthiness of the potential borrowers. The estimated fair values of such off-balance-sheet financial instruments were insignificant at September 30, 2014 and December 31, 2013.

Note 12. Derivative Financial Instruments

The Company's derivative financial instruments consist of financial forward and futures contracts, IRLCs, and options. These derivatives relate to mortgage banking operations, MSRs, and other risk management activities, and seek to mitigate or reduce the Company's exposure to losses from adverse changes in interest rates. These activities will vary in scope based on the level and volatility of interest rates, the type of assets held, and other changing market conditions.

In accordance with the applicable accounting guidance, the Company takes into account the impact of collateral and master netting agreements that allow it to settle all derivative contracts held with a single counterparty on a net basis, and to offset the net derivative position with the related collateral when recognizing derivative assets and liabilities. As a result, the Company's Statements of Financial Condition could reflect derivative contracts with negative fair values included in derivative assets, and contracts with positive fair values included in derivative liabilities.

The Company held derivatives with a notional amount of $2.3 billion at September 30, 2014. Changes in the fair value of these derivatives are reflected in current-period earnings. None of these derivatives are designated as hedges for accounting purposes.

The following table sets forth information regarding the Company's derivative financial instruments at September 30, 2014:

	September 30, 2014		
	Notional	Unrealized[1]	
(in thousands)	Amount	Gain	Loss
Treasury options	$552,500	$--	$1,572
Eurodollar futures	125,000	30	--
Treasury futures	25,000	--	51
Forward commitments to sell loans/mortgage-backed securities	602,000	251	1,440
Forward commitments to buy loans/mortgage-backed securities	640,000	1,018	449
Interest rate lock commitments	360,221	2,180	--
Total derivatives	$2,304,721	$3,479	$3,512

(1) Derivatives in a net gain position are recorded as "Other assets" and derivatives in a net loss position are recorded as "Other liabilities" in the Consolidated Statements of Condition.

The Company uses various financial instruments, including derivatives, in connection with its strategies to reduce pricing risk resulting from changes in interest rates. Derivative instruments may include IRLCs entered into with borrowers or correspondents/brokers to acquire agency-conforming fixed and adjustable rate residential mortgage loans that will be held for sale. Other derivative instruments include Treasury options and Eurodollar futures.

The Company enters into forward contracts to sell fixed rate mortgage-backed securities to protect against changes in the prices of agency-conforming fixed rate loans held for sale. Forward contracts are entered into with securities dealers in an amount related to the portion of IRLCs that is expected to close. The value of these forward sales contracts moves inversely with the value of the loans in response to changes in interest rates.

To manage the price risk associated with fixed rate non-conforming mortgage loans, the Company generally enters into forward contracts on mortgage-backed securities or forward commitments to sell loans to approved investors. Short positions in Eurodollar futures contracts are used to manage price risk on adjustable rate mortgage loans held for sale.

The Company also purchases put and call options to manage the risk associated with variations in the amount of IRLCs that ultimately close.

In addition, the Company mitigates a portion of the risk associated with changes in the value of MSRs. The general strategy for mitigating this risk is to purchase derivative instruments, the value of which changes in the opposite direction of interest rates, thus partially offsetting changes in the value of our servicing assets, which tends to move in the same direction as interest rates. Accordingly, the Company purchases Eurodollar futures and call options on Treasury securities, and enters into forward contracts to purchase mortgage-backed securities.

The following table sets forth the effect of derivative instruments on the Consolidated Statements of Income and Comprehensive Income for the periods indicated:

	Gain (Loss) Included in Mortgage Banking Income			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands)	2014	2013	2014	2013
Treasury options	$(2,580)	$(641)	$(1,525)	$(7,597)
Treasury/Eurodollar futures	(6)	--	100	4
Forward commitments to buy/sell loans/mortgage-backed securities	1,615	(15,070)	8,148	15,814
Total (loss) gain	$(971)	$(15,711)	$6,723	$8,221

The Company has in place an enforceable master netting arrangement with every counterparty. All master netting arrangements include rights to offset associated with the Company's recognized derivative assets, derivative liabilities, and cash collateral received and pledged. Accordingly, the Company, where appropriate, offsets all derivative asset and liability positions with the cash collateral received and pledged.

The following tables present the effect the master netting arrangements had on the presentation of the derivative assets in the Consolidated Statements of Financial Condition as of the dates indicated:

	September 30, 2014					
				Gross Amounts Not Offset in the Consolidated Statement of Condition		
(in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Condition	Net Amounts of Assets Presented in the Statement of Condition	Financial Instruments	Cash Collateral Received	Net Amount

Derivatives	$6,633	$ 2,602	$ 4,031	$ --	$ --	$ 4,031

December 31, 2013

(in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Condition	Net Amounts of Assets Presented in the Statement of Condition	Gross Amounts Not Offset in the Consolidated Statement of Condition Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	$6,680	$ 4,848	$ 1,832	$ --	$ --	$ 1,832

The following tables present the effect the master netting arrangements had on the presentation of the derivative liabilities in the Consolidated Statements of Financial Condition as of the dates indicated:

	September 30, 2014					
(in thousands)	Gross Amounts Recognized Liabilities	Gross Amounts Offset in the Statement of Condition	Net Amounts of Liabilities Presented in the Statement of Condition	Gross Amounts Not Offset in the Consolidated Statement of Condition Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	$3,512	$ 3,422	$ 90	$ --	$ --	$ 90

	December 31, 2013					
(in thousands)	Gross Amounts Recognized Liabilities	Gross Amounts Offset in the Statement of Condition	Net Amounts of Liabilities Presented in the Statement of Condition	Gross Amounts Not Offset in the Consolidated Statement of Condition Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	$8,012	$ 7,624	$ 388	$ --	$ --	$ 388

Note 13. Segment Reporting

The Company’s operations are divided into two reportable business segments: Banking Operations and Residential Mortgage Banking. These operating segments have been identified based on the Company’s organizational structure. The segments require unique technology and marketing strategies, and offer different products and services. While the Company is managed as an integrated organization, individual executive managers are held accountable for the operations of these business segments.

The Company measures and presents information for internal reporting purposes in a variety of ways. The internal reporting system presently used by management in the planning and measurement of operating activities, and to which most managers are held accountable, is based on organizational structure.

The management accounting process uses various estimates and allocation methodologies to measure the performance of the operating segments. To determine financial performance for each segment, the Company allocates capital, funding charges and credits, certain non-interest expenses, and income tax provisions to each segment, as applicable. Allocation methodologies are subject to periodic adjustment as the internal management accounting system is revised

and/or as business or product lines within the segments change. In addition, because the development and application of these methodologies is a dynamic process, the financial results presented may be periodically revised.

The Company seeks to maximize shareholder value by, among other means, optimizing the return on stockholders' equity and managing risk. Capital is assigned to each segment, the combination of which is equivalent to the Company's consolidated total, on an economic basis, using management's assessment of the inherent risks associated with the segment. Capital allocations are made to cover the following risk categories: credit risk, liquidity risk, interest rate risk, option risk, basis risk, market risk, and operational risk.

The Company allocates expenses to the reportable segments based on various factors, including the volume and amount of loans produced and the number of full-time equivalent employees. Income taxes are allocated to the various segments based on taxable income and statutory rates applicable to the segment.

Banking Operations Segment

The Banking Operations segment serves consumers and businesses by offering and servicing a variety of loan and deposit products and other financial services.

Residential Mortgage Banking Segment

The Residential Mortgage Banking segment originates, aggregates, sells, and services one-to-four family mortgage loans. Mortgage loan products consist primarily of agency-conforming fixed- and adjustable-rate loans and, to a lesser extent, jumbo hybrid loans, for the purpose of purchasing or refinancing one-to-four family homes. The Residential Mortgage Banking segment earns interest on loans held in the warehouse and non-interest income from the origination and servicing of loans. It also recognizes gains or losses on the sale of such loans.

The following table provides a summary of the Company's segment results for the three months ended September 30, 2014, on an internally managed accounting basis:

	For the Three Months Ended September 30, 2014		
(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$285,185	$ 3,844	$289,029
Recovery of loan losses	(3,945)	--	(3,945)
Non-interest income:			
Third party [1]	23,989	17,297	41,286
Inter-segment	(3,033)	3,033	--
Total non-interest income	20,956	20,330	41,286
Non-interest expense [2]	130,344	14,851	145,195
Income before income tax expense	179,742	9,323	189,065
Income tax expense	65,329	3,478	68,807
Net income	$114,413	$ 5,845	$120,258
Identifiable segment assets (period-end)	$48,016,992	$ 662,780	$48,679,772

(1) Includes ancillary fee income.
(2) Includes both direct and indirect expenses.

The following table provides a summary of the Company's segment results for the nine months ended September 30, 2014, on an internally managed accounting basis:

	For the Nine Months Ended September 30, 2014		
(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$846,440	$ 10,231	$856,671
Recovery of loan losses	(18,387)	--	(18,387)
Non-interest income:			
Third party [1]	82,451	48,663	131,114
Inter-segment	(10,583)	10,583	--
Total non-interest income	71,868	59,246	131,114
Non-interest expense [2]	395,098	44,258	439,356
Income before income tax expense	541,597	25,219	566,816
Income tax expense	203,217	9,399	212,616
Net income	$338,380	$ 15,820	$354,200

Identifiable segment assets (period-end)	$48,016,992	$ 662,780	$48,679,772

(1) Includes ancillary fee income.
(2) Includes both direct and indirect expenses.

The following table provides a summary of the Company's segment results for the three months ended September 30, 2013, on an internally managed accounting basis:

	For the Three Months Ended September 30, 2013		
(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$289,198	$ 5,033	$294,231
Provision for loan losses	14,467	--	14,467
Non-interest income:			
Third party [1]	33,699	17,025	50,724
Inter-segment	(4,578)	4,578	--
Total non-interest income	29,121	21,603	50,724
Non-interest expense [2]	132,391	17,936	150,327
Income before income tax expense	171,461	8,700	180,161
Income tax expense	62,674	3,287	65,961
Net income	$108,787	$ 5,413	$114,200
Identifiable segment assets (period-end)	$45,073,642	$ 690,491	$45,764,133

(1) Includes ancillary fee income.

(2) Includes both direct and indirect expenses.

The following table provides a summary of the Company's segment results for the nine months ended September 30, 2013, on an internally managed accounting basis:

	For the Nine Months Ended September 30, 2013		
(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$850,939	$ 18,352	$869,291
Provision for loan losses	33,587	--	33,587
Non-interest income:			
Third party [1]	112,256	67,764	180,020
Inter-segment	(12,795)	12,795	--
Total non-interest income	99,461	80,559	180,020
Non-interest expense [2]	398,519	59,569	458,088
Income before income tax expense	518,294	39,342	557,636
Income tax expense	187,341	14,903	202,244
Net income	$330,953	$ 24,439	$355,392
Identifiable segment assets (period-end)	$45,073,642	$ 690,491	$45,764,133

(1) Includes ancillary fee income.

(2) Includes both direct and indirect expenses.

Note 14. Impact of Recent Accounting Pronouncements

In June 2014, the FASB issued ASU No. 2014-11, "Transfers and Servicing (Topic 860)—Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." The amendments in ASU No. 2014-11 require that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other

repurchase agreements. In addition, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty (a repurchase financing), which will result in secured borrowing accounting for the repurchase agreement. The amendments require an entity to disclose information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements, in which the transferor retains substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In addition, the amendments require disclosure of the types of collateral pledged in repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions and the tenor of those transactions. The accounting changes in ASU No. 2014-11 are effective for the first interim or annual period beginning after December 15, 2014. The disclosure for certain transactions accounted for as sales is required to be presented for interim and annual periods beginning after December 15, 2014, and the disclosure for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings is required to be presented for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The adoption of ASU No. 2014-11 is not expected to have a material effect on the Company’s consolidated statement of condition or results of operations.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The amendments in ASU No. 2014-09 create Topic 606, "Revenue from Contracts with Customers," and supersede the revenue recognition requirements in Topic 605, "Revenue Recognition," including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, "Revenue Recognition—Construction-Type and Production-Type Contracts," and create new Subtopic 340-40, "Other Assets and Deferred Costs—Contracts with Customers." In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is in the process of evaluating the effects the adoption of ASU No. 2014-09 may have on the Company's consolidated statement of condition or results of operations.

In January 2014, the FASB issued ASU No. 2014-01, "Investments – Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects." The amendments in ASU No. 2014-01 provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for low-income housing tax credits. The amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method, if certain conditions are met. ASU No. 2014-01 is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014, with early adoption permitted; it should be applied retrospectively to all periods presented. The Company adopted ASU No. 2014-01 on January 1, 2014. ASU No. 2014-01 calls for additional disclosures that will enable the reader to understand the nature of the investment and the effect of its measurement and related tax credits on a company's financial condition and results of operations. Please see Note 1, "Organization and Basis of Presentation," for the presentation of such disclosures.

In January 2014, the FASB issued ASU No. 2014-04, "Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40), Reclassification of Residential Real Estate-Collateralized Consumer Mortgage Loans upon Foreclosure." The amendments in ASU No. 2014-04 clarify when an in-substance repossession or foreclosure occurs, i.e., when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of ASU No. 2014-04 is not expected to have a material effect on the Company's consolidated statement of condition or results of operations.

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").

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 or conditional verbs 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 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;

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;

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.

RECONCILIATIONS OF STOCKHOLDERS' EQUITY AND TANGIBLE STOCKHOLDERS' EQUITY;

TOTAL ASSETS AND TANGIBLE ASSETS; AND THE RELATED MEASURES

Although tangible stockholders' equity and tangible assets are not measures that are calculated in accordance with U.S. generally accepted accounting principles ("GAAP"), management uses these non-GAAP measures in their analysis of our performance. We believe that these non-GAAP measures are important indications of our ability to grow both organically and through business combinations and, with respect to tangible stockholders' equity, our ability to pay dividends and to engage in various capital management strategies.

We calculate tangible stockholders' equity by subtracting from stockholders' equity the sum of our goodwill and core deposit intangibles ("CDI"), and calculate tangible assets by subtracting the same sum from our total assets. To calculate our ratio of tangible stockholders' equity to tangible assets, we divide our tangible stockholders' equity by our tangible assets.

Tangible stockholders' equity, tangible assets, and the related tangible capital measures, should not be considered in isolation or as a substitute for stockholders' equity or any other capital measure prepared in accordance with GAAP. Moreover, the manner in which we calculate these non-GAAP capital measures may differ from that of other companies reporting measures of capital with similar names.

Reconciliations of our stockholders' equity and tangible stockholders' equity; our total assets and tangible assets; and the related capital measures at September 30, 2014 and December 31, 2013 follow:

(dollars in thousands)	September 30, 2014	December 31, 2013
Stockholders' Equity	$ 5,777,998	$ 5,735,662
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles, net	(9,816)	(16,240)
Tangible stockholders' equity	$ 3,332,051	$ 3,283,291
Total Assets	$ 48,679,772	$ 46,688,287
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles, net	(9,816)	(16,240)
Tangible assets	$ 46,233,825	$ 44,235,916
Stockholders' equity to total assets	11.87 %	12.29 %
Tangible stockholders' equity to tangible assets	7.21 %	7.42 %

Executive Summary

New York Community Bancorp, Inc. is the holding company for New York Community Bank, 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 $48.7 billion at September 30, 2014, we rank among the 20 largest U.S. bank holding companies, and with deposits of $28.3 billion at that date, we 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 Federal Reserve Board and to the requirements of the New York Stock

Exchange, where shares of our common stock are traded under the symbol “NYCB”. As a bank holding company with assets of $10.0 billion to $50.0 billion, we are subject to heightened regulation under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”).

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 business model that has been consistent over the course of decades, 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 operate at a high level of efficiency; and
We primarily 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 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.
In January 2010, we added a fifth component to our business model: originating one-to-four family mortgage loans for sale, servicing retained, primarily to government-sponsored enterprises ("GSEs").

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. For example, the yield on our multi-family and commercial real estate ("CRE") loans is typically tied to the five-year Constant Maturity Treasury rate (the "CMT"). In the third quarter of 2014, the average five-year CMT rose to 1.70% from 1.66% in the trailing quarter and from 1.50% in the year-earlier three months. The highs in the respective quarters were 1.85%, 1.80%, and 1.85%, and the lows were 1.55%, 1.50%, and 1.31%, respectively.

In addition, residential mortgage 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.

The impact of market interest rates on our multi-family and CRE lending is far less overt than the impact on our production of one-to-four family mortgage loans. For example, in the three and nine months ended September 30, 2014, we originated multi-family loans of $1.6 billion and $5.7 billion, representing 63.4% and 68.8%, respectively, of the held-for-investment loans we produced during that time. Reflecting the volume of loans we produced, and the offsetting impact of repayments, our portfolio of multi-family loans grew 2.5% and 10.4%, respectively, from the balances at the end of June 2014 and December 2013, to $22.9 billion at September 30, 2014.

In addition, because the multi-family and CRE loans we produce generate prepayment penalty income when they refinance or prepay, the impact of such activity can be meaningful. In the third quarter of 2014, prepayment penalty income rose $6.1 million sequentially, to $25.4 million, and the contribution to our margin rose six basis points to 24 basis points. Reflecting the increase in prepayment penalty income and its contribution to our margin, our net interest income rose $5.5 million sequentially to $289.0 million in the current third quarter, and our net interest margin rose three basis points to 2.69%.

Also less overt, but nonetheless impacting our operations, has been the significant increase in regulation and supervision required under the Dodd-Frank Act, which was designed to reduce the risk of another economic crisis of the magnitude the nation experienced in 2008. Under the Dodd-Frank Act, a financial institution with assets that average $50 billion or more over four consecutive quarters is considered to be a "Systemically Important Financial Institution" ("SIFI") and consequently is subject to far greater regulation (and the ramifications thereof) than those institutions that are not. With assets of $48.6 billion at June 30, 2014, management took steps in the three months ended September 30, 2014 to limit the Company's balance sheet growth.

For example, while we grew our portfolios of held-for-investment multi-family and CRE loans on a linked-quarter basis, the growth of these portfolios was partially offset by a reduction in the portfolio of held-for-investment one-to-four family loans. During the quarter, $109.2 million of one-to-four family loans were transferred to "held for

sale" and subsequently sold. An additional $397.3 million of one-to-four family and commercial and industrial ("C&I") loans were transferred to "held for sale" from "held for investment" in the third quarter, and we expect these loans to be sold in the fourth quarter of this year.

Reflecting these actions, total assets grew $75.0 million over the course of the quarter to $48.7 billion at September 30, 2014. It is currently our intention to remain below the SIFI threshold until such time as we can exceed it in connection with a significant, earnings-accretive business combination.

Another way our operations have been impacted by the Dodd-Frank legislation has been the allocation of significant resources to enhance our enterprise risk management program and our capital planning process, including through the stress testing of our financial results.

Notwithstanding the impact of such compliance-related expenses, we continue to operate efficiently. In the three months ended September 30, 2014, operating expenses fell $2.6 million sequentially to $143.2 million, representing 1.18% of average assets and contributing to an efficiency ratio of 43.35%. The efficiency ratio indicates the percentage of a company's pre-tax revenues (i.e., its net interest income and non-interest income) that is used to meet its operating expenses. The lower the percentage, the more efficient a company is.

Because of our unique lending niche and our conservative underwriting standards, the losses on loans we experienced during and since the 2008 economic crisis have been well below the averages for our industry peers. At the end of September, our asset quality measures included a 0.31% ratio of non-performing non-covered assets to total non-covered assets, and a 0.25% ratio of non-performing non-covered loans to total non-covered loans. In addition, we recorded net recoveries of $271,000 in the three months ended September 30, 2014.

While the markets we serve have experienced economic improvement, the pace of that improvement appears to have been slower in the current third quarter than it was in the year-earlier three months. Furthermore, while certain economic indicators suggest a strong improvement, certain other economic indicators are not quite as strong.

For example, the following table presents the unemployment rates for the United States in our key deposit markets in the months ended September 30, 2014, December 31, 2013, and September 30, 2013. Unemployment declined year-over-year in all of these markets and sequentially in all but one:

	For the Month Ended		
	September 30, 2014	December 31, 2013	September 30, 2013
Unemployment rate:			
United States	5.9%	6.7%	7.2%
New York City	6.1	7.5	8.5
Arizona	6.8	7.3	8.3
Florida	6.1	5.9	6.9
New Jersey	6.3	6.7	8.2
New York	5.6	6.6	7.4
Ohio	5.1	6.6	7.2

(Source: U.S. Department of Labor)

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		
	September	December	September

	2014	2013	2013
Change in prices:	1.7%	1.5 %	1.2 %

The recovery is also reflected in the S&P/Case-Shiller Home Price Index for the twelve months ended August 2014, December 2013, and September 2013. Home prices rose 5.1% across the U.S. in the twelve months ended August 2014, as compared to 11.3% and 11.2%, respectively, in the twelve months ended December 2013 and September 2013. 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 467,000 in September 2014, according to estimates set forth in a U.S. Commerce Department report issued on October 24, 2014. The September 2014 rate was 0.2% higher than the rate reported in August 2014 and 17.0% above the rate reported in September 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 80.4% of our multi-family loans and 88.5% of our CRE loans are secured by properties in New York State, with Manhattan accounting for 34.0% and 51.9% 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		
	September 30, 2014	December 31, 2013	September 30, 2013
Residential rental vacancy rate in New York:	3.8	5.8	5.8
Manhattan office vacancy rate:	10.1	11.1	11.8

In addition, the Consumer Confidence Index® moved up to 86.0 in September 2014 from 78.1 in December 2013 and from 79.7 in September 2013. An index level of 90 or more is considered indicative of a strong economy.

Recent Events

On October 21, 2014, the Board of Directors declared a quarterly cash dividend of $0.25 per share, payable on November 20, 2014 to shareholders of record at the close of business on November 7, 2014.

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; 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

Allowance for Losses on Non-Covered Loans

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 the same for each of the Community Bank and the Commercial Bank. In determining the

respective allowances for 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 the probable inherent 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 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 of multi-family; commercial real estate; acquisition, development, and construction; and commercial and industrial loans. 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.

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. A specific valuation allowance is established 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.

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. The factors assessed begin with the historical loan loss experience for each of the major loan categories maintained. Our historical loan loss experience is then adjusted by considering qualitative or environmental factors that are likely to cause estimated credit losses associated with the existing portfolio to differ from historical loss experience, including, but 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 quantifiable risk factors that are applied to each non-impaired loan or loan type in the loan portfolio to determine the general valuation allowances.

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 the Company's 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/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 by the Mortgage and Real Estate Committee of the Community Bank's Board of Directors (the "Mortgage Committee") or the Credit Committee of the Board of Directors of the Commercial Bank (the "Credit Committee"), 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. Generally, the time period in which this assessment is made is within the same quarter that the loan is considered impaired and quarterly thereafter. 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 management's control such as changes in economic and local market conditions, including declines in real estate values, and increases in vacancy rates and unemployment. Management uses 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.

Allowance for Losses on Covered Loans

We have elected to account for the loans acquired in the AmTrust Bank ("AmTrust") and Desert Hills Bank ("Desert Hills") acquisitions (i.e., our covered loans) based on expected cash flows. This election is 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

We recognize the right to service mortgage loans for others as a separate asset referred to as mortgage servicing rights ("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 other-than-temporary impairment ("OTTI") recorded in "Accumulated other comprehensive loss, net of tax" ("AOCL").

The fair values of our securities, and particularly our fixed-rate securities, are affected by changes in market interest rates 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, 2013 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 nine months ended September 30, 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 2013. 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.

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 that changed the manner in which financial institutions and their affiliates are taxed in New York State was enacted. 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 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 bank branches will no longer be relevant to the determination of income apportioned to New York State;
The statutory tax rate was reduced from 7.1% to 6.5%; and
Thrift institutions that maintain a qualified residential loan portfolio are entitled to a specially computed modification reducing income taxable to New York.

While most of the provisions of the new legislation are effective for fiscal years beginning in 2015, the statutory tax rate will not be reduced until 2016. The impact of a tax law change on the net deferred tax balance of a company is reflected in earnings in the quarter of enactment. In the first quarter of 2014, the recomputation of our deferred tax balance resulted in a one-time $4.5 million charge to income tax expense. Although it is expected that the new laws will provide a modest reduction in our current tax expense beginning in 2015, the amount of the reduction will be affected by any changes in our operations, structure, or profitability.

Balance Sheet Summary

Total assets rose $2.0 billion, or 4.3%, from the balance at the end of December to $48.7 billion at September 30, 2014. The increase was largely the net effect of a $2.5 billion rise in total loans, net to $35.3 billion, and a $439.7 million decline in total securities to $7.5 billion. Loans, net represented 72.4% of total assets at the end of September and securities represented 15.4%.

The nine-month rise in total assets and loans was largely funded by a $2.6 billion, or 10.3%, increase in total deposits to $28.3 billion, which occurred in tandem with a $708.1 million decline in borrowed funds to $14.4 billion. Reflecting the nine-month increase, deposits represented 58.2% of total assets at the end of September, as compared to 55.0% at December 31st. Conversely, borrowed funds represented 29.6% of total assets at the end of September, as compared to 32.4% at the end of 2013.

Stockholders' equity rose $42.3 million in the first nine months of this year to $5.8 billion, representing 11.87% of total assets and a book value of $13.05 per share at September 30th. Tangible stockholders' equity rose $48.8 million during this time, to $3.3 billion, representing 7.21% of tangible assets and a tangible book value of $7.53 per share. (Please see the discussion and reconciliations of stockholders' equity and tangible stockholders' equity; total assets and tangible assets; and the related capital measures that appear earlier in this report.)

Loans

At September 30, 2014, loans, net represented $35.3 billion, or 72.4%, of total assets, a $2.5 billion increase from the balance at December 31, 2013. Included in the September 30th amount were covered loans, net of $2.5 billion; non-covered loans held for investment, net of $32.1 billion; and non-covered loans held for sale of $680.1 million, as more fully described below.

Covered Loans

"Covered loans" refers to the loans we acquired in our FDIC-assisted AmTrust and Desert Hills transactions, and are referred to as such because they are covered by loss sharing agreements with the FDIC. At September 30, 2014, covered loans represented $2.5 billion, or 7.1%, of the total loan balance, a $284.0 million reduction from the balance at December 31, 2013. The reduction was primarily due to repayments.

One-to-four family loans represented $2.3 billion of total covered loans at the end of September, with all other loan types (primarily consisting of home equity lines of credit, or "HELOCs") representing $222.6 million, combined.

Covered one-to-four family loans include both fixed and adjustable rate loans. At September 30, 2014, $1.8 billion, or 70.8%, of our covered loans were adjustable rate loans, with a weighted average interest rate of 3.31%. The remainder of the covered loan portfolio consisted of fixed rate loans at that date. The interest rates on the adjustable rate loans in the covered loan portfolio are indexed to the one-year LIBOR or the one-year Treasury rate, plus a spread in the range of 2% to 5%, subject to certain caps.

The AmTrust and Desert Hills loss sharing agreements each 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").

Geographical Analysis of the Covered Loan Portfolio

The following table presents a geographical analysis of our covered loan portfolio at September 30, 2014:

(in thousands)	
California	$434,993
Florida	426,784
Arizona	201,449

Ohio	160,307
Massachusetts	118,503
Michigan	113,138
Illinois	88,534
New York	85,869
Maryland	66,141
Nevada	59,374
New Jersey	59,085
Minnesota	54,536
Colorado	54,534
All other states	581,375
Total covered loans	$2,504,622

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Non-Covered Loans Held for Investment

Non-covered loans held for investment represented $32.3 billion, or 91.0%, of total loans at the end of September, reflecting a $2.4 billion, or 8.1%, 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. The vast majority of our non-covered loans held for investment consist of loans that we ourselves originated or, in some cases, acquired in business combinations prior to 2009.

In the first nine months of 2014, originations of held-for-investment loans totaled $8.3 billion, exceeding the year-earlier nine-month volume by $229.6 million, or 2.8%. Included in the current nine-month amount were third-quarter originations of $2.6 million, down $271.8 million and $775.5 million from the volumes recorded in the trailing and year-earlier three months, respectively.

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 $5.7 billion, or 68.8%, of the total loans we produced in the first nine months of this year for investment, exceeding the year-earlier nine-month volume by $138.2 million. Included in the current nine-month amount were third quarter originations of $1.6 billion, reflecting a linked-quarter decrease of $465.0 million and a $972.9 million decrease year-over-year. The year-over-year decline was primarily due to the origination of multi-family loans totaling $450.0 million collateralized by ten related properties in the third quarter of 2013.

At September 30, 2014, the balance of multi-family loans represented $22.9 billion, or 70.9%, of total non-covered loans held for investment, a $2.2 billion increase from the balance at December 31, 2013. The average multi-family loan had a principal balance of $4.8 million at the end of September, as compared to $4.5 million at December 31st.

The vast 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 increased cash flows to borrow against in future years. We also make loans to building owners seeking to expand their real estate holdings with the purchase of additional properties.

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.

Our multi-family loans typically 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. At September 30, 2014 and December 31, 2013, the expected weighted average life of the multi-family loan portfolio was 2.8 years and 2.9 years, respectively.

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. Because the multi-family market is largely broker-driven, the process of producing such loans is expedited, with loans generally taking four to six weeks to process.

At September 30, 2014, the vast majority of our multi-family loans were secured by rental apartment buildings. In addition, 75.3% of our multi-family loans were secured by buildings in New York City, with Manhattan accounting for the largest share. While 5.0% of our multi-family loans were secured by buildings in other New York State counties, including those on Long Island, 19.6% of multi-family loans were secured by buildings in other states, including those served by our retail branch offices outside New York.

Our emphasis on multi-family loans is driven by several factors, including their structure, which reduces our exposure to interest rate volatility. 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 and depreciation; 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 (i.e., the LTV). 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 30 years, in some cases with an initial interest-only period. In addition to typically 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 generally exclude any short-term property tax exemptions and abatement benefits the property owners receive.

Commercial Real Estate Loans

In the first nine months of 2014, CRE loans represented $1.2 billion, or 15.0%, of total loans originated for investment, down $86.3 million from the volume produced in the first nine months of 2013. Included in the current

nine-month amount were third-quarter originations of $434.2 million, reflecting a sequential increase of $97.8 million and a year-over-year increase of $161.3 million.

CRE loans totaled $7.7 billion at the end of September, reflecting a $296.5 million increase from the balance at December 31st. The September 30th balance represented 23.8% of total loans held for investment, while the year-end balance represented 24.7%. At September 30, 2014 and December 31, 2013, the average CRE loan had a principal balance of $4.9 million and $4.7 million, respectively.

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 September 30, 2014, 72.7% of our CRE loans were secured by properties in New York City—primarily in Manhattan—while properties on Long Island accounted for 13.2%. Other counties in the State of New York were home to 2.6% of CRE loans outstanding, while all other states accounted for 11.5% of outstanding CRE loans.

The pricing of our CRE loans is similar to the pricing of our multi-family credits, i.e., with 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 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; the expected weighted average life of the CRE portfolio was 3.4 years and 3.3 years, respectively, at September 30, 2014 and December 31, 2013.

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 typically 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 an assignment of the rents and leases.

One-to-Four Family Loans

We originate agency-conforming one-to-four family loans through our mortgage banking operation. The vast majority of the one-to-four family loans we produce are aggregated for sale with others produced by our mortgage banking clients throughout the nation. These loans are generally sold, servicing retained, to GSEs. (For more detailed information about our production of one-to-four family loans for sale, please see “Non-Covered Loans Held for Sale” later in this discussion and analysis.)

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 one-to-four family loans for our own portfolio. Initially, the one-to-four family loans we produced for investment were all hybrid jumbo credits. In 2013, we began to retain some agency-conforming one-to-four family hybrid loans and select jumbo fixed rate loans.

While the balance of one-to-four family loans held for investment was $690.0 million at the end of June and $560.7 million at the end of December, we reduced the balance of such loans to $404.8 million at September 30, 2014. The reduction reflects $109.2 million of one-to-four family loans that were transferred to held for sale and sold in the third quarter, and the transfer of another $236.0 million of one-to-four family loans to held for sale that are expected to be sold in the fourth quarter of this year.

Acquisition, Development, and Construction Loans

ADC loans represented $310.6 million, or 0.96%, of total loans held for investment at the end of September, down $33.5 million from the balance at December 31st. In the nine months ended September 30, 2014, we originated ADC loans of $79.4 million, a $48.1 million reduction from the volume produced in the year-earlier nine-month period.

Included in the current nine-month amount were third quarter originations of $6.9 million, as compared to $16.5 million and $45.1 million, respectively, in the trailing and year-earlier three months.

At September 30, 2014, 69.0% of the loans in our ADC portfolio were for land acquisition and development; the remaining 31.0% 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, 78.0% of the loans in our 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 nine months ended September 30, 2014 and 2013, we recovered losses against guarantees of $124,000 and $777,000, respectively; included in the current nine-month total were third-quarter recoveries against guarantees of $44,000.

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 estimated cost of construction; and the estimated time to complete and/or sell or lease such property. If the appraised value proves to be inaccurate, the cost of completion is greater than expected, or the length of time to complete and/or sell or lease the collateral property is greater than anticipated, the property could have a value upon completion that is insufficient to assure full repayment of the loan. At September 30, 2014, 0.75% of the loans in our ADC loan portfolio were non-performing, consistent with the percentage at December 31, 2013.

When applicable, as a condition to closing an ADC loan, it is our practice to require that residential properties be pre-sold or that borrowers secure permanent financing commitments from a recognized lender for an amount equal to, or greater than, the amount of our loan. In some cases, we ourselves may provide permanent financing. We typically require pre-leasing for ADC loans on commercial properties.

Other Loans

Other loans are primarily comprised of commercial and industrial ("C&I") loans that fall into either of two categories: specialty finance loans and leases and other C&I loans. The remainder of the "other loan" portfolio consists primarily of home equity loans and lines of credit, as well as 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.

In the first nine months of 2014, we originated other loans held for investment of $997.5 million, as compared to $701.2 million in the first nine months of 2013. Included in the current nine-month amount were third-quarter originations of $418.4 million, exceeding the volumes in the trailing and year-earlier quarters by $96.8 million and $115.3 million, respectively. Largely reflecting the increase in production, the balance of other loans rose to $994.0 million at the end of September from $852.7 million at December 31st. The respective amounts represented 3.1% and 2.9% of total loans held for investment, and included C&I loans of $960.0 million and $813.7 million, respectively. The nine-month rise in other loans held for investment was somewhat tempered by the transfer of C&I loans totaling $161.2 million to loans held for sale at September 30, 2014.

C&I loans accounted for $992.6 million and $695.6 million of the other loans we originated in the first nine months of 2014 and 2013, respectively. Included in the current nine-month amount were third quarter originations of $416.7 million, exceeding the trailing-quarter volume by $96.9 million and the year-earlier volume by $115.9 million. The increase in C&I originations was largely attributable to the establishment of NYCB Specialty Finance Company, LLC, in the second quarter of 2013.

Located in Foxboro, Massachusetts, the subsidiary is staffed by a group of industry veterans with expertise in originating and underwriting senior secured debt. The subsidiary generally participates in syndicated loans and leases that are generated by our experienced staff, which has cultivated long-term relationships with a select group of nationally recognized financial institutions. Such loans and leases are generally made to large corporate obligors, the majority 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.

The pricing of our asset-based and dealer floor plan loans are at floating rates tied to LIBOR, while our equipment financing credits are at fixed rates at a spread over Treasuries. At September 30, 2014 and December 31, 2013, specialty finance loans and leases represented $471.8 million and $172.7 million of total C&I loans outstanding, including equipment leases of $135.8 million and $101.4 million, respectively. In addition, originations of specialty finance loans and leases totaled $552.2 million in the current nine-month period, including $258.0 million in the third quarter of this year.

The other C&I loans we produce are primarily made to small, mid-size, and upper middle-market businesses in the five boroughs of New York City, as well as Long Island and New Jersey. Other C&I loans represented $488.2 million of total C&I loans held for investment at the end of September, and $440.4 million of total C&I loan originations in the first nine months of this 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, letters 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.

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.

In accordance with the Banks' policies, all loans are reviewed by the Mortgage Committee or the Credit Committee, as applicable, and all loans of $10.0 million or more are reported to the respective Boards of Directors. At September 30, 2014, our largest loan was in the amount of $262.5 million; the interest rate on the credit was 3.7% at that date. 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 the origination date.

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 September 30, 2014:

	At September 30, 2014					
	Multi-Family Loans			Commercial Real Estate Loans		
(dollars in thousands)	Amount	Percent of Total		Amount	Percent of Total	
New York City:						
Manhattan	$7,773,229	34.00	%	$ 3,972,941	51.86	%
Brooklyn	4,102,852	17.95		625,084	8.16	
Bronx	2,732,395	11.95		207,257	2.70	
Queens	2,533,974	11.08		716,127	9.35	
Staten Island	66,902	0.29		44,623	0.58	
Total New York City	$17,209,352	75.27	%	$ 5,566,032	72.65	%
Long Island	463,551	2.03		1,012,503	13.22	
Other New York State	699,345	3.06		199,010	2.60	
All other states	4,490,247	19.64		883,231	11.53	
Total	$22,862,495	100.00	%	$ 7,660,776	100.00	%

At September 30, 2014, the largest concentration of one-to-four family loans held for investment was located in California and totaled $331.6 million; the largest concentration of ADC loans held for investment was located in New York City and totaled $242.3 million. The majority of our other loans held for investment were secured by properties and/or businesses located in Metro New York.

Non-Covered Loans Held for Sale

Non-covered loans held for sale totaled $680.1 million at the end of September, exceeding the June 30th balance by $371.3 million and the December 31st balance by a modestly higher amount. While the June 30th and December 31st

balances consisted entirely of one-to-four family loans that were originated for that purpose, the September 30th balance included $397.3 million of jumbo hybrid one-to-four family loans and certain C&I loans that were previously held for investment, as well as $282.8 million of one-to-four family loans that were originated for sale.

Although one-to-four family loans represented a modest 1.3% of total loans held for investment at the end of the current third quarter, we are actively engaged in the origination of one-to-four family loans for sale. Our mortgage banking operation serves approximately 900 clients—community banks, credit unions, mortgage companies, and mortgage brokers—who utilize our proprietary web-accessible mortgage banking platform to originate full-documentation, prime credit one-to-four family loans throughout the United States.

With refinancing activity largely constrained by higher mortgage interest rates in the residential real estate market, originations of one-to-four family loans held for sale totaled $2.1 billion in the current nine-month period, as compared to $5.5 billion in the year-earlier nine months. Included in the current nine-month amount were third-quarter originations of $817.1 million, as compared to $743.3 million and $1.1 billion, respectively, in the trailing and year-earlier three months.

The vast majority of the held-for-sale loans we produce are agency-conforming loans sold to GSEs. To a much lesser extent, we utilize our mortgage banking platform to originate fixed-rate jumbo loans under contract for sale to other financial institutions. Of the loans we originated for sale in the first nine months of 2014, all but $147.6 million, or 7.0%, were agency-conforming. The latter amount consisted of non-conforming jumbo loans.

To mitigate the risks inherent in originating and selling residential mortgage loans, we utilize proprietary processes and 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 September 30, 2014 and 2013, the respective liabilities for estimated possible future losses relating to these representations and warranties were $8.4 million and $8.8 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 and the frequency and potential severity of defaults, 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
(in thousands)				
Balance, beginning of period	$ 8,385	$ 8,825	$ 8,460	$ 8,272
Repurchase losses	--	--	(75)	(37)
Provision for repurchase losses:				
Loan sales	--	--	--	590
Change in estimates	--	--	--	--
Balance, end of period	$ 8,385	$ 8,825	$ 8,385	$ 8,825

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 that the amount and range of reasonably possible losses in excess of our reserve would not be material to our financial condition or results of operations.

GSE Repurchase and Indemnification Requests Outstanding

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

	For the Three Months Ended September 30,			
	2014		2013	
(dollars in thousands)	Number of Loans	Amount of Loans [1]	Number of Loans	Amount of Loans [1]
Balance, beginning of period	20	$ 4,886	16	$ 4,549
New repurchase requests [2]	25	5,435	8	1,691
Successful rebuttal/rescission	(18)	(3,906)	(6)	(1,562)
New indemnifications [3]	--	--	(3)	(777)
Loan repurchases	(1)	(224)	(1)	(201)
Balance, end of period [4]	26	$ 6,191	14	$ 3,700

	For the Nine Months Ended September 30,			
	2014		2013	
(dollars in thousands)	Number of Loans	Amount of Loans [1]	Number of Loans	Amount of Loans [1]
Balance, beginning of period	18	$ 4,057	20	$ 5,073
New repurchase requests [2]	63	14,324	55	12,637
Successful rebuttal/rescission	(44)	(9,386)	(51)	(11,867)
New indemnifications [3]	--	--	(5)	(1,101)

Loan repurchases	(11)	(2,804)	(5)	(1,042)
Balance, end of period [4]	26	$ 6,191	14	$ 3,700

(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 twenty-six period-end requests as of September 30, 2014, twenty-five were from Fannie Mae and one was 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 a loan.

Indemnified and Repurchased Loans Outstanding

The following table sets forth the activity of our indemnified and repurchased loans outstanding during the periods indicated:

	For the Three Months Ended September 30,			
	2014		2013	
(dollars in thousands)	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Balance, beginning of period	36	$ 8,612	16	$ 3,383
New indemnifications	--	--	3	777
New repurchases	1	224	1	201
Transfer to other real estate owned	(3)	(545)	--	--
Principal payoffs	(3)	(674)	(1)	(178)
Principal payments	--	(45)	--	(162)
Balance, end of period [1]	31	$ 7,572	19	$ 4,021

	For the Nine Months Ended September 30,			
	2014		2013	
(dollars in thousands)	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Balance, beginning of period	29	$ 7,143	12	$ 2,286
New indemnifications	--	--	5	1,101
New repurchases	11	2,804	5	1,042
Transfer to other real estate owned	(3)	(545)	--	--
Principal payoffs	(6)	(1,589)	(3)	(286)
Principal payments	--	(241)	--	(201)
Modifications/other	--	--	--	79
Balance, end of period [1]	31	$ 7,572	19	$ 4,021

(1) Of the thirty-one loans at September 30, 2014, eighteen loans, with an aggregate balance of $4.0 million, were repurchased and are now held for investment. The other thirteen loans, with an aggregate balance of $3.6 million, were indemnified and are all performing as of the date of this report.

Please see “Asset and Liability Management and the Management of Interest Rate Risk” later in this report 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.

Outstanding Loan Commitments

At September 30, 2014, we had outstanding loan commitments of $2.9 billion, reflecting a $245.5 million increase from the balance at the end of June. Commitments to originate loans held for investment represented $2.6 billion of the September 30th total, and commitments to originate loans held for sale represented the remaining $360.5 million. At June 30, 2014, the respective commitments were $2.3 billion and $419.6 million.

Multi-family and CRE loans together represented $1.6 billion of held-for-investment loan commitments at the end of September, while one-to-four family, ADC, and other loans represented $371.9 million, $298.7 million, and $714.8 million, respectively. Included in the latter amount were C&I loan commitments of $659.6 million, including

commitments to originate $266.6 million of specialty finance loans and leases.

In addition to loan commitments, we had commitments to issue financial stand-by, performance stand-by, and commercial letters of credit totaling $186.6 million at September 30, 2014, as compared to $213.7 million at December 31, 2013.

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 stand-by 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

The quality of our assets was once again reflected in our ratio of non-performing non-covered assets to total non-covered assets and our ratio of non-performing non-covered loans to total non-covered loans at September 30, 2014.

Non-performing non-covered assets declined $30.2 million, or 17.2%, in the first nine months of this year, to $144.8 million, representing 0.31% of total non-covered assets at September 30, 2014. The comparable ratio at the end of December was 0.40%.

The nine-month decline in non-performing non-covered assets was attributable to a $22.5 million, or 21.7%, decrease in non-performing non-covered loans to $81.0 million, and a $7.7 million, or 10.7%, decline in non-covered OREO to $63.7 million. Non-performing non-covered loans represented 0.25% of total non-covered loans at the end of September, as compared to 0.35% at December 31st.

The nine-month reduction in non-performing non-covered assets and loans was primarily due to a $28.5 million decline in non-performing multi-family loans to $29.9 million, reflecting a group of multi-family buildings in the amount of $32.2 million that was classified as OREO in the second quarter and subsequently sold at a gain at the end of June.

On a linked-quarter basis, non-performing non-covered assets fell a modest $1.0 million as a $3.4 million decrease in non-covered OREO from the June 30th balance exceeded the impact of a $2.4 million increase in non-performing non-covered loans.

The following table sets forth the changes in non-performing non-covered loans over the nine months ended September 30, 2014:

(in thousands)	
Balance at December 31, 2013	$103,537
New non-accrual	53,237
Charge-offs	(2,335)
Transferred to other real estate owned	(37,540)
Loan payoffs, including dispositions and principal pay-downs	(31,684)
Restored to performing status	(4,196)
Balance at September 30, 2014	$81,019

In addition, the balance of non-covered loans 30 to 89 days past due fell $30.7 million, or 82.7%, from the end of December to $6.4 million at September 30, 2014. As a result, total non-covered delinquencies amounted to $151.2

million at the end of September, reflecting a nine-month decline of $60.9 million, or 28.7%.

The nine-month decline in loans 30 to 89 days past due was driven by a $31.2 million, or 92.5%, decrease in multi-family loans to $2.5 million, together with a $1.7 million decline in CRE loans to $164,000. The benefit of these nine-month declines was tempered by a $1.4 million rise in one-to-four family loans to $2.5 million and a more modest rise in other loans to $1.3 million. Notably, there were no ADC loans 30 to 89 days past due at September 30, 2014, June 30, 2014, or December 31, 2013. The decline in multi-family loans 30 to 89 days past due was largely attributable to the disposition of two multi-family loans totaling $30.9 million in the first quarter of this year.

On a linked-quarter basis, loans 30 to 89 days past due rose $2.4 million, as a modest decline in CRE loans was exceeded by an increase in multi-family, one-to-four family, and other loans.

A loan generally is classified as a “non-accrual” loan when it is 90 days or more past due. 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 September 30, 2014 and December 31, 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, the Credit Committee, and the Boards of Directors of the Banks. In accordance with our charge-off policy, 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.

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.

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, 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 September 30, 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 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.

Our specialty finance subsidiary participates in asset-based loans, dealer floor-plan loans, and equipment loans and leases that are generally syndicated, and are generated by our experienced officers, who have cultivated long-term relationships with a select group of nationally recognized financial institutions. The majority of the loans and leases we produce are made to large corporate obligors, the majority 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 loans may deteriorate. Accordingly, we maintain either a perfected first security interest or outright ownership of the collateral; in addition, our loans and leases are generally structured as senior debt. 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 an "other C&I" 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 a reasonable 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. Reflecting the improving economy, the nature of our primary lending niche, and our conservative underwriting standards, we recorded net recoveries of $271,000 and $112,000, respectively, in this year's third and second quarters, as compared to net charge-offs of $4.4 million, representing 0.01% of average loans, in the third quarter of 2013.

In the nine months ended September 30, 2014, we recorded net charge-offs of $2.2 million, in contrast to $14.6 million in the year-earlier nine months. Most of the improvement occurred in the portfolios of multi-family, ADC, and other loans.

Reflecting the low level of net charge-offs in the first nine months of this year, and the absence of any non-covered loan loss provisions, the allowance for losses on non-covered loans was $139.7 million at the end of September as compared to $141.9 million at December 31st. The allowance for losses on non-covered loans represented 0.43% of total non-covered loans at September 30, 2014 and 172.48% of non-performing non-covered loans at that date. Based upon all relevant and available information as of September 30, 2014, 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 largely been 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 September 30, 2014, one-to-four family loans, ADC loans, and other loans represented 1.3%, 0.96%, and 3.1%, respectively, of total non-covered loans held for investment, as compared to 2.0%, 1.2%, and 2.9% at December 31, 2013. Furthermore, 2.6%, 0.75%, and 0.96% of one-to-four family loans, ADC loans, and other loans, respectively, were non-performing at September 30, 2014.

The following tables present the number and amount of non-performing CRE and multi-family loans by originating bank at September 30, 2014 and December 31, 2013:

As of September 30, 2014 (dollars in thousands)	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
	Number	Amount	Number	Amount
New York Community Bank	15	$ 29,643	25	$ 21,664
New York Commercial Bank	1	299	3	6,922
Total for New York Community Bancorp	16	$ 29,942	28	$ 28,586

As of December 31, 2013

(dollars in thousands)	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
	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

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The following table presents information about our five largest non-performing loans at September 30, 2014, all of which are non-covered held-for-investment loans:

	Loan No. 1	Loan No. 2	Loan No. 3	Loan No. 4	Loan No. 5
Type of Loan	Multi-Family	Multi-Family	CRE	Multi-Family	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	$6,121,180	$3,600,000	$4,300,000
Full Commitment Balance [3]	$12,640,000	$50,708,107	$6,121,180	$3,600,000	$4,300,000
Balance at September 30, 2014	$10,405,022	$9,218,056	$6,041,605	$3,138,781	$2,860,688
Associated Allowance	None	None	None	None	None
Non-Accrual Date	March 2014	May 2013	December 2010	September 2014	September 2013
Origination LTV	79%	85%	78%	67%	73%
Current LTV	91%	65%	66%	58%	55%
Last Appraisal	March 2014	January 2014	September 2014	September 2014	November 2013

(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, thereby reducing the balance to the level reflected in the table at September 30, 2014.

(2) Loan No. 3 includes three loans: one with an origination date of September 20, 2000 and two with an origination date of September 10, 2003. These loans were restructured into a non-accrual TDR on December 1, 2010.

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

The following is a description of the five loans identified in the preceding table. It should be noted that no allocation for the non-covered loan loss allowance was needed for any of the five loans, as determined by using the fair value of collateral method defined in ASC 310-10 and -40.

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. 2 – The borrower is an owner of real estate and is based in Connecticut. This loan is collateralized by two multi-family complexes with 217 residential units in Hartford, Connecticut.

No. 3 – The borrower is an owner of real estate and is based in New York. This loan is collateralized by a 114,000-square foot commercial building in Plainview, New York.

No. 4 – The borrower is an owner of real estate and is based in New York. This loan is collateralized by a multi-family building with 40 residential units in Hempstead, New York.

No. 5 – The borrower is an owner of real estate and is based in New Jersey. This loan is collateralized by a 33,040-square foot medical/professional office building in Raritan, New Jersey.

Troubled Debt Restructurings

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

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 September 30, 2014, loans modified as TDRs totaled $43.0 million, including accruing loans of $12.1 million and non-accrual loans of $30.9 million. Loans on which concessions were made with respect to rate reductions and/or extension of maturity dates totaled $37.0 million; loans in connection with which forbearance agreements were reached totaled $6.0 million. At December 31, 2013, the balance of loans modified as TDRs was $80.3 million, including accruing loans and non-accrual loans of $13.4 million and $66.9 million, respectively.

Based on the number of loans performing in accordance with their revised terms, our success rates for restructured multi-family and CRE loans were 90.0% and 75.0%, respectively, at the end of September; in addition, our success rate was 100% for all other loan types at quarter-end.

Analysis of Troubled Debt Restructurings

The following table presents information regarding our TDRs as of September 30, 2014:

(in thousands)	Accruing	Non-Accrual	Total
Multi-family	$ 9,962	$ 12,642	$ 22,604
Commercial real estate	2,137	16,158	18,295
One-to-four family	--	--	--
Acquisition, development, and construction	--	935	935
Commercial and industrial	--	1,203	1,203
Total	$ 12,099	$ 30,938	$ 43,037

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 nine months ended September 30, 2014:

(in thousands)	Accruing	Non-Accrual	Total
Balance at December 31, 2013	$ 13,410	$ 66,932	$ 80,342
New TDRs	--	4,347	4,347
Charge-offs	--	(334)	(334)
Transferred from accruing to non-accrual	--	--	--
Transferred to other real estate owned	--	(32,194)	(32,194)
Loan payoffs, including dispositions and principal pay-downs	(1,311)	(7,813)	(9,124)
Balance at September 30, 2014	$ 12,099	$ 30,938	$ 43,037

On a limited basis, we may provide additional credit to a borrower after a 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. During the nine months ended September 30, 2014, no such additions were made. 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 September 30, 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.

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 September 30, 2014 and December 31, 2013. 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.

(dollars in thousands)	At or For the Nine Months Ended September 30, 2014	At or For the Year Ended December 31, 2013
Allowance for Losses on Non-Covered Loans:		
Balance at beginning of period	$ 141,946	$ 140,948
Provision for losses on non-covered loans	--	18,000
Charge-offs:		
Multi-family	(755)	(12,922)
Commercial real estate	(1,615)	(3,489)
One-to-four family	(240)	(351)
Acquisition, development, and construction	--	(1,503)
Other loans	(5,194)	(7,092)
Total charge-offs	(7,804)	(25,357)
Recoveries	5,602	8,355
Net charge-offs	(2,202)	(17,002)
Balance at end of period	$ 139,744	$ 141,946
Non-Performing Non-Covered Assets:		
Non-accrual non-covered mortgage loans:		
Multi-family	$ 29,942	$ 58,395
Commercial real estate	28,586	24,550
One-to-four family	10,575	10,937
Acquisition, development, and construction	2,328	2,571
Total non-accrual non-covered mortgage loans	71,431	96,453
Other non-accrual non-covered loans	9,588	7,084
Total non-performing non-covered loans [1]	$ 81,019	$ 103,537
Non-covered other real estate owned [2]	63,738	71,392
Total non-performing non-covered assets	$ 144,757	$ 174,929
Asset Quality Measures:		
Non-performing non-covered loans to total non-covered loans	0.25 %	0.35 %
Non-performing non-covered assets to total non-covered assets	0.31	0.40
Allowance for losses on non-covered loans to non-performing non-covered loans	172.48	135.10
Allowance for losses on non-covered loans to total non-covered loans	0.43	0.48
Net charge-offs during the period to average loans outstanding during the period [3]	0.01 [4]	0.05
Loans 30-89 Days Past Due:		
Multi-family	$ 2,516	$ 33,678
Commercial real estate	164	1,854
One-to-four family	2,451	1,076

Acquisition, development, and construction	--	--
Other loans	1,274	481
Total loans 30-89 days past due[5]	$ 6,405	$ 37,089

(1) The September 30, 2014 and December 31, 2013 amounts exclude loans 90 days or more past due of $152.8 million and $211.5 million, respectively, that are covered by FDIC loss sharing agreements.

(2) The September 30, 2014 and December 31, 2013 amounts exclude OREO of $35.8 million and $37.5 million, respectively, that is covered by FDIC loss sharing agreements.

(3) Average loans include covered loans.

(4) Presented on a non-annualized basis.

(5) The September 30, 2014 and December 31, 2013 amounts exclude loans 30 to 89 days past due of $49.0 million and $57.9 million, respectively, that are covered by FDIC loss sharing agreements.

Covered Loans and Covered Other Real Estate Owned

The credit risk associated with the assets acquired in our AmTrust and Desert Hills transactions has been substantially mitigated by our loss sharing agreements with the FDIC. Under the terms of the loss sharing agreements, the FDIC agreed to reimburse us for 80% of losses (and share in 80% of any recoveries) up to a specified threshold with respect to the loans and OREO acquired in the transactions, and to reimburse us for 95% of any losses (and share in 95% of any recoveries) with respect to the acquired assets beyond that threshold. The loss sharing (and reimbursement) agreements applicable to one-to-four family mortgage loans and HELOCs are effective for a ten-year period from the date of acquisition. Under the loss sharing agreements applicable to all other covered loans and OREO, the FDIC will reimburse us for losses for a five-year period from the date of acquisition; the period for sharing in recoveries on all other covered loans and OREO extends for a period of eight years from the acquisition date.

We consider our covered loans to be performing due to the application of the yield accretion method under ASC 310-30, which allows us to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Accordingly, loans that may have been classified as non-performing loans by AmTrust or Desert Hills were no longer classified as non-performing at the respective dates of acquisition because we believed at that time that we would fully collect the new carrying value of those loans. The new carrying value represents the contractual balance, reduced by the portion expected to be uncollectible (referred to as the “non-accretable difference”) and by an accretable yield (discount) that is recognized as interest income. It is important to note that management’s judgment is required in reclassifying loans subject to ASC 310-30 as performing loans, and is dependent on having a reasonable expectation about the timing and amount of the cash flows to be collected, even if a loan is contractually past due.

In connection with the AmTrust and Desert Hills loss sharing agreements, we established FDIC loss share receivables of $740.0 million and $69.6 million, which were the acquisition date fair values of the respective loss sharing agreements (i.e., the expected reimbursements from the FDIC over the terms of the agreements). The loss share receivables may increase if the losses increase, and may decrease if the losses fall short of the expected amounts. Increases in estimated reimbursements will be recognized in income in the same period that they are identified and that the allowance for losses on the related covered loans is recognized.

In the nine months ended September 30, 2014, we recorded FDIC indemnification expense of $14.7 million in “Non-interest income” in connection with the recovery of $18.4 million from the allowance for losses on covered loans. The recovery was recorded to reflect our expectation that the cash flows generated by certain pools of covered loans would increase due to an improvement in credit quality. Conversely, in the nine months ended September 30, 2013, we recorded FDIC indemnification income of $14.9 million in “Non-interest income” in connection with an $18.6 million provision for losses on covered loans. The provision was recorded to reflect our expectation that the cash flows generated by certain pools of covered loans would decline due to a decrease in credit quality.

Decreases in estimated reimbursements from the FDIC, if any, are recognized in income prospectively over the life of the related covered loans (or, if shorter, over the remaining term of the loss sharing agreement). Related additions to the accretable yield on the covered loans are recognized in income prospectively over the lives of the loans. Gains and recoveries on covered assets offset losses, or are paid to the FDIC at the applicable loss share percentage at the time of recovery.

The loss share receivables also may increase due to accretion, or decrease due to amortization. In the nine months ended September 30, 2014, we recorded net amortization of $28.8 million; in the year-earlier nine-month period, we recorded net amortization of $13.2 million. Accretion of the FDIC loss share receivable relates to the difference between the discounted, versus the undiscounted, expected cash flows of covered loans subject to the FDIC loss

sharing agreements. Amortization occurs when the expected cash flows from the covered loan portfolio improve, thus reducing the amounts receivable from the FDIC. These cash flows are discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursements from the FDIC. In the nine months ended September 30, 2014, we received FDIC reimbursements of $30.7 million, as compared to $52.2 million in the nine months ended September 30, 2013.

In March 2015, the loss sharing agreement pertaining to the non-residential loans acquired in the Desert Hills transaction (i.e., all loans other than one-to-four family mortgage loans and HELOCs) will expire, and the loans in that portfolio, will no longer be considered “covered” loans. Given the small size of the portfolio (i.e., an unpaid principal balance of $30.4 million at the end of September), and our expectation that it will decrease further over the next two quarters, it is currently management’s expectation that the impact on our asset quality measures will be immaterial.

Asset Quality Analysis (Including Covered Loans and Covered OREO)

The following table presents information regarding our non-performing assets and loans past due at September 30, 2014 and December 31, 2013, including covered loans and covered OREO (collectively, "covered assets"):

(dollars in thousands)	At or For the Nine Months Ended September 30, 2014	At or For the Year Ended December 31, 2013
Covered Loans 90 Days or More Past Due:		
Multi-family	$ --	$ --
Commercial real estate	1,326	1,607
One-to-four family	144,881	201,425
Acquisition, development, and construction	722	1,029
Other	5,852	7,424
Total covered loans 90 days or more past due	$ 152,781	$ 211,485
Covered other real estate owned	35,797	37,477
Total covered non-performing assets	$ 188,578	$ 248,962
Total Non-Performing Assets (including covered assets):		
Non-performing loans:		
Multi-family	$ 29,942	$ 58,395
Commercial real estate	29,912	26,157
One-to-four family	155,456	212,362
Acquisition, development, and construction	3,050	3,600
Other non-performing loans	15,440	14,508
Total non-performing loans	$ 233,800	$ 315,022
Other real estate owned	99,535	108,869
Total non-performing assets (including covered assets)	$ 333,335	$ 423,891
Asset Quality Ratios (including covered loans and the allowance for losses on covered loans):		
Total non-performing loans to total loans	0.67 %	0.97 %
Total non-performing assets to total assets	0.68	0.91
Allowance for loan losses to total non-performing loans	79.31	65.40
Allowance for loan losses to total loans	0.53	0.63
Covered Loans 30-89 Days Past Due:		
Multi-family	$ --	$ --
Commercial real estate	--	--
One-to-four family	45,045	52,250
Acquisition, development, and construction	10	--
Other loans	3,921	5,679
Total covered loans 30-89 days past due	$ 48,976	$ 57,929
Total Loans 30-89 Days Past Due (including covered loans):		
Multi-family	$ 2,516	$ 33,678
Commercial real estate	164	1,854
One-to-four family	47,496	53,326
Acquisition, development, and construction	10	--

Other loans	5,195	6,160
Total loans 30-89 days past due (including covered loans)	$ 55,381	$ 95,018

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Geographical Analysis of Non-Performing Loans (Non-Covered and Covered)

The following table presents a geographical analysis of our non-performing loans at September 30, 2014:

	Non-Performing Loans		
(in thousands)	Non-Covered Loan Portfolio	Covered Loan Portfolio	Total
New Jersey	$37,989	$14,815	$52,804
New York	29,693	15,671	45,364
Florida	--	42,395	42,395
Connecticut	13,036	2,909	15,945
California	176	12,721	12,897
Massachusetts	--	8,476	8,476
Ohio	--	8,243	8,243
All other states	125	47,551	47,676
Total non-performing loans	$81,019	$152,781	$233,800

Securities

At September 30, 2014, securities represented $7.5 billion, or 15.4%, of total assets, as compared to $8.0 billion, or 17.0%, at December 31, 2013.

The investment policies of the Company and the Banks are established by the respective Boards of Directors and implemented by their respective Investment Committees, in concert with the respective Asset and Liability Management Committees. The Investment Committees generally meet quarterly or on an as-needed basis to review the portfolios and specific capital market transactions. In addition, the securities portfolios are reviewed monthly by the Boards of Directors as a whole. Furthermore, the policies guiding the Company's and the Banks' investments are reviewed at least annually by the respective Investment Committees, as well as by the respective Boards. While the policies permit investment in various types of liquid assets, neither the Company nor the Banks currently maintains a trading portfolio.

Our general investment strategy is to purchase liquid investments with various maturities to ensure that our overall interest rate risk position stays within the required limits of our investment policies. We generally limit our investments to GSE obligations (defined as GSE certificates; GSE collateralized mortgage obligations, or "CMOs"; and GSE debentures). At September 30, 2014 and December 31, 2013, GSE obligations represented 95.6% and 95.5%, respectively, of total securities. The remainder of the portfolio at those dates was comprised of corporate bonds, trust preferred securities, corporate equities, municipal obligations, and a private-label CMO. None of our securities investments are backed by subprime or Alt-A loans.

Depending on management's intent at the time of purchase, securities are classified as either "held to maturity" or "available for sale." Held-to-maturity securities are securities that management has the positive intent to hold to maturity, whereas available-for-sale securities are securities that management intends to hold for an indefinite period of time. Held-to-maturity securities generate cash flows from repayments and serve as a source of earnings; they also serve as collateral for our wholesale borrowings. Available-for-sale securities generate cash flows from sales, as well as from repayments of principal and interest. They also serve as a source of liquidity for future loan production, the reduction of higher-cost funding, and general operating activities. A decision to purchase or sell such securities is based on economic conditions, including changes in interest rates, liquidity, and our asset and liability management

strategy.

Held-to-maturity securities represented $7.3 billion, or 96.8%, of total securities at the end of September, as compared to $7.7 billion, or 96.5%, at December 31st. At September 30, 2014, the fair value of securities held to maturity represented 100.67% of their carrying value, as compared to 97.1% at the end of last year. Mortgage-related securities accounted for $4.3 billion and $4.4 billion, respectively, of securities held to maturity at the ends of September and December, while other securities accounted for $3.0 billion and $3.3 billion at the corresponding dates.

GSE obligations represented $7.1 billion of held-to-maturity securities at September 30, 2014; capital trust notes, corporate bonds, and municipal obligations represented $75.6 million, $73.2 million, and $59.3 million, respectively, of the total balance at that date. At December 31, 2014, GSE obligations accounted for $7.5 billion of held-to-maturity securities, while capital trust notes and corporate bonds represented $75.7 million and $72.9 million, respectively. The estimated weighted average life of the held-to-maturity securities portfolio was 7.5 years and 8.2 years at the respective period-ends.

At September 30, 2014, available-for-sale securities represented $243.0 million, or 3.2%, of total securities, down from $280.7 million, or 3.5%, at December 31, 2013. Included in the respective period-end amounts were mortgage-related securities of $89.1 million and $96.2 million, and other securities of $153.9 million and $184.5 million, respectively. The estimated weighted average life of the available-for-sale securities portfolio was 7.8 years at the end of September, as compared to 7.3 years at December 31st.

Federal Home Loan Bank Stock

As members of the FHLB-NY, the Community Bank and the Commercial Bank are required to acquire and hold shares of its capital stock. In addition, the Community Bank acquired shares of the capital stock of the FHLB-Cincinnati and the FHLB-San Francisco in connection with the AmTrust and Desert Hills acquisitions, respectively.

At September 30, 2014, the Community Bank held $494.4 million of FHLB stock, including $470.8 million of stock in the FHLB-NY, $23.1 million of stock in the FHLB-Cincinnati, and $601,000 of stock in the FHLB-San Francisco. The Commercial Bank had $26.0 million of FHLB stock at the end of September, all of which was with the FHLB-NY. All FHLB stock continued to be valued at par, with no impairment required at September 30, 2014.

In the nine months ended September 30, 2014 and 2013, dividends from the FHLB to the Banks totaled $17.6 million and $13.4 million, respectively.

Bank-Owned Life Insurance

Bank-owned life insurance (“BOLI”) is recorded at the total cash surrender value of the policies in the Consolidated Statements of Condition under “Other assets” and the income generated by the increase in the cash surrender value of the policies is recorded in “Non-interest income” in the Consolidated Statements of Income and Comprehensive Income.

At September 30, 2014, our investment in BOLI amounted to $909.9 million, as compared to $893.5 million at December 31, 2013. The increase reflects the rise in the cash surrender value of the underlying policies over the nine-month period.

FDIC Loss Share Receivable

In connection with our loss sharing agreements with the FDIC with respect to the loans and OREO acquired in the AmTrust and Desert Hills transactions, our FDIC loss share receivables were $418.5 million and $492.7 million, respectively, at September 30, 2014 and December 31, 2013. The loss share receivables represent the present values of the reimbursements we expected to receive under the combined loss sharing agreements at the respective dates.

Goodwill and Core Deposit Intangibles

We record goodwill and CDI in our Consolidated Statements of Condition in connection with our various business combinations.

Goodwill totaled $2.4 billion at September 30, 2014, consistent with the balance at December 31, 2013. Reflecting amortization, CDI declined $6.4 million from the year-end balance to $9.8 million at the current third quarter-end.

Sources of Funds

The Parent Company (i.e., the Company on an unconsolidated basis) has four primary funding sources for the payment of dividends, share repurchases, and other corporate uses: dividends paid to the Company by the Banks; capital raised through the issuance of stock and other securities; funding raised through the issuance of debt instruments; and repayments of, and income from, investment securities.

On a consolidated basis, our funding primarily stems from a combination of the following sources: the deposits we gather organically or acquire in business combinations; brokered deposits; borrowed funds, primarily in the form of wholesale borrowings; the cash flows generated through the repayment and sale of loans; and the cash flows generated through the repayment and sale of securities.

Loan repayments and sales totaled $8.0 billion in the first nine months of 2014, as compared to $13.0 billion in the first nine months of 2013. The bulk of the decline was due to a decrease in the production of one-to-four family loans for sale by our mortgage banking operation as loan demand dwindled in connection with the year-over-year rise in residential mortgage interest rates.

In the nine months ended September 30, 2014, cash flows from the repayment and sale of securities respectively totaled $567.2 million and $254.5 million, while purchases of securities totaled $366.3 million. In the first nine months of 2013, cash flows from the repayment and sale of securities totaled $672.1 million and $784.7 million, respectively, and were partially offset by purchases of securities totaling $3.6 billion. In the current nine-month period, the cash flows from loans and securities were primarily redeployed into the production of held-for-investment multi-family loans.

Deposits

Our ability to retain and attract deposits depends on several factors, including customer satisfaction, the rates of interest we pay, the types of products we offer, and the attractiveness of their terms. There are times we may choose not to compete aggressively for deposits, depending on our access to deposits through acquisitions, the availability of lower-cost funding sources, the competitiveness of the market and its impact on pricing, and our need for such deposits to fund our loan demand. Conversely, there are times we may choose to compete more aggressively for deposits to diversify our funding sources.

Reflecting the results of a campaign to attract and retain core deposits, deposits totaled $28.3 billion at the end of September, reflecting a three-month increase of $955.3 million and a nine-month increase of $2.6 billion, or 10.3%. As a result, deposits represented 58.2% of total assets at the end of the current third quarter, as compared to 56.3% and 55.0%, respectively, at June 30, 2014 and December 31, 2013. Retail deposits accounted for $611.5 million and $1.1 billion, respectively, of the three- and nine-month increases, while business institutional deposits accounted for $251.2 million and $1.7 billion, respectively. Although municipal deposits fell sequentially, by $56.3 million, the balance of such deposits rose $64.4 million over the nine months ended September 30, 2014. In addition, brokered deposits rose $148.8 million sequentially, to $3.9 billion, but declined $189.3 million from the balance at December 31st, as further discussed below.

NOW and money market accounts represented $530.0 million and $1.9 billion, respectively, of the three- and nine-month increases in total deposits, and amounted to $12.4 billion at September 30, 2014. Savings accounts represented $753.3 million and $1.2 billion of the respective increases, having grown to $7.2 billion at the end of September, while non-interest-bearing accounts rose $66.9 million and $151.2 million, respectively, to $2.4 million at September 30th.

The increase in total deposits was modestly tempered by a decline in certificates of deposit (“CDs”) from the balances recorded at June 30, 2014 and December 31, 2013. CDs fell $394.8 million and $607.7 million, respectively, to $6.3 billion, representing 22.3% of total deposits at September 30, 2014.

The nine-month reduction in brokered deposits was the net effect of a $61.2 million decrease in brokered money market accounts to $3.6 billion, a $208.6 million decrease in brokered CDs to $3.5 million, and an $80.5 million increase in brokered demand accounts to $341.0 million at September 30, 2014. The linked-quarter increase in brokered deposits primarily reflects the increase in brokered demand accounts. The extent to which we accept brokered deposits depends on various factors, including the availability and pricing of such wholesale funding sources, and the availability and pricing of other sources of funds.

Borrowed Funds

Borrowed funds consist primarily of wholesale borrowings (i.e., FHLB advances, repurchase agreements, and fed funds purchased) and, to a far lesser extent, other borrowings (i.e., junior subordinated debentures and preferred stock of subsidiaries). Borrowed funds fell $904.8 million and $708.1 million, respectively, to $14.4 billion, in the three and nine months ended September 30, 2014.

Wholesale Borrowings

In tandem with the growth of our deposits, we have reduced our use of wholesale borrowings to some degree. Wholesale borrowings accounted for $14.0 billion of borrowed funds at the end of September, reflecting a three-month decrease of $904.8 million and a nine-month decrease of $708.3 million. The September 30th balance represented 28.8% of total assets, while the June 30th and December 31st balances represented 30.7% and 31.6%, respectively. FHLB advances and repurchase agreements accounted for $10.3 billion and $3.4 billion, respectively, of the September 30th total, as compared to $11.1 billion and $3.4 billion, respectively, at the end of the trailing quarter and $10.9 billion and $3.4 billion, respectively, at December 31st.

Both the Community Bank and the Commercial Bank are members of, and have lines of credit with, the FHLB-NY. Pursuant to blanket collateral agreements with the Banks, our FHLB advances and overnight advances are secured by pledges of certain eligible collateral in the form of loans. In addition to $9.7 billion of FHLB-NY advances, the September 30th balance includes $590.8 million of FHLB-Cincinnati advances that were acquired in the AmTrust acquisition in December 2009.

Repurchase agreements are contracts for the sale of securities owned or borrowed by the Banks with an agreement to repurchase those securities at agreed-upon prices and dates. Our repurchase agreements are primarily collateralized by GSE obligations, and may be entered into with the FHLB-NY or certain brokerage firms. The brokerage firms we utilize are subject to an ongoing internal financial review to ensure that we borrow funds only from those dealers whose financial strength will minimize the risk of loss due to default. In addition, a master repurchase agreement must be executed and on file for each of the brokerage firms we use.

At September 30, 2014, $4.0 billion of our wholesale borrowings were callable in the next 12 months. Given the current interest rate environment, we do not expect our callable wholesale borrowings to be called.

Other Borrowings

At September 30, 2014, other borrowings totaled $362.6 million, comparable to the balance at December 31st. Included in the September 30th amount were junior subordinated debentures of $358.3 million and preferred stock of subsidiaries of $4.3 million.

Asset and Liability Management and the Management of Interest Rate Risk

We manage our assets and liabilities to reduce our exposure to changes in market interest rates. The asset and liability management process has three primary objectives: to evaluate the interest rate risk inherent in certain balance sheet accounts; to determine the appropriate level of risk, given our business strategy, operating environment, capital and liquidity requirements, and performance objectives; and to manage that risk in a manner consistent with guidelines approved by the Boards of Directors of the Company, the Community Bank, and the Commercial Bank.

Market Risk

As a financial institution, we are focused on reducing our exposure to interest rate volatility, which represents our primary market risk. Changes in market interest rates pose the greatest challenge to our financial performance, as such changes can have a significant impact on the level of income and expense recorded on a large portion of our interest-earning assets and interest-bearing liabilities, and on the market value of all interest-earning assets, other than those possessing a short term to maturity. To reduce our exposure to changing rates, the Boards of Directors and management monitor interest rate sensitivity on a regular or as needed basis so that adjustments to the asset and liability mix can be made when deemed appropriate.

The actual duration of held-for-investment mortgage loans and mortgage-related securities can be significantly impacted by changes in prepayment levels and market interest rates. The level of prepayments may be impacted by a variety of factors, including the economy in the region where the underlying mortgages were originated; seasonal factors; demographic variables; and the assumability of the underlying mortgages. However, the largest determinants of prepayments are market interest rates and the availability of refinancing opportunities.

In the first nine months of 2014, we continued to manage our interest rate risk by taking the following actions: (1) We emphasized the origination and retention of intermediate-term assets, primarily in the form of multi-family and CRE loans; (2) We increased our production of C&I loans, which feature floating interest rates; and (3) We continued to deploy our cash flows into the production of loans held for investment and, to a far lesser extent, GSE obligations.

In connection with the activities of our mortgage banking operation, we enter into contingent commitments to fund residential mortgage loans by a specified future date at a stated interest rate and corresponding price. Such commitments, which are generally known as interest rate lock commitments (“IRLCs”), are considered to be financial derivatives and, as such, are carried at fair value.

To mitigate the interest rate risk associated with our IRLCs, we enter into forward commitments to sell mortgage loans or mortgage-backed securities ("MBS") by a specified future date and at a specified price. These forward-sale agreements are also carried at fair value. Such forward commitments to sell generally obligate us to complete the transaction as agreed, and therefore pose a risk to us if we are not able to deliver the loans or MBS pursuant to the terms of the applicable forward-sale agreement. For example, if we are unable to meet our obligation, we may be required to pay a fee to the counterparty.

When we retain the servicing on the loans we sell, we capitalize an MSR asset. MSRs are recorded at fair value, with changes in fair value recorded as a component of non-interest income. We estimate the fair value of the MSR asset based upon a number of factors, including current and expected loan prepayment rates, economic conditions, and market forecasts, as well as relevant characteristics of the associated underlying loans. Generally, when market interest rates decline, loan prepayments increase as customers refinance their existing mortgages to take advantage of more favorable interest rate terms. When a mortgage prepays, or when loans are expected to prepay earlier than originally expected, a portion of the anticipated cash flows associated with servicing these loans is terminated or reduced, which can result in a reduction in the fair value of the capitalized MSRs and a corresponding reduction in earnings.

To mitigate the prepayment risk inherent in MSRs, we could sell the servicing of the loans we produce, and thus minimize the potential for earnings volatility. Instead, we have opted to mitigate such risk by investing in exchange-traded derivative financial instruments that are expected to experience opposite and offsetting changes in fair value as related to the value of our MSRs.

Interest Rate Sensitivity Analysis

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are “interest rate sensitive” and by monitoring a bank’s interest rate sensitivity “gap.” An asset or liability is said to be interest rate sensitive within a specific time frame if it will mature or reprice within that period of time. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time frame and the amount of interest-bearing liabilities maturing or repricing within that same period of time.

In a rising interest rate environment, an institution with a negative gap would generally be expected, absent the effects of other factors, to experience a greater increase in the cost of its interest-bearing liabilities than it would in the yield on its interest-earning assets, thus producing a decline in its net interest income. Conversely, in a declining rate environment, an institution with a negative gap would generally be expected to experience a lesser reduction in the yield on its interest-earning assets than it would in the cost of its interest-bearing liabilities, thus producing an increase in its net interest income.

In a rising interest rate environment, an institution with a positive gap would generally be expected to experience a greater increase in the yield on its interest-earning assets than it would in the cost of its interest-bearing liabilities, thus producing an increase in its net interest income. Conversely, in a declining rate environment, an institution with a positive gap would generally be expected to experience a lesser reduction in the cost of its interest-bearing liabilities than it would in the yield on its interest-earning assets, thus producing a decline in its net interest income.

At September 30, 2014, our one-year gap was a negative 12.30%, as compared to a negative 13.66% at December 31, 2013. The change in our one-year gap was primarily attributable to an increase in projected loan prepayments, which was partially offset by an increase in the amount of CDs and borrowings maturing in one year.

The table on the following page sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at September 30, 2014 which, based on certain assumptions stemming from our historical experience, are expected to reprice or mature in each of the future time periods shown. Except as stated below, the amounts of assets and liabilities shown as repricing or maturing during a particular time period were determined in accordance with the earlier of (1) the term to repricing, or (2) the contractual terms of the asset or liability.

The table provides an approximation of the projected repricing of assets and liabilities at September 30, 2014 on the basis of contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three-month period

and subsequent selected time intervals. For residential mortgage-related securities, prepayment rates are forecasted at a weighted average constant prepayment rate ("CPR") of 18% per annum; for multi-family and CRE loans, prepayment rates are forecasted at weighted average CPRs of 25% and 16% per annum, respectively. Borrowed funds were not assumed to prepay. Savings, NOW, and money market accounts were assumed to decay based on a comprehensive statistical analysis that incorporated our historical deposit experience. Based on the results of this analysis, savings accounts were assumed to decay at a rate of 56% for the first five years and 44% for years six through ten. NOW accounts were assumed to decay at a rate of 72% for the first five years and 28% for years six through ten. The comprehensive statistical analysis was updated in the second quarter of 2014 to incorporate updated deposit data and modeling assumptions, and resulted in no decay rates beyond ten years. The change in the decay assumptions was made due to the prolonged low interest rate environment and the uncertainty regarding future depositor behavior. Including those accounts having specified repricing dates, money market accounts were assumed to decay at a rate of 93% for the first five years and 7% for years six through ten.

Interest Rate Sensitivity Analysis

(dollars in thousands)	At September 30, 2014 Three Months or Less	Four to Twelve Months	More Than One Year to Three Years	More Than Three Years to Five Years	More Than Five Years to 10 Years	More Than 10 Years	Total
INTEREST-EARNING ASSETS:							
Mortgage and other loans [1]	$4,220,889	$5,684,325	$11,775,364	$8,549,785	$4,787,295	$338,081	$35,355,739
Mortgage-related securities [2][3]	85,471	141,460	378,070	166,841	3,189,307	407,799	4,368,948
Other securities and money market investments [2]	767,234	10,178	5,864	77,366	2,641,182	166,430	3,668,254
Total interest-earning assets	5,073,594	5,835,963	12,159,298	8,793,992	10,617,784	912,310	43,392,941
INTEREST-BEARING LIABILITES:							
NOW and money market accounts	6,366,682	873,031	779,075	2,364,000	2,026,661	--	12,409,449
Savings accounts	699,751	401,554	2,689,710	205,320	3,155,926	--	7,152,261
Certificates of deposit	970,666	3,669,016	1,468,327	178,651	36,405	1,320	6,324,385
Borrowed funds	3,913,491	668	864,778	2,645,152	6,828,431	144,392	14,396,912
Total interest-bearing liabilities	11,950,590	4,944,269	5,801,890	5,393,123	12,047,423	145,712	40,283,007
Interest rate sensitivity gap per period [4]	$(6,876,996)	$891,694	$6,357,408	$3,400,869	$(1,429,639)	$766,598	$3,109,934
Cumulative interest rate sensitivity gap	$(6,876,996)	$(5,985,302)	$372,106	$3,772,975	$2,343,336	$3,109,934	
Cumulative interest rate sensitivity gap as a percentage of total assets	(14.13)%	(12.30)%	0.76 %	7.75 %	4.81 %	6.39 %	
Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities	42.45 %	64.57 %	101.64 %	113.43 %	105.84 %	107.72 %	

(1) For the purpose of the gap analysis, non-performing non-covered loans and the allowances for loan losses have been excluded.

(2) Mortgage-related and other securities, including FHLB stock, are shown at their respective carrying amounts.

(3) Expected amount based, in part, on historical experience.

(4) The interest rate sensitivity gap per period represents the difference between interest-earning assets and interest-bearing liabilities.

Prepayment and deposit decay rates can have a significant impact on our estimated gap. While we believe our assumptions to be reasonable, there can be no assurance that the assumed prepayment and decay rates will approximate actual future loan and securities prepayments and deposit withdrawal activity.

To validate our prepayment assumptions for our multi-family and CRE loan portfolios, we perform a monthly analysis, during which we review our historical prepayment rates and compare them to our projected prepayment rates. We continually review the actual prepayment rates to ensure that our projections are as accurate as possible, since prepayments on these types of loans are not as closely correlated to changes in interest rates as prepayments on one-to-four family loans would be. In addition, we review the call provisions in our borrowings and investment portfolios and, on a monthly basis, compare the actual calls to our projected calls to ensure that our projections are reasonable.

As of September 30, 2014, the impact of a 100-basis point decline in market interest rates would have increased our projected prepayment rates by a constant prepayment rate of 1.55% per annum. Conversely, the impact of a 100-basis point increase in market interest rates would have decreased our projected prepayment rates by a constant prepayment rate of 1.64% per annum.

Certain shortcomings are inherent in the method of analysis presented in the preceding Interest Rate Sensitivity Analysis. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. The interest rates on certain types of assets and liabilities may fluctuate in advance of the market, while interest rates on other types may lag behind changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates both on a short-term basis and over the life of the asset. Furthermore, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate from those assumed in calculating the table. Also, the ability of some borrowers to repay their adjustable-rate loans may be adversely impacted by an increase in market interest rates.

Interest rate sensitivity is also monitored through the use of a model that generates estimates of the change in our net portfolio value (“NPV”) over a range of interest rate scenarios. NPV is defined as the net present value of expected cash flows from assets, liabilities, and off-balance sheet contracts. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. The model assumes estimated loan prepayment rates, reinvestment rates, and deposit decay rates similar to those utilized in formulating the preceding Interest Rate Sensitivity Analysis.

Based on the information and assumptions in effect at September 30, 2014, the following table reflects the estimated percentage change in our NPV, assuming the changes in interest rates noted:

Change in Interest Rates (in basis points)[1]	Estimated Percentage Change in Net Portfolio Value
+100	(5.53)%
+200	(12.20)

(1) The impact of 100- and 200-basis point reductions in interest rates is not presented in view of the current level of the fed funds rate and other short-term interest rates.

The net changes in NPV presented in the preceding table are within the parameters approved by the Boards of Directors of the Company and the Banks.

As with the Interest Rate Sensitivity Analysis, certain shortcomings are inherent in the methodology used in the preceding interest rate risk measurements. Modeling changes in NPV requires that certain assumptions be made which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the NPV Analysis presented above assumes that the composition of our interest rate sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured, and also assumes that a particular change in interest rates is reflected uniformly across the yield curve, regardless of the duration to maturity or repricing of specific assets and liabilities. Furthermore, the model does not take into account the benefit of any strategic actions we may take to further reduce our exposure to interest rate risk. Accordingly, while the NPV Analysis provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on our net interest income, and may very well differ from actual results.

We also utilize an internal net interest income simulation to manage our sensitivity to interest rate risk. The simulation incorporates various market-based assumptions regarding the impact of changing interest rates on future levels of our financial assets and liabilities. The assumptions used in the net interest income simulation are inherently uncertain. Actual results may differ significantly from those presented in the following table, due to the frequency, timing, and magnitude of changes in interest rates; changes in spreads between maturity and repricing categories; and prepayments, among other factors, coupled with any actions taken to counter the effects of any such changes.

Based on the information and assumptions in effect at September 30, 2014, the following table reflects the estimated percentage change in future net interest income for the next twelve months, assuming the changes in interest rates noted:

Change in Interest Rates (in basis points) [1][2]	Estimated Percentage Change in Future Net Interest Income
+100 over one year	(3.79)%
+200 over one year	(8.44)

(1) In general, short- and long-term rates are assumed to increase in parallel fashion across all four quarters and then remain unchanged.

(2) The impact of 100- and 200-basis point reductions in interest rates is not presented in view of the current level of the fed funds rate and other short-term interest rates.

Future changes in our mix of assets and liabilities may result in greater changes to our gap, NPV, and/or net interest income simulation.

In the event that our interest rate sensitivity gap analysis or net interest income simulation were to indicate a variance in our NPV in excess of our internal policy limits, we would undertake the following actions to ensure that appropriate remedial measures were put in place:

- Our Management Asset and Liability Committee (the "ALCO Committee") would inform the Board of Directors of the variance, and present recommendations to the Board regarding proposed courses of action to restore conditions to within-policy tolerances.

In formulating appropriate strategies, the ALCO Committee would ascertain the primary causes of the variance from policy tolerances, the expected term of such conditions, and the projected effect on capital and earnings.

Where temporary changes in market conditions or volume levels result in significant increases in risk, strategies may involve reducing open positions or employing synthetic hedging techniques to more immediately reduce risk exposure. Where variance from policy tolerances is triggered by more fundamental imbalances in the risk profiles of core loan and deposit products, a remedial strategy may involve restoring balance through natural hedges to the extent possible before employing synthetic hedging techniques. Other strategies might include:

Asset restructuring, involving sales of assets having higher risk profiles, or a gradual restructuring of the asset mix over time to affect the maturity or repricing schedule of assets;

Liability restructuring, whereby product offerings and pricing would be altered or wholesale borrowings employed to affect the maturity structure or repricing of liabilities;

Expansion or shrinkage of the balance sheet to correct imbalances in the repricing or maturity periods between assets and liabilities; and/or

Use or alteration of off-balance-sheet positions, including interest rate swaps, caps, floors, options, and forward purchase or sales commitments.

In connection with our net interest income simulation modeling, we also evaluate the impact of changes in the slope of the yield curve. At September 30, 2014, our analysis indicated that an immediate inversion of the yield curve would be expected to result in a 4.86% decrease in net interest income over the next four quarters; conversely, an immediate steepening of the yield curve would be expected to result in a 1.55% increase in net interest income over such time.

Liquidity, Contractual Obligations and Off-Balance-Sheet Commitments, and Capital Position

Liquidity

We manage our liquidity to ensure that cash flows are sufficient to support our operations, and to compensate for any temporary mismatches between sources and uses of funds caused by variable loan and deposit demand.

We monitor our liquidity daily to ensure that sufficient funds are available to meet our financial obligations. Our most liquid assets are cash and cash equivalents, which totaled $662.5 million and $644.6 million, respectively, at September 30, 2014 and

December 31, 2013. As in the past, our portfolios of loans and securities provided liquidity in the current nine-month period, with cash flows from the repayment and sale of loans totaling $8.0 billion and cash flows from the repayment and sale of securities totaling $821.7 million.

Additional liquidity stems from the deposits we gather organically or acquire in business combinations, and from our use of wholesale funding sources, including brokered deposits and wholesale borrowings. We also have access to the Banks' approved lines of credit with various counterparties, including the FHLB-NY. The availability of these wholesale funding sources is generally based on the available amount of mortgage loan collateral under a blanket lien we have pledged to the respective institutions and, to a lesser extent, the available amount of securities that may be pledged to collateralize our borrowings. At September 30, 2014, our available borrowing capacity with the FHLB-NY was $6.7 billion. In addition, the Community Bank and the Commercial Bank had $241.0 million in available-for-sale securities, combined, at that date.

Furthermore, the Community Bank has an agreement with the Federal Reserve Bank of New York (the "FRB-NY") that enables it to access the discount window as a further means of enhancing its liquidity if need be. In connection with this agreement, the Community Bank has pledged certain loans and securities to collateralize any funds it may borrow. At September 30, 2014, the maximum amount the Community Bank could borrow from the FRB-NY was $1.2 billion. There were no borrowings against this line of credit at that date.

Our primary investing activity is loan production. In the first nine months of 2014, the combined volume of loans originated for sale and for investment was $10.5 billion. During this time, the net cash used in investing activities totaled $2.1 billion. Our financing activities provided net cash of $1.6 billion in the current nine-month period, and our operating activities provided net cash of $493.8 million during this time.

CDs due to mature in one year or less from September 30, 2014 totaled $4.6 billion, representing 73.4% of total CDs at that date. Our ability to retain these CDs and to attract new deposits depends on numerous factors, including customer satisfaction, the rates of interest we pay on our deposits, the types of products we offer, and the attractiveness of their terms. However, there are times when we may choose not to compete for such deposits, depending on the availability of lower-cost funding, the competitiveness of the market and its impact on pricing, and our need for such deposits to fund loan demand.

The Company (the "Parent Company") is a separate legal entity from each of the Banks and must provide for its own liquidity. In addition to operating expenses and any share repurchases, the Parent Company is responsible for paying any dividends declared to our shareholders. As a Delaware corporation, the Parent Company is able to pay dividends either from surplus or, in case there is no surplus, from net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. In addition, the Parent Company is not required to obtain prior Federal Reserve approval to pay a dividend unless the declaration and payment of a dividend could raise supervisory concerns about the safe and sound operation of the Company and the Banks, the dividend declared for a period is not supported by earnings for that period, or the Company plans to declare an increase in its dividend.

The Parent Company's ability to pay dividends may depend, in part, upon the dividends it receives from the Banks. The ability of the Community Bank and the Commercial Bank to pay dividends and other capital distributions to the Parent Company is generally limited by New York State banking law and regulations, and by certain regulations of the FDIC. In addition, the Superintendent of the New York State Department of Financial Services (the "Superintendent"), the FDIC, and the Federal Reserve, for reasons of safety and soundness, may prohibit the payment of dividends that are otherwise permissible by regulations.

Under New York State Banking Law, a New York State-chartered stock-form savings bank or commercial bank may declare and pay dividends out of its net profits, unless there is an impairment of capital. However, the approval of the

Superintendent is required if the total of all dividends declared in a calendar year would exceed the total of a bank's net profits for that year, combined with its retained net profits for the preceding two years. In the nine months ended September 30, 2014, the Banks paid dividends totaling $315.0 million to the Parent Company, leaving $143.2 million that they could dividend to the Parent Company without regulatory approval at that date. Additional sources of liquidity available to the Parent Company at September 30, 2014 included $112.6 million in cash and cash equivalents and $2.0 million of available-for-sale securities. If either of the Banks were to apply to the Superintendent for approval to make a dividend or capital distribution in excess of the dividend amounts permitted under the regulations, there can be no assurance that such application would be approved.

Derivative Financial Instruments

We use various financial instruments, including derivatives, in connection with our strategies to mitigate or reduce our exposure to losses from adverse changes in interest rates. Our derivative financial instruments consist of financial forward and futures contracts, IRLCs, swaps, and options, and relate to our mortgage banking operation, MSRs, and other risk management activities. These activities will vary in scope based on the level and volatility of interest rates, the types of assets held, and other changing market

conditions. At September 30, 2014, we held derivative financial instruments with a notional value of $2.3 billion. (Please see Note 12, “Derivative Financial Instruments,” for a further discussion of our use of such financial instruments.)

Capital Position

In the first nine months of 2014, stockholders’ equity rose $42.3 million to $5.8 billion, representing 11.87% of total assets and a book value per share of $13.05 at September 30th. At December 31, 2013, stockholders’ equity represented 12.29% of total assets and a book value per share of $13.01. We calculate book value per share by dividing the amount of stockholders’ equity at the end of a period by the number of shares outstanding at the same date. At September 30, 2014, we had 442,648,147 shares outstanding; at December 31, 2013, the number of outstanding shares was 440,809,365.

Tangible stockholders’ equity rose $48.8 million in the first nine months of this year, to $3.3 billion, after the distribution of quarterly cash dividends totaling $110.6 million. Tangible stockholders’ equity represented 7.21% of tangible assets at the end of September and 7.42% of tangible assets at December 31st. Tangible book value equaled $7.53 and $7.45 per share at the respective period-ends.

We calculate tangible stockholders’ equity by subtracting the amount of goodwill and CDI recorded at the end of a period from the amount of stockholders’ equity recorded at the same date. At both September 30, 2014 and December 31, 2013, we recorded goodwill of $2.4 billion; we recorded CDI of $9.8 million and $16.2 million, respectively, at the corresponding dates. (Please see the discussion and reconciliations of stockholders’ equity and tangible stockholders’ equity, total assets and tangible assets, and the related capital measures that appear earlier in this report.)

Both stockholders’ equity and tangible stockholders’ equity include AOCL. AOCL declined $4.1 million from the balance at December 31, 2013 to $32.4 million at September 30, 2014. The reduction was the net effect of a $2.3 million rise in the net unrealized gain on available-for-sale securities to $2.6 million; a $1.6 million decrease in the net unrealized loss on pension and post-retirement obligations to $29.6 million; and a decline in the net unrealized loss on the non-credit portion of OTTI losses on securities from $5.6 million to $5.4 million over the nine-month period.

At September 30, 2014, our capital measures continued to exceed the minimum federal requirements for a bank holding company. The following table sets forth our leverage, Tier 1 risk-based, and total risk-based capital amounts and ratios on a consolidated basis, as well as the respective minimum regulatory capital requirements, at that date:

Regulatory Capital Analysis (the Company)

	At September 30, 2014					
	Leverage Capital		Risk-Based Capital			
			Tier 1		Total	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$3,706,817	8.05%	$3,706,817	12.10%	$3,894,512	12.71%
Regulatory capital requirement	1,841,257	4.00	1,225,723	4.00	2,451,447	8.00
Excess	$1,865,560	4.05%	$2,481,094	8.10 %	$1,443,065	4.71 %

In addition, the capital ratios for the Community Bank and the Commercial Bank continued to exceed the minimum levels required for classification as "well capitalized" institutions at September 30, 2014, as defined under the Federal Deposit Insurance Corporation Improvement Act of 1991, and as reflected in the following tables:

Regulatory Capital Analysis (New York Community Bank)

	At September 30, 2014					
	Leverage Capital		Risk-Based Capital Tier 1		Total	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$3,242,324	7.65%	$3,242,324	11.63%	$3,418,334	12.27%
Regulatory capital requirement	1,694,701	4.00	1,114,763	4.00	2,229,526	8.00
Excess	$1,547,623	3.65%	$2,127,561	7.63 %	$1,188,808	4.27 %

Regulatory Capital Analysis (New York Commercial Bank)

	At September 30, 2014					
	Leverage Capital		Risk-Based Capital Tier 1		Total	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$368,337	10.06%	$368,337	13.25%	$380,022	13.67%
Regulatory capital requirement	146,468	4.00	111,237	4.00	222,474	8.00
Excess	$221,869	6.06 %	$257,100	9.25 %	$157,548	5.67 %

Basel III Capital Rules

In July 2013, the Company's primary federal regulator, the Federal Reserve, and the Banks' primary federal regulator, the FDIC, published final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 framework, known as "Basel III," for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act.

The Basel III Capital Rules substantially revise the current U.S. risk-based capital rules and requirements applicable to bank holding companies and depository institutions, including the Company and the Banks, as indicated below:

They define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios;
They address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios;
They replace the existing risk-weighting approach, which was derived from the Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 "Basel II" capital accords; and
They implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.
The Basel III Capital Rules will be effective for the Company and the Banks on January 1, 2015, subject to a phase-in period.

In addition, and among other things, the Basel III Capital Rules:

- Introduce a new capital measure called “Common Equity Tier 1” (“CET1”);
- Specify that Tier 1 capital consists of CET1 and “Additional Tier 1 Capital” instruments meeting specified requirements;
- Define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1, and not to the other components of capital; and
- Expand the scope of the deductions/adjustments from capital as compared to existing regulations.

The Basel III Capital Rules provide for a number of deductions from, and adjustments to, CET1. These include, for example, the requirement that MSRs, certain deferred tax assets dependent upon future taxable income, and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1.

In addition, under current capital standards, the effects of accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive income items are not excluded; however, “non-advanced approach” banking organizations, including the Company and the Banks, may make a one-time permanent election to continue to exclude these items. We expect to make this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of our securities portfolio.

The Basel III Capital Rules also exclude the inclusion of certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank holding companies, subject to phase-out. As a result, beginning in 2015, only 25% of the Company’s trust preferred securities, which totaled $86.4 million at the end of September, will be included in Tier 1 capital and, in 2016, none of the Company’s trust preferred securities will be included in Tier 1 capital. Trust preferred securities no longer included in the Company’s Tier 1 capital may nonetheless be included as a component of Tier 2 capital on a permanent basis without phase-out.

Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2015 and will be phased in over a four-year period, beginning at 40% on January 1, 2015 and continuing thereafter with an additional 20% per calendar year. The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a four-year period, increasing by that amount on each subsequent January 1st, until it reaches 2.5% on January 1, 2019.

Under the Basel III Capital Rules, the initial minimum capital ratios as of January 1, 2015 will be as follows:

4.5% CET1 to risk-weighted assets;
6.0% Tier 1 capital to risk-weighted assets; and
8.0% Total capital to risk-weighted assets.
When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Company and the Banks to maintain:

a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% “capital conservation buffer” designed to absorb losses during periods of economic stress (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation);
a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);
a minimum ratio of Total capital (i.e., Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum Total capital ratio of 10.5% upon full implementation); and
a minimum leverage capital ratio of 4.0%, calculated as the ratio of Tier 1 capital to average assets (as compared to a current minimum leverage capital ratio of 3.0% for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority’s risk-adjusted measure for market risk).
Management believes that, as of September 30, 2014, the Company and the Banks would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis if such requirements were effective as of that date.

Earnings Summary for the Three Months Ended September 30, 2014

In the three months ended September 30, 2014, we generated earnings of $120.3 million, or $0.27 per diluted share, as compared to $118.7 million, or $0.27 per diluted share, in the trailing quarter and $114.2 million, or $0.26 per diluted share, in the year-earlier three months.

In the first quarter of 2014, our earnings were reduced by a one-time charge to income tax expense of $4.5 million that was recorded in connection with certain tax legislation enacted by the State of New York on March 31, 2014. The impact of the tax charge was partly offset by a one-time after-tax gain of $2.3 million on the sale of Visa Class B shares during the same three-month period.

The following factors contributed to our current third-quarter results:

Net interest income totaled $289.0 million in the current third quarter, a $5.5 million increase from the trailing-quarter level and a $5.2 million decrease from the year-earlier amount. While the linked-quarter increase was primarily due to a $6.1 million rise in prepayment penalty income, the year-over-year decline was largely attributable to a $14.2 million decrease in prepayment penalty income, together with the replenishment of the balance sheet with lower-yielding loans.

Reflecting the quality of our assets and the adequacy of our allowance for non-covered loan losses, no provision for losses on non-covered loans was recorded in the first three quarters of this year. In the third quarter of 2013, we recorded a provision for non-covered loan losses of $5.0 million.

In addition, an increase in expected cash flows from the covered loans acquired in connection with our FDIC-assisted transactions resulted in a recovery of $3.9 million from the allowance for covered loan losses in the third quarter of this year. In the trailing and year-earlier quarters, we recorded provisions for losses on covered loans of $188,000 and $9.5 million, respectively, as the cash flows from the covered loan portfolio were expected to decline.

Non-interest income totaled $41.3 million in the current third quarter, reflecting a linked-quarter decrease of $11.3 million and a year-over-year decrease of $9.4 million. The sequential decline was largely due to a $9.1 million decrease in other income, while the year-over-year decline was largely due to our having recorded FDIC indemnification expense of $3.2 million in the current third quarter, in contrast to FDIC indemnification income of $7.6 million in the third quarter of 2013.

Non-interest expense fell $2.6 million sequentially, and $5.1 million from the year-earlier level, to $145.2 million in the three months ended September 30, 2014. The linked-quarter decline was the result of a $2.6 million decrease in operating expenses and a modest decline in the amortization of CDI. The year-over-year decline in non-interest expense was the result of a $3.0 million decrease in operating expenses and a $2.1 million decrease in the amortization of CDI. The respective declines in operating expenses were largely due to reductions in general and administrative ("G&A") and occupancy and equipment expenses.

Income tax expense fell $566,000 sequentially and rose $2.8 million from the year-earlier level, to $68.8 million in the third quarter of 2014.

Net Interest Income

Net interest income is our primary source of income. Its level is a function of the average balance of our interest-earning assets, the average balance of our interest-bearing liabilities, and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of our interest-earning assets and our interest-bearing liabilities which, in turn, are impacted by various external factors, including the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve Board of Governors (the "FOMC"), and market interest rates.

The cost of our deposits and borrowed funds is largely based on short-term rates of interest, the level of which is partially impacted by the actions of the FOMC. The FOMC reduces, maintains, or increases the target fed funds rate (the rate at which banks borrow funds overnight from one another) as it deems necessary. The target fed funds rate has been maintained at a range of zero to 0.25% since the fourth quarter of 2008.

While the target fed funds rate generally impacts the cost of our short-term borrowings and deposits, the yields on our held-for-investment loans and other interest-earning assets are typically impacted by intermediate-term market interest rates. In the third quarter of 2014, the average five-year CMT rose to 1.70% from 1.66% in the trailing quarter and from 1.50% in the third quarter of 2013. Meanwhile, the average ten-year CMT fell to 2.50% from 2.62% in the trailing quarter, and from 2.71% in the year-earlier three months.

Net interest income is also influenced by the level of prepayment penalty income generated, primarily in connection with the prepayment of our multi-family and CRE loans. Since prepayment penalty income is recorded as interest

income, an increase or decrease in its level will also be reflected in the average yields on our loans and interest-earning assets, and therefore in our interest rate spread and net interest margin. After four consecutive quarters of robust activity in New York City, where most of the properties securing our multi-family and CRE loans are located, property transactions declined in the first nine months of 2014. While prepayment penalty income rose $6.1 million sequentially in the current third quarter, it declined $14.2 million year-over-year.

Net interest income totaled $289.0 million in the current third quarter, reflecting a sequential rise of $5.5 million, as a $9.2 million increase in interest income to $427.1 million exceeded a $3.7 million rise in interest expense to $138.0 million. Year-over-year, net interest income declined $5.2 million as a $604,000 decrease in interest income combined with a $4.6 million increase in interest expense.

In addition, our net interest margin was 2.69% in the current third quarter, three basis points wider than the trailing-quarter measure and 35 basis points narrower than the measure in the year-earlier three months.

The following factors contributed to the linked-quarter increases in our net interest income and net interest margin:

Prepayment penalty income contributed $25.4 million to net interest income in the current third quarter, a $6.1 million increase from the trailing-quarter amount. In addition, prepayment penalty income contributed 24 basis points to the current third-quarter margin, as compared to 18 basis points in the second quarter of this year.

The average balance of interest-earning assets rose $614.9 million sequentially to $43.2 billion, the net effect of a $924.2 million rise in the average balance of loans to $35.1 billion and a $309.3 million decrease in the average balance of securities and money market investments to $8.1 billion. The benefit of the increase in the average balance of interest-earning assets was complemented by a two-basis point rise in the average yield to 3.95%. The higher yield was driven by a nine-basis point rise in the average yield on securities and money market investments, and supported by the stability of the average yield on loans. Specifically, the average yield on securities and money market investments rose to 3.28% in the current third quarter, while the average yield on loans held steady at 4.11%. Prepayment penalty income accounted for 29 and 23 basis points of the average yield on loans in the three months ended September 30, and June 30, 2014, respectively.

In the third quarter of 2014, the average balance of interest-bearing liabilities rose $700.4 million to $40.0 billion, as a $958.1 million increase in the average balance of interest-bearing deposits to $25.4 billion was tempered by a $257.8 million decline in the average balance of borrowed funds to $14.6 billion. While the average costs of interest-bearing deposits and borrowed funds rose one and five basis points, respectively, quarter-over-quarter, the average cost of interest-bearing liabilities held steady at 1.37%.

The following factors contributed to the year-over-year declines in our net interest income and net interest margin:

Primarily reflecting a decrease in property transactions and refinancing activity from the year-earlier levels, prepayment penalty income fell $14.2 million year-over-year and contributed 17 fewer basis points to our net interest margin than it did in the third quarter of 2013.

The average balance of interest-earning assets rose $4.3 billion year-over-year as a $769.1 million increase in the average balance of securities and money market investments combined with a $3.6 billion increase in the average balance of loans. The benefit of the increase in the average balance of interest-earning assets was tempered by the impact of a 45-basis point decrease in the average yield. While the average yield on securities and money market investments was 17 basis points higher than the yield recorded in the year-earlier third quarter, the yield on loans fell 59 basis points during this time. The latter decline was attributable to the reduction in prepayment penalty income as well as the replenishment of the loan portfolio with lower-yielding loans. Prepayment penalty income contributed 21 fewer basis points to the average yield on loans in the current third quarter than it did in the third quarter of 2013.

While the average balance of interest-bearing liabilities rose $4.0 billion year-over-year, the impact was somewhat tempered by the benefit of a ten-basis point decline in the average cost of funds. Interest-bearing deposits accounted for $2.9 billion of the increase in the average balance, while borrowed funds accounted for the remaining $1.2 billion. Notwithstanding the increase in average interest-bearing deposits and average borrowed funds in the current third quarter, the average costs of such funds fell two basis points and 20 basis points, respectively, year-over-year.

It should be noted that the level of prepayment penalty income recorded in any given period depends on the volume of loans that refinance or prepay during that time. Such activity is largely dependent on such external factors as current market conditions, including real estate values, and the perceived or actual direction of market interest rates. In addition, while a decline in market interest rates may trigger an increase in refinancing and, therefore, prepayment penalty income, so too may an increase in market interest rates. It is not unusual for borrowers to lock in lower interest rates when they expect, or see, that market interest rates are rising rather than risk refinancing later at a still higher interest rate.

Furthermore, the level of prepayment penalty income recorded when a loan prepays is a function of the remaining principal balance, as well as the number of years remaining on the loan. The number of years dictates the number of prepayment penalty points that are charged on the remaining principal balance, based on a sliding scale of five percentage points to one, as discussed under “Multi-Family Loans” and “Commercial Real Estate Loans” earlier in this report.

The following tables set forth certain information regarding our average balance sheet for the quarters indicated, including the average yields on our interest-earning assets and the average costs of our interest-bearing liabilities. Average yields are calculated by dividing the interest income produced by the average balance of interest-earning assets. Average costs are calculated by dividing the interest expense produced by the average balance of interest-bearing liabilities. The average balances for the quarter are derived from

average balances that are calculated daily. The average yields and costs include fees, as well as premiums and discounts (including mark-to-market adjustments from acquisitions), that are considered adjustments to such average yields and costs.

Net Interest Income Analysis (Linked-Quarter Comparison)

	For the Three Months Ended							
	September 30, 2014				June 30, 2014			
(dollars in thousands)	Average Balance	Interest	Average Yield/ Cost		Average Balance	Interest	Average Yield/ Cost	
Assets:								
Interest-earning assets:								
Mortgage and other loans, net [1]	$35,067,046	$360,499	4.11	%	$34,142,869	$350,557	4.11	%
Securities and money market investments [2][3]	8,104,926	66,572	3.28		8,414,217	67,325	3.19	
Total interest-earning assets	43,171,972	427,071	3.95		42,557,086	417,882	3.93	
Non-interest-earning assets	5,312,881				5,340,203			
Total assets	$48,484,853				$47,897,289			
Liabilities and Stockholders' Equity:								
Interest-bearing deposits:								
NOW and money market accounts	$12,173,504	$10,632	0.35	%	$11,266,689	$9,371	0.33	%
Savings accounts	6,790,281	9,741	0.57		6,567,458	8,259	0.50	
Certificates of deposit	6,477,180	18,330	1.12		6,648,674	18,464	1.11	
Total interest-bearing deposits	25,440,965	38,703	0.60		24,482,821	36,094	0.59	
Borrowed funds	14,605,390	99,339	2.70		14,863,156	98,296	2.65	
Total interest-bearing liabilities	40,046,355	138,042	1.37		39,345,977	134,390	1.37	
Non-interest-bearing deposits	2,464,437				2,574,050			
Other liabilities	197,621				209,698			
Total liabilities	42,708,413				42,129,725			
Stockholders' equity	5,776,440				5,767,564			
Total liabilities and stockholders' equity	$48,484,853				$47,897,289			
Net interest income/interest rate spread		$289,029	2.58	%		$283,492	2.56	%
Net interest margin			2.69	%			2.66	%
Ratio of interest-earning assets to interest-bearing liabilities			1.08	x			1.08	x

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowances for loan losses, and include loans held for sale and non-performing loans.
(2) Amounts are at amortized cost.
(3) Includes FHLB stock.

Net Interest Income Analysis (Year-Over-Year Comparison)

	For the Three Months Ended September 30,							
	2014				2013			
(dollars in thousands)	Average Balance	Interest	Average Yield/ Cost		Average Balance	Interest	Average Yield/ Cost	
Assets:								
Interest-earning assets:								
Mortgage and other loans, net [1]	$35,067,046	$360,499	4.11	%	$31,510,340	$370,341	4.70	%
Securities and money market investments [2][3]	8,104,926	66,572	3.28		7,335,838	57,334	3.11	
Total interest-earning assets	43,171,972	427,071	3.95		38,846,178	427,675	4.40	
Non-interest-earning assets	5,312,881				5,497,106			
Total assets	$48,484,853				$44,343,284			
Liabilities and Stockholders' Equity:								
Interest-bearing deposits:								
NOW and money market accounts	$12,173,504	$10,632	0.35	%	$9,433,792	$8,613	0.36	%
Savings accounts	6,790,281	9,741	0.57		5,799,629	6,285	0.43	
Certificates of deposit	6,477,180	18,330	1.12		7,335,210	20,206	1.09	
Total interest-bearing deposits	25,440,965	38,703	0.60		22,568,631	35,104	0.62	
Borrowed funds	14,605,390	99,339	2.70		13,437,190	98,340	2.90	
Total interest-bearing liabilities	40,046,355	138,042	1.37		36,005,821	133,444	1.47	
Non-interest-bearing deposits	2,464,437				2,449,792			
Other liabilities	197,621				288,176			
Total liabilities	42,708,413				38,743,789			
Stockholders' equity	5,776,440				5,599,495			
Total liabilities and stockholders' equity	$48,484,853				$44,343,284			
Net interest income/interest rate spread		$289,029	2.58	%		$294,231	2.93	%
Net interest margin			2.69	%			3.04	%
Ratio of interest-earning assets to interest-bearing liabilities			1.08	x			1.08	x

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowances for loan losses, and include loans held for sale and non-performing loans.
(2) Amounts are at amortized cost.
(3) Includes FHLB stock.

Provisions for/(Recovery of) Loan Losses

Provision for Losses on Non-Covered Loans

The provision for losses on non-covered loans is based on management's periodic assessment of the adequacy of the allowance for losses on such loans which, in turn, is based on its evaluation of inherent losses in the held-for-investment loan portfolio in accordance with GAAP. This evaluation considers 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.

As a result of management's assessment of these factors, no provision for losses on non-covered loans was recorded in the first three quarters of 2014. In the third quarter of 2013, we recorded a provision of $5.0 million. Reflecting current third-quarter net recoveries of $271,000, the allowance for losses on non-covered loans was $139.7 million at September 30, 2014, as compared to $139.5 million at June 30, 2014.

(Recovery of)/Provision for Losses on Covered Loans

When we have reason to believe that the cash flows from certain loan portfolios acquired in our FDIC-assisted acquisitions will exceed our original expectations (i.e., when the credit quality of certain pools of acquired loans appears to improve), we reverse the previously established covered loan loss allowance by recording a recovery, and increase our interest income as a prospective yield adjustment over the remaining life of the loans or pool of loans.

Conversely, when the cash flows from certain loan portfolios acquired in our FDIC-assisted acquisitions are expected to fall short of the cash flows we expected at the time of the acquisition (i.e., when the credit quality of certain pools of acquired loans is expected to deteriorate), we record a provision for losses on covered loans.

In the three months ended September 30, 2014, we recovered $3.9 million from the allowance for covered loan losses as the credit quality of certain acquired loans appeared to improve. Conversely, in the three months ended June 30, 2014 and September 30, 2013, we recorded provisions of $188,000 and $9.5 million, respectively, for covered loan losses as the credit quality of certain acquired loans appeared to decline.

Because losses on covered loans are largely reimbursable under our FDIC loss sharing agreements, the recovery recorded in the current third quarter was partially offset by FDIC indemnification expense of $3.2 million, while the provisions for covered loan losses recorded in the trailing and year-earlier quarters were partially offset by FDIC indemnification income of $150,000 and $7.6 million, respectively. FDIC indemnification expense and FDIC indemnification income are recorded in “Non-interest income” during the same quarter that a recovery or a provision occurs.

For additional information about our provisions for/(recovery of) loan losses, please see the discussion of the respective loan loss allowances under “Critical Accounting Policies” and the discussion of “Asset Quality” that appear earlier in this report.

Non-Interest Income

We generate non-interest income through a variety of sources, some of which are recurring and some of which are not.

Mortgage banking income is our primary source of non-interest income, and includes income from the origination of one-to-four family loans for sale and income from the servicing of these and other one-to-four family loans. Our other recurring sources of non-interest income are fee income (in the form of retail deposit fees and charges on loans); income from our investment in BOLI; and other income, which is derived from various sources, including the sale of third-party investment products in our branches and the revenues from our wholly-owned subsidiary, Peter B. Cannell & Co., Inc. (“PBC”), an investment advisory firm. From time to time, these recurring sources of non-interest income are supplemented by FDIC indemnification income/(expense)—in any quarter when a provision for/(recovery of) losses on covered loans is recorded—and by gains on the sale of securities, which depend on market conditions and our corporate strategies.

Non-interest income totaled $41.3 million in the current third quarter, reflecting a linked-quarter reduction of $11.3 million and a $9.4 million reduction year-over-year.

In addition to the $3.3 million difference between the FDIC indemnification expense and the FDIC indemnification income respectively recorded in this year’s third and second quarters, the linked-quarter reduction in non-interest income was attributable to a $9.1 million decrease in other income to $11.6 million and far lesser declines in fee income and net securities gains. In the second quarter of 2014, we recorded a gain of $6.0 million on the sale of multi-family buildings that previously had been classified as OREO; no comparable gain was recorded in the third quarter of this year.

The year-over-year decline in non-interest income was largely due to the $10.7 million difference between the FDIC indemnification expense recorded in the current third quarter and the FDIC indemnification income recorded in the third quarter of 2013. The impact of this difference was partly offset by a $3.4 million increase in other income, primarily reflecting a $2.6 million rise in revenues from PBC.

Mortgage banking income accounted for $16.6 million of non-interest income in the current third quarter, reflecting a $1.3 million increase from the trailing-quarter level and a $401,000 increase from the year-earlier amount. The linked-quarter increase was the net effect of a $1.7 million rise in income from originations to $6.6 million and a $369,000 decrease in servicing income to $10.0 million. The year-over-year increase was the net effect of a $772,000 increase in income from originations and a $371,000 decrease in servicing income. The linked-quarter and year-over-year increases, albeit modest, reflect the decline in residential mortgage interest rates that occurred in the third quarter of 2014.

The following table summarizes the components of non-interest income for the three months ended September 30, 2014, June 30, 2014, and September 30, 2013:

Non-Interest Income Analysis

	For the Three Months Ended		
(in thousands)	September 30, 2014	June 30, 2014	September 30, 2013
Mortgage banking income	$16,606	$15,291	$ 16,205
Fee income	9,188	9,430	9,799
BOLI income	6,888	6,813	7,916
Net gain on sales of securities	182	262	1,019
FDIC indemnification (expense) income	(3,156)	150	7,573
Gain on Visa shares sold	--	--	--
Other income:			
Peter B. Cannell & Co., Inc.	6,761	6,934	4,197
Third-party investment product sales	3,355	3,528	3,796
Other	1,462	10,185	219
Total other income	11,578	20,647	8,212
Total non-interest income	$41,286	$52,593	$ 50,724

It should be noted that the amount of mortgage banking income we record in any given quarter is likely to vary, and therefore is difficult to predict. Mortgage banking income depends, in large part, on the volume of loans originated which, in turn, depends on a variety of factors, including changes in market interest rates and economic conditions, competition, refinancing activity, and residential mortgage loan demand.

Non-Interest Expense

Non-interest expense has two primary components: operating expenses, which include compensation and benefits, occupancy and equipment, and G&A expenses; and the amortization of the CDI stemming from certain of our business combinations prior to 2009.

Non-interest expense fell $2.6 million sequentially and $5.1 million year-over-year to $145.2 million in the three months ended September 30, 2014. The sequential decline was attributable to a $2.6 million decrease in operating expenses to $143.2 million, together with a modest drop in the amortization of CDI to $2.0 million. The year-over-year decline was attributable to a $3.0 million decrease in operating expenses and a $2.1 million decrease in the amortization of CDI.

While compensation and benefits expense rose $3.2 million and $950,000, respectively, to $78.0 million in the current third quarter, the impact of these increases was exceeded by the benefit of sequential and year-over-year declines in occupancy and equipment expense and G&A expense. Occupancy and equipment expense fell $761,000 and $723,000, respectively, to $23.6 million in the current third quarter, while G&A expense fell $5.0 million and $3.3 million, respectively, to $41.5 million.

While the linked-quarter rise in compensation and benefits expense largely reflects the impact of normal mid-year raises, the year-over-year rise reflects a variety of factors, including the expansion of certain back-office departments, as well as normal salary increases and the granting of stock awards early in the year. The declines in G&A expense were primarily due to a reduction in foreclosure-related expenses and, to a lesser extent, a decrease in FDIC insurance

premiums. FDIC insurance premiums totaled $12.1 million in the current third quarter, as compared to $13.9 million and $12.8 million, respectively, in the trailing and year-earlier three months

Income Tax Expense

Income tax expense includes federal, New York State, and New York City income taxes, as well as non-material income taxes from other jurisdictions where we have branch operations and/or conduct our mortgage banking business.

In the three months ended September 30, 2014, income tax expense totaled $68.8 million, reflecting a linked-quarter reduction of $566,000 and a year-over-year increase of $2.8 million. While pre-tax income rose $1.0 million and $8.9 million, respectively, to $189.1 million, the effective tax rate declined to 36.4% in the current third quarter from 36.9% and 36.6%, respectively, in the trailing and year-earlier three months.

Earnings Summary for the Nine Months Ended September 30, 2014

Net Income

In the first nine months of 2014 and 2013, we generated earnings of $354.2 million and $355.4 million, respectively, with both amounts being equivalent to $0.80 per diluted share.

The following factors contributed to our current nine-month results:

We recovered $18.4 million from the allowance for losses on covered loans in the first nine months of 2014, in contrast to recording an $18.6 million provision for losses on covered loans in the first nine months of 2013.
Non-interest expense fell $18.7 million year-over-year, to $439.4 million, as a $12.4 million decrease in operating expenses to $432.9 million was coupled with a $6.3 million reduction in the amortization of CDI.
In view of our asset quality and the adequacy of our allowance for non-covered loan losses, we recorded no provision for losses on non-covered loans in the first nine months of this year. In the first nine months of 2013, we recorded a $15.0 million provision for losses on non-covered loans.
The benefit of the preceding factors was modestly exceeded by the impact of the factors described below:

Net interest income fell $12.6 million to $856.7 million in the current nine-month period, while our net interest margin declined from 3.05% to 2.69%. The year-over-year declines were the result of a $38.9 million reduction in prepayment penalty income; a 17-basis point decline in the contribution of prepayment penalty income to our net interest margin; and the replenishment of the balance sheet with lower-yielding loans. While the average balance of loans rose $2.4 billion year-over-year, the average yield on such assets fell 61 basis points over that time. In addition, while the average cost of interest-bearing liabilities fell 17 basis points from the year-earlier level, the benefit was exceeded by the impact of a $4.0 billion increase in the average balance of such funds.
Non-interest income fell $48.9 million year-over-year to $131.1 million, as the benefit of a $3.9 million gain on Visa shares sold and an $11.3 million increase in other income was exceeded by the combination of a $19.0 million reduction in mortgage banking income, a $12.4 million decline in net securities gains, and the $29.6 million difference between the FDIC indemnification expense recorded in the current nine-month period and the FDIC indemnification income recorded in the first nine months of 2013.
Net Interest Income

In the first nine months of 2014, we generated net interest income of $856.7 million, reflecting a $12.6 million decrease from the year-earlier amount. While interest expense fell $4.2 million year-over-year, to $403.6 million, the benefit was exceeded by the impact of a $16.8 million reduction in interest income to $1.3 billion. In addition, our net interest margin declined to 2.69% in the current nine-month period from 3.05% in the year-earlier nine months.

The following factors contributed to the year-over-year declines in net interest income and net interest margin:

In the first nine months of 2014, prepayment penalty income contributed $65.0 million to the interest income on loans and 25 basis points to the average yield on such assets, a reduction from $103.9 million and 44 basis points, respectively, in the year-earlier nine months. In 2013, the Company recorded a record level of prepayment penalty income as the improvement in the Metro New York economy sparked an increase in property transactions, as well as refinancing activity.
Reflecting the declines in prepayment penalty income, as well as the replenishment of the loan portfolio with lower-yielding assets, the interest income on loans fell $68.9 million year-over-year to $1.1 billion and the average yield on loans fell 61 basis points to 4.13%.
The impact of the decline in the average yield on loans was somewhat tempered by a $2.4 billion increase in the average balance of loans to $34.1 billion. In addition, the average balance of securities and money market investments

rose $2.1 billion to $8.3 billion, bringing the average balance of interest-earning assets to $42.4 billion in the current nine-month period.

Prepayment penalty income contributed 20 basis points to the current nine-month margin, as compared to 37 basis points in the year-earlier nine months.

The average balance of interest-bearing liabilities rose $4.0 billion year-over-year, to $39.3 billion, as the average balance of borrowed funds rose $2.1 billion to $14.8 billion, and the average balance of interest-bearing deposits rose $1.9 billion

to $24.5 billion. While the average balance of CDs fell $1.5 billion year-over-year, the decline was exceeded by a $1.3 billion increase in average savings accounts and a $2.1 billion increase in average NOW and money market accounts. The impact of the increase in the average balance of interest-bearing liabilities was tempered by a 17-basis point decline in the average cost of funds to 1.37%. The decrease was attributable to a five-basis point decline in the average cost of interest-bearing deposits and a 49-basis point decline in the average cost of borrowed funds.

Net Interest Income Analysis (Year-Over-Year Comparison)

	For the Nine Months Ended September 30,							
	2014				2013			
(dollars in thousands)	Average Balance	Interest	Average Yield/ Cost		Average Balance	Interest	Average Yield/ Cost	
Assets:								
Interest-earning assets:								
Mortgage and other loans, net [1]	$34,081,200	$1,056,586	4.13	%	$31,688,402	$1,125,496	4.74	%
Securities and money market investments [2][3]	8,344,586	203,678	3.26		6,283,197	151,560	3.21	
Total interest-earning assets	42,425,786	1,260,264	3.96		37,971,599	1,277,056	4.48	
Non-interest-earning assets	5,331,756				5,848,000			
Total assets	$47,757,542				$43,819,599			
Liabilities and Stockholders' Equity:								
Interest-bearing deposits:								
NOW and money market accounts	$11,355,509	$28,399	0.33	%	$9,235,741	$27,565	0.40	%
Savings accounts	6,424,947	24,473	0.51		5,122,937	15,512	0.40	
Certificates of deposit	6,714,601	55,854	1.11		8,198,470	64,223	1.05	
Total interest-bearing deposits	24,495,057	108,726	0.59		22,557,148	107,300	0.64	
Borrowed funds	14,837,364	294,867	2.66		12,762,357	300,465	3.15	
Total interest-bearing liabilities	39,332,421	403,593	1.37		35,319,505	407,765	1.54	
Non-interest-bearing deposits	2,460,285				2,638,304			
Other liabilities	205,970				249,243			
Total liabilities	41,998,676				38,207,052			
Stockholders' equity	5,758,866				5,612,547			
Total liabilities and stockholders' equity	$47,757,542				$43,819,599			
Net interest income/interest rate spread		$856,671	2.59	%		$869,291	2.94	%
Net interest margin			2.69	%			3.05	%
Ratio of interest-earning assets to interest-bearing liabilities			1.08	x			1.08	x

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowances for loan losses, and include loans held for sale and non-performing loans.

(2) Amounts are at amortized cost.

(3) Includes FHLB stock.

Provisions for/(Recovery of) Loan Losses

Provision for Losses on Non-Covered Loans

No provision for losses on non-covered loans was recorded in the current nine-month period, as compared to $15.0 million in the first nine months of last year. Reflecting year-to-date net charge-offs of $2.2 million, the allowance for losses on non-covered loans was $139.7 million at September 30, 2014, as compared to $141.9 million at December 31, 2013.

(Recovery of)/Provision for Losses on Covered Loans

In the first nine months of 2014, we recovered $18.4 million from the allowance for covered loan losses, in contrast to recording an $18.6 million provision for covered loan losses in the first nine months of last year. While the current nine-month recovery was largely offset by FDIC indemnification expense of $14.7 million, the year-earlier nine-month provision was largely offset by FDIC indemnification income of $14.9 million. FDIC indemnification expense and FDIC indemnification income were recorded in “Non-interest income” in the respective periods.

For additional information about the provisions for/(recovery of) loan losses recorded in the current and year-earlier nine-month periods, please see “Allowances for Loan Losses” within the discussion of Critical Accounting Policies and “Asset Quality” within the Balance Sheet Summary.

Non-Interest Income

Non-interest income totaled $131.1 million in the current nine-month period as compared to $180.0 million in the nine months ended September 30, 2013. The year-over-year reduction was primarily attributable to the following factors: a $19.0 million decline in mortgage banking income to $46.5 million; a $12.4 million decline in net securities gains to $5.3 million; and the $29.6 million difference between the FDIC indemnification expense recorded in the current nine-month period and the FDIC indemnification income recorded in the year-earlier nine months.

The decline in mortgage banking income was the net effect of a $33.5 million decrease in income from originations to $15.3 million and a $14.5 million increase in servicing income to $31.2 million. In the first nine months of 2014, residential mortgage interest rates were higher than they were in the year-earlier period, as the average 30-year CMT rose to 3.46% from 3.33%. In the nine months ended September 30, 2014 and 2013, the high 30-year rates were 3.93% and 3.90% respectively, and the low 30-year rates were, respectively, 3.08% and 2.82%.

The impact of these factors was partly offset by the benefit of an $11.3 million increase in other income to $42.1 million, and a $3.9 million gain on the sale of Visa Class B shares recorded in the first quarter of this year. Reflected in the year-over-year increase in other income was a second-quarter gain of $6.0 million on the sale of certain OREO properties, and a $7.2 million increase in revenues produced by PBC. In the year-earlier nine months, other income was increased by the recovery of $4.3 million on securities that previously had been classified as “other-than-temporarily impaired.”

The following table summarizes the sources and amounts of non-interest income for the nine months ended September 30, 2014 and 2013:

Non-Interest Income Analysis

	For the Nine Months Ended September 30,	
(in thousands)	2014	2013
Mortgage banking income	$46,507	$65,530
Fee income	27,512	28,532
BOLI	20,530	22,506
Net gain on sales of securities	5,317	17,764
FDIC indemnification (expense) income	(14,710)	14,869
Gain on Visa shares sold	3,856	--
Other income:		
Peter B. Cannell & Co., Inc.	19,178	12,016
Third-party investment product sales	10,544	11,772
Other	12,380	7,031
Total other income	42,102	30,819
Total non-interest income	$131,114	$180,020

Non-Interest Expense

In the first nine months of 2014, we recorded non-interest expense of $439.4 million, $18.7 million less than the year-earlier amount. The reduction was attributable to a $12.4 million decrease in operating expenses to $432.9 million and a $6.3 million decrease in CDI amortization to $6.4 million.

The decline in operating expenses was driven by a $9.4 million reduction in compensation and benefits expense to $228.6 million, together with a $5.0 million reduction in G&A expense to $130.3 million. The benefit of the combined increase was nominally tempered by a $1.9 million rise in occupancy and equipment expense to $74.0 million.

In the first nine months of 2013, compensation and benefits expense included retirement and severance charges of $6.0 million; no comparable expense was recorded in the first nine months of this year. The remainder of the decline in compensation and benefits expense largely reflects the benefit of various cost containment initiatives.

The decline in G&A expense was primarily due to a decline in expenses related to the management and sale of foreclosed properties. In addition, FDIC deposit insurance premiums fell $2.2 million year-over-year to $39.4 million in the first nine months of 2014.

Income Tax Expense

Income tax expense rose $10.4 million year-over-year, as previously noted, to $212.6 million in the first nine months of 2014. The increase was partially due to a $9.2 million increase in pre-tax income to $566.8 million, and an increase in the effective tax rate from 36.27% to 37.51%. In addition, the higher level of income tax expense reflects a one-time charge of $4.5 million that was recorded in the current year's first quarter, in connection with the enactment of certain New York State tax laws on March 31, 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about the Company's market risk were presented on pages 91-96 of our 2013 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the "SEC") on February 28, 2014. Subsequent changes in the Company's market risk profile and interest rate sensitivity are detailed in the discussion entitled "Asset and Liability Management and the Management of Interest Rate Risk" earlier in this quarterly report.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b), as adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period.

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

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

PART II – OTHER INFORMATION

Item 1. 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 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors," in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, as such factors could materially affect the Company's business, financial condition, or future results. There have been no material changes to the risk factors disclosed in the Company's 2013 Annual Report on Form 10-K. The risks described in the 2013 Annual Report on Form 10-K are not the only risks that the Company faces. Additional risks and uncertainties not currently known to the Company, or that the Company

currently deems to be immaterial, also may have a material adverse impact on the Company's business, financial condition, or results of operations.

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

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 three months ended September 30, 2014, the Company allocated $177,000 toward the repurchase of shares of its common stock pursuant to the terms of its stock-based incentive plans, as indicated in the following table:

(dollars in thousands, except per share data)

Third Quarter 2014	Total Shares of Common Stock Repurchased	Average Price Paid per Common Share	Total Allocation
July 1 – July 31	8,838	$ 15.79	$ 139
August 1 – August 31	--	--	--
September 1 – September 30	2,371	15.95	38
Total shares repurchased	11,209	15.82	$ 177

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 September 30, 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.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit 3.1: Amended and Restated Certificate of Incorporation (1)

Exhibit 3.2: Certificates of Amendment of Amended and Restated Certificate of Incorporation (2)

Exhibit 3.3: Bylaws, as amended and restated (3)

Exhibit 4.1: Specimen Stock Certificate (4)

Exhibit 4.2: Registrant will furnish, upon request, copies of all instruments defining the rights of holders of long-term debt instruments of the registrant and its consolidated subsidiaries.

Exhibit 31.1: Certification pursuant to Rule 13a-14(a)/15d-14(a)

Exhibit 31.2: Certification pursuant to Rule 13a-14(a)/15d-14(a)

Exhibit 32: Certifications pursuant to 18 U.S.C. 1350

Exhibit 101: The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income and Comprehensive Income, (iii) the Consolidated Statement of Changes in Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

(1) Incorporated by reference to Exhibits filed with the Company's Form 10-Q filed with the Securities and Exchange Commission on May 11, 2001 (File No. 000-22278).

(2) Incorporated by reference to Exhibits filed with the Company's Form 10-K for the year ended December 31, 2003 (File No. 001-31565).

(3) Incorporated by reference to Exhibits filed with the Company's Form 8-K filed with the Securities and Exchange Commission on May 6, 2014 (File No. 001-31565).

(4) Incorporated by reference to Exhibits filed with the Company's Registration Statement on Form S-1 (Registration No. 333-66852).

NEW YORK COMMUNITY BANCORP, INC.

SIGNATURES

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

		New York Community Bancorp, Inc. (Registrant)
DATE: November 7, 2014	BY:	/s/ Joseph R. Ficalora Joseph R. Ficalora President, Chief Executive Officer, and Director
DATE: November 7, 2014	BY:	/s/ Thomas R. Cangemi Thomas R. Cangemi Senior Executive Vice President and Chief Financial Officer