NEW YORK COMMUNITY BANCORP INC
Form 10-Q
May 11, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015

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

444,277,424
Number of shares of common stock outstanding at

May 4, 2015

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FORM 10-Q

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)

	March 31, 2015 (unaudited)	December 31, 2014
Assets:		
Cash and cash equivalents	$ 582,558	$ 564,150
Securities:		
Available-for-sale ($10,934 and $11,436 pledged, respectively)	175,710	173,783
Held-to-maturity ($4,528,139 and $4,584,886 pledged, respectively) (fair value of $7,028,201 and $7,085,971, respectively)	6,784,883	6,922,667
Total securities	6,960,593	7,096,450
Non-covered loans held for sale	351,467	379,399
Non-covered loans held for investment, net of deferred loan fees and costs	33,012,358	33,024,956
Less: Allowance for losses on non-covered loans	(142,168)	(139,857)
Non-covered loans held for investment, net	32,870,190	32,885,099
Covered loans	2,341,428	2,428,622
Less: Allowance for losses on covered loans	(43,942)	(45,481)
Covered loans, net	2,297,486	2,383,141
Total loans, net	35,519,143	35,647,639
Federal Home Loan Bank stock, at cost	464,942	515,327
Premises and equipment, net	322,039	319,002
FDIC loss share receivable	378,577	397,811
Goodwill	2,436,131	2,436,131
Core deposit intangibles, net	6,359	7,943
Mortgage servicing rights	220,371	227,297
Bank-owned life insurance	921,885	915,156
Other real estate owned (includes $31,015 and $32,048, respectively, covered by loss sharing agreements)	101,326	94,004
Other assets	337,791	338,307
Total assets	$48,251,715	$48,559,217
Liabilities and Stockholders Equity:		
Deposits:		
NOW and money market accounts	$12,629,459	$12,549,600
Savings accounts	7,698,404	7,051,622

Certificates of deposit	5,848,389	6,420,598
Non-interest-bearing accounts	2,755,135	2,306,914
Total deposits	28,931,387	28,328,734
Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	8,985,987	10,183,132
Repurchase agreements	3,425,000	3,425,000
Fed funds purchased	495,000	260,000
Total wholesale borrowings	12,905,987	13,868,132
Junior subordinated debentures	358,415	358,355
Total borrowed funds	13,264,402	14,226,487
Other liabilities	261,129	222,181
Total liabilities	42,456,918	42,777,402
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; 444,278,206 and 442,659,460 shares issued, and 444,277,802 and 442,587,190 shares outstanding, respectively)	4,443	4,427
Paid-in capital in excess of par	5,370,090	5,369,623
Retained earnings	472,977	464,569
Treasury stock, at cost (404 and 72,270 shares, respectively)	(7)	(1,118)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain on securities available for sale, net of tax of $3,183 and $2,022, respectively	4,705	2,990
Net unrealized loss on the non-credit portion of other-than-temporary impairment (OTTI) losses on securities, net of tax of $3,433 and $3,444, respectively	(5,370)	(5,387)
Net unrealized loss on pension and post-retirement obligations, net of tax of $35,274 and $36,118, respectively	(52,041)	(53,289)
Total accumulated other comprehensive loss, net of tax	(52,706)	(55,686)
Total stockholders equity	5,794,797	5,781,815
Total liabilities and stockholders equity	$48,251,715	$48,559,217

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended March 31,	
	2015	**2014**
Interest Income:		
Mortgage and other loans	$364,504	$345,530
Securities and money market investments	64,409	69,781
Total interest income	428,913	415,311
Interest Expense:		
NOW and money market accounts	11,052	8,396
Savings accounts	12,333	6,473
Certificates of deposit	17,116	19,060
Borrowed funds	95,644	97,232
Total interest expense	136,145	131,161
Net interest income	292,768	284,150
Recovery of losses on non-covered loans	(870)	--
Provision for (recovery of) losses on covered loans	877	(14,630)
Net interest income after (recoveries of) provisions for loan losses	292,761	298,780
Non-Interest Income:		
Mortgage banking income	18,406	14,610
Fee income	8,394	8,894
Bank-owned life insurance	6,704	6,829
Net gain on sales of securities	211	4,873
FDIC indemnification income (expense)	702	(11,704)
Gain on Visa shares sold	--	3,856
Other income	17,817	9,877
Total non-interest income	52,234	37,235

Non-Interest Expense:

Operating expenses:		
Compensation and benefits	87,209	75,740
Occupancy and equipment	25,299	25,998
General and administrative	42,744	42,264
Total operating expenses	155,252	144,002
Amortization of core deposit intangibles	1,584	2,323
Total non-interest expense	156,836	146,325
Income before income taxes	188,159	189,690
Income tax expense	68,900	74,436
Net income	$119,259	$115,254
Other comprehensive income, net of tax:		
Change in net unrealized gain on securities available for sale, net of tax of $1,161 and $2,529, respectively	1,715	3,729
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of $11 and $11, respectively	17	17
Change in pension and post-retirement obligations, net of tax of $844 and $357, respectively	1,248	526
Less: Reclassification adjustment for sales of available-for-sale securities, net of tax of $1,969	--	(2,904)
Total other comprehensive income, net of tax	2,980	1,368
Total comprehensive income, net of tax	$122,239	$116,622
Basic earnings per share	$0.27	$0.26
Diluted earnings per share	$0.27	$0.26

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share data)

(unaudited)

	For the Three Months Ended March 31, 2015
Common Stock (Par Value: $0.01):	
Balance at beginning of year	$ 4,427
Shares issued for restricted stock awards (1,618,746 shares)	16
Balance at end of period	4,443
Paid-in Capital in Excess of Par:	
Balance at beginning of year	5,369,623
Shares issued for restricted stock awards, net of forfeitures	(7,694)
Compensation expense related to restricted stock awards	7,165
Tax effect of stock plans	996
Balance at end of period	5,370,090
Retained Earnings:	
Balance at beginning of year	464,569
Net income	119,259
Dividends paid on common stock ($0.25 per share)	(110,851)
Balance at end of period	472,977
Treasury Stock:	
Balance at beginning of year	(1,118)
Purchase of common stock (423,129 shares)	(6,567)
Shares issued for restricted stock awards (494,995 shares)	7,678
Balance at end of period	(7)
Accumulated Other Comprehensive Loss, net of tax:	
Balance at beginning of year	(55,686)
Other comprehensive income, net of tax	2,980

Balance at end of period	(52,706)
Total stockholders equity	$ 5,794,797

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 Three Months Ended March 31,	
	2015	**2014**
Cash Flows from Operating Activities:		
Net income	$ 119,259	$ 115,254
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (recovery of) loan losses	7	(14,630)
Depreciation and amortization	7,645	6,765
Amortization of discounts and premiums, net	(1,670)	(2,007)
Amortization of core deposit intangibles	1,584	2,323
Net gain on sales of securities	(211)	(4,873)
Gain on sales of loans	(21,461)	(3,778)
Gain on Visa shares sold	--	(3,856)
Stock plan-related compensation	7,165	6,664
Deferred tax expense	9,419	10,587
Changes in assets and liabilities:		
Decrease in other assets	12,625	49,571
Increase in other liabilities	29,606	45,305
Origination of loans held for sale	(1,492,222)	(636,855)
Proceeds from sales of loans originated for sale	1,404,595	617,633
Net cash provided by operating activities	76,341	188,103
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	139,544	103,577
Proceeds from repayment of securities available for sale	886	3,918
Proceeds from sale of securities available for sale	135,211	136,747
Purchase of securities held to maturity	--	(138,342)
Purchase of securities available for sale	(135,000)	(99,000)
Proceeds from sale of Visa shares	--	3,856
Net redemption of Federal Home Loan Bank stock	50,385	16,277
Net increase in loans	(321,684)	(875,092)
Proceeds from sales of loans	559,261	--
Purchase of premises and equipment, net	(10,682)	(11,682)
Net cash provided by (used in) investing activities	417,921	(859,741)

Cash Flows from Financing Activities:		
Net increase in deposits	602,653	1,092,574
Net decrease in short-term borrowed funds	(1,161,000)	(276,100)
Net increase (decrease) in long-term borrowed funds	198,915	(1,522)
Tax effect of stock plans	996	1,496
Cash dividends paid on common stock	(110,851)	(110,461)
Treasury stock purchases	(6,567)	(6,029)
Net cash received from stock option exercises	--	2
Net cash (used in) provided by financing activities	(475,854)	699,960
Net increase in cash and cash equivalents	18,408	28,322
Cash and cash equivalents at beginning of period	564,150	644,550
Cash and cash equivalents at end of period	$ 582,558	$ 672,872
Supplemental information:		
Cash paid for interest	$139,220	$135,424
Cash paid for income taxes	10,698	17,418
Non-cash investing and financing activities:		
Transfers to other real estate owned from loans	17,098	45,917
Transfer of loans from held for investment to held for sale	553,315	--
Transfer of loans from held for sale to held for investment	153,578	--

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 certain 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 accompanying 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. 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.

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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 March 31,	
(in thousands, except share and per share amounts)	2015	2014
Net income	$119,259	$115,254
Less: Dividends paid on and earnings allocated to participating securities	(872)	(796)
Earnings applicable to common stock	$118,387	$114,458
Weighted average common shares outstanding	441,990,338	440,570,598
Basic earnings per common share	$0.27	$0.26
Earnings applicable to common stock	$118,387	$114,458
Weighted average common shares outstanding	441,990,338	440,570,598
Potential dilutive common shares [(1)]	--	--
Total shares for diluted earnings per share computation	441,990,338	440,570,598
Diluted earnings per common share and common share equivalents	$0.27	$0.26

(1) Options to purchase 32,400 and 57,400 shares, of the Company s common stock that were outstanding as of March 31, 2015 and 2014, respectively, at weighted average exercise prices of $18.15 and $18.08 per share, were

excluded from the respective computations of diluted EPS because their inclusion would have had an antidilutive effect.

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

(in thousands)	For the Three Months Ended March 31, 2015	
Details about Accumulated Other Comprehensive Loss	Amount Reclassified from Accumulated Other Comprehensive Loss [(1)]	Affected Line Item in the Consolidated Statement of Income and Comprehensive Income
Amortization of defined benefit pension plan items:		
Prior-service costs	$ 62	Included in the computation of net periodic (credit) expense [(2)]
Actuarial losses	(2,148)	Included in the computation of net periodic (credit) expense [(2)]
	(2,086)	Total before tax
	842	Tax benefit
Total reclassifications for the period	$ (1,244)	Amortization of defined benefit pension plan items, net of tax

(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 March 31, 2015:

	March 31, 2015			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE [(1)] certificates	$ 17,400	$ 1,371	$ --	$ 18,771
GSE CMOs [(2)]	--	--	--	--
Private label CMOs	--	--	--	--
Total mortgage-related securities	$ 17,400	$ 1,371	$ --	$ 18,771
Other Securities:				
Municipal bonds	$ 843	$ 97	$ --	$ 940
Capital trust notes	13,434	41	2,471	11,004
Preferred stock	118,205	8,098	--	126,303

Mutual funds and common stock [3]	17,939	824	71	18,692
Total other securities	$ 150,421	$ 9,060	$ 2,542	$ 156,939
Total securities available for sale	$ 167,821	$ 10,431	$ 2,542	$ 175,710

(1) Government-sponsored enterprise
(2) Collateralized mortgage obligations
(3) Primarily consists of mutual funds that are Community Reinvestment Act-qualified investments.

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The following table summarizes the Company s portfolio of securities available for sale at December 31, 2014:

	December 31, 2014			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates	$ 18,350	$ 1,350	$ --	$ 19,700
GSE CMOs	--	--	--	--
Private label CMOs	--	--	--	--
Total mortgage-related securities	$ 18,350	$ 1,350	$ --	$ 19,700
Other Securities:				
Municipal bonds	$ 841	$ 101	$ --	$ 942
Capital trust notes	13,431	31	1,980	11,482
Preferred stock	118,205	5,246	440	123,011
Mutual funds and common stock	17,943	748	43	18,648
Total other securities	$ 150,420	$ 6,126	$ 2,463	$ 154,083
Total securities available for sale	$ 168,770	$ 7,476	$ 2,463	$ 173,783

The following tables summarize the Company s portfolio of securities held to maturity at March 31, 2015 and December 31, 2014:

	March 31, 2015				
(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$ 2,401,201	$ 2,401,201	$ 133,896	$ 2,080	$ 2,533,017
GSE CMOs	1,553,938	1,553,938	84,888	6	1,638,820
Total mortgage-related securities	$ 3,955,139	$ 3,955,139	$ 218,784	$ 2,086	$ 4,171,837
Other Securities:					
GSE debentures	$ 2,632,327	$ 2,632,327	$ 29,242	$ 9,104	$ 2,652,465
Corporate bonds	73,426	73,426	12,446	--	85,872
Municipal bonds	58,376	58,376	--	352	58,024
Capital trust notes	74,419	65,615	5,316	10,928	60,003

Total other securities	$ 2,838,548	$ 2,829,744	$ 47,004	$ 20,384	$ 2,856,364
Total securities held to maturity [(1)]	$ 6,793,687	$ 6,784,883	$ 265,788	$ 22,470	$ 7,028,201

(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 March 31, 2015, the non-credit portion of OTTI recorded in AOCL was $8.8 million (before tax).

	December 31, 2014				
(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$ 2,468,791	$ 2,468,791	$ 106,414	$ 3,838	$ 2,571,367
GSE CMOs	1,610,243	1,610,243	65,075	711	1,674,607
Total mortgage-related securities	$ 4,079,034	$ 4,079,034	$ 171,489	$ 4,549	$ 4,245,974
Other Securities:					
GSE debentures	$ 2,635,989	$ 2,635,989	$ 24,173	$ 32,920	$ 2,627,242
Corporate bonds	73,317	73,317	12,113	--	85,430
Municipal bonds	58,682	58,682	--	1,027	57,655
Capital trust notes	84,476	75,645	5,193	11,168	69,670
Total other securities	$ 2,852,464	$ 2,843,633	$ 41,479	$ 45,115	$ 2,839,997
Total securities held to maturity [(1)]	$ 6,931,498	$ 6,922,667	$ 212,968	$ 49,664	$ 7,085,971

(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, 2014, the non-credit portion of OTTI recorded in AOCL was $8.8 million (before tax).

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At March 31, 2015 and December 31, 2014, respectively, the Company had $464.9 million and $515.3 million of Federal Home Loan Bank (FHLB) stock, at cost, primarily consisting of stock in the FHLB-New York (the FHLB-NY). The Company is required to maintain an investment in FHLB-NY stock in order to have access to the funding it provides.

The following table summarizes the gross proceeds, gross realized gains, and gross realized losses from the sale of available-for-sale securities during the three months ended March 31, 2015 and 2014:

	For the Three Months Ended March 31,	
(in thousands)	**2015**	**2014**
Gross proceeds	$135,211	$136,747
Gross realized gains	211	4,873
Gross realized losses	--	--

In the following table, the beginning balance represents the credit loss component for debt securities on which OTTI occurred prior to January 1, 2015. 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 Three Months Ended March 31, 2015**
Beginning credit loss amount as of December 31, 2014	$199,008
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 March 31, 2015	$199,008

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The following table summarizes the carrying amounts and estimated fair values of held-to-maturity mortgage-backed securities and debt securities, and the amortized costs and estimated fair values of available-for-sale securities, at March 31, 2015, by contractual maturity.

	At March 31, 2015								
(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations	Average Yield	State, County, and Municipal	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	--	--	60,060	4.17	756	2.96	--	--	66,125
Due from five to ten years	3,119,709	3.23	2,572,267	2.70	--	--	47,425	3.15	5,932,713
Due after ten years	835,430	3.27	--	--	57,620	2.85	91,616	5.76	1,029,363
Total securities held to maturity	$ 3,955,139	3.24%	$ 2,632,327	2.73%	$ 58,376	2.85%	$ 139,041	4.87%	$ 7,028,201
Available-for-Sale Securities: [3]									
Due within one year	$ 1	4.41%	$ --	--%	$ 124	6.45%	$ --	--%	$ 129
Due from one to five years	3,327	6.72	--	--	579	6.49	--	--	4,111
Due from five to ten years	3,112	3.78	--	--	140	6.66	--	--	3,505
Due after ten years	10,960	4.67	--	--	--	--	13,434	5.70	22,970
Total securities available for sale	$ 17,400	4.90%	$ --	--%	$ 843	6.51%	$ 13,434	5.70%	$ 30,715

(1) Not presented on a tax-equivalent basis.

(2) Includes corporate bonds and capital trust notes. Included in capital trust notes are $183,000 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.

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The following table presents held-to-maturity securities and available-for-sale securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of March 31, 2015:

At March 31, 2015	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 Mortgage-Backed Securities and Debt Securities:						
GSE debentures	$ 809,531	$ 2,412	$ 1,392,128	$ 6,692	$ 2,201,659	$ 9,104
GSE certificates	165,674	1,882	13,233	198	178,907	2,080
GSE CMOs	--	--	20,102	6	20,102	6
Municipal bonds	58,024	352	--	--	58,024	352
Capital trust notes	--	--	25,265	10,928	25,265	10,928
Total temporarily impaired held-to-maturity mortgage-backed securities and debt securities	$ 1,033,229	$ 4,646	$ 1,450,728	$ 17,824	$ 2,483,957	$ 22,470
Temporarily Impaired Available-for-Sale Securities:						
Capital trust notes	$ --	$ --	$ 4,964	$ 2,471	$ 4,964	$ 2,471
Equity securities	--	--	991	71	991	71
Total temporarily impaired available-for-sale securities	$ --	$ --	$ 5,955	$ 2,542	$ 5,955	$ 2,542

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The following table presents held-to-maturity securities 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, 2014:

At December 31, 2014	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 Mortgage-Backed Securities and Debt Securities:						
GSE debentures	$ --	$ --	$ 2,204,399	$ 32,920	$ 2,204,399	$ 32,920
GSE certificates	--	--	242,909	3,838	242,909	3,838
GSE CMOs	--	--	72,209	711	72,209	711
Municipal bonds	13,735	195	43,058	832	56,793	1,027
Capital trust notes	--	--	25,019	11,168	25,019	11,168
Total temporarily impaired held-to-maturity mortgage-backed securities and debt securities	$ 13,735	$ 195	$ 2,587,594	$ 49,469	$ 2,601,329	$ 49,664
Temporarily Impaired Available-for-Sale Securities:						
Capital trust notes	$ --	$ --	$ 5,451	$ 1,980	$ 5,451	$ 1,980
Equity securities	53,721	364	15,174	119	68,895	483
Total temporarily impaired available-for-sale securities	$ 53,721	$ 364	$ 20,625	$ 2,099	$ 74,346	$ 2,463

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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. Financial Accounting Standards Board (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 March 31, 2015, 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 March 31, 2015.

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, GSE municipal bonds, and GSE debentures at March 31, 2015 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 March 31, 2015.

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 March 31, 2015. 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 thus 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 illiquidity in the financial markets.

At March 31, 2015, 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. There was an unrealized loss on one of the Company s equity securities at March 31, 2015, which was primarily caused by market volatility. The

Company evaluated the near-term prospects of a recovery of fair value for this security, together with the severity and duration of impairment to date. Based on this evaluation, and its ability and intent to hold this investment for a reasonably sufficient period of time to realize a near-term forecasted recovery of fair value, the Company did not consider this investment to be other than temporarily impaired at March 31, 2015. Nonetheless, it is possible that this equity security will perform worse than is currently expected, which could lead to adverse changes in its fair value, or the failure of the security to fully recover in value as presently forecasted by management. This potentially would cause the Company to record an OTTI loss in a future period. Events that could trigger a material decline in the fair value of this security include, but are not limited to, deterioration in the equity markets; a decline in the quality of the loan portfolio of the issuer in which the Company has invested; and the recording of higher loan loss provisions and net operating losses by such issuer.

The investment securities designated as having a continuous loss position for twelve months or more at March 31, 2015 consisted of eight agency debt securities, five capital trust notes, three agency mortgage-backed securities, one GSE CMO, and one common stock security. At December 31, 2014, the investment securities designated as having a continuous loss position for twelve months or more consisted of sixteen agency mortgage-backed securities, seventeen GSE debt securities, three GSE CMOs, five capital trust notes, two GSE municipal bonds, and one preferred stock security. At March 31, 2015 and December 31, 2014, the combined market value of the respective securities represented unrealized losses of $20.4 million and $51.6 million. At March 31, 2015, the fair value of securities having a continuous loss position for twelve months or more was 1.4% below the collective amortized cost of $1.5 billion. At December 31, 2014, the fair value of such securities was 1.9% below the collective amortized cost of $2.7 billion.

Note 5. Loans

The following table sets forth the composition of the loan portfolio at March 31, 2015 and December 31, 2014:

	March 31, 2015		**December 31, 2014**	
(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	$ 23,450,187	71.07%	$ 23,831,846	72.21%
Commercial real estate	7,822,820	23.71	7,634,320	23.13
One-to-four family	105,054	0.32	138,915	0.42
Acquisition, development, and construction	308,526	0.94	258,116	0.78
Total mortgage loans held for investment	31,686,587	96.04	31,863,197	96.54
Other Loans:				
Commercial and industrial	1,035,179	3.14	900,551	2.73
	226,013	0.69	208,670	0.63

Lease financing, net of unearned income of $20,333 and $18,913				
Total commercial and industrial loans	1,261,192	3.83	1,109,221	3.36
Purchased credit-impaired loans [1]	14,227	0.04	--	--
Other	29,460	0.09	31,943	0.10
Total other loans held for investment	1,304,879	3.96	1,141,164	3.46
Total non-covered loans held for investment	$ 32,991,466	100.00%	$ 33,004,361	100.00%
Net deferred loan origination costs	20,892		20,595	
Allowance for losses on non-covered loans	(142,168)		(139,857)	
Non-covered loans held for investment, net	$ 32,870,190		$ 32,885,099	
Covered loans	2,341,428		2,428,622	
Allowance for losses on covered loans	(43,942)		(45,481)	
Covered loans, net	$ 2,297,486		$ 2,383,141	
Loans held for sale	351,467		379,399	
Total loans, net	$ 35,519,143		$ 35,647,639	

(1) Includes $947,000 of multi-family loans; $10.8 million of commercial real estate loans; $1.6 million of acquisition, development, and construction loans; $675,000 of commercial and industrial loans; and $171,000 of other loans that were included in Covered loans at December 31, 2014.

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 on Long Island.

The Company also originates 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. 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. Other 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.

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 developer s experience; 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, or the length of time to complete and/or sell or lease the collateral property is greater than anticipated (based, for example, on 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, we participate in syndicated loans that are brought to us, and equipment loans and leases that are assigned to us, by a select group of nationally recognized sources who have had long-term relationships with our experienced lending officers. Our specialty finance loans and leases generally are made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide. Furthermore, each of our credits is secured with a perfected first security interest or outright ownership in the underlying collateral, and structured as senior debt or as a non-cancelable lease. To further minimize the risk involved in specialty finance lending and leasing, we re-underwrite each transaction. In addition, we retain outside counsel to conduct a further review of the underlying documentation.

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 March 31, 2015 and December 31, 2014 were loans to non-officer directors of $128.8 million and $129.5 million, respectively.

Non-covered purchased credit-impaired (PCI) loans, which had a carrying value of $14.2 million and an unpaid principal balance of $17.6 million at March 31, 2015, are loans that had been covered under an FDIC loss sharing agreement that expired in March 2015 and that now are included in non-covered loans. Such loans continue to be accounted for under Accounting Standards Codification (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.

Loans Held for Sale

The mortgage banking operation of the Community Bank 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 to GSEs, servicing retained. To a much lesser extent, the Community Bank uses its mortgage banking platform to originate jumbo loans which it typically sells to other financial institutions. Such loans have not represented, nor are they expected to represent, a material portion of the held-for-sale loans originated by the Community Bank. In addition, the Community Bank services mortgage loans for various third parties, primarily including GSEs. The unpaid principal balance of loans serviced for others was $22.9 billion and $22.4 billion at March 31, 2015 and December 31, 2014, respectively.

Asset Quality

The following table presents information regarding the quality of the Company s non-covered loans held for investment (excluding non-covered PCI loans) at March 31, 2015:

(in thousands)	**Loans 30-89 Days Past Due**	**Non-Accrual Loans (1)**	**Loans 90 Days or More Delinquent and Still Accruing Interest**	**Total Past Due Loans**	**Current Loans**	**Total Loans Receivable**
Multi-family	$ 1,594	$ 18,779	$ --	$ 20,373	$ 23,429,814	$ 23,450,187
Commercial real estate	3,259	23,698	--	26,957	7,795,863	7,822,820
One-to-four family	1,244	11,270	--	12,514	92,540	105,054
Acquisition, development, and construction	--	654	--	654	307,872	308,526
Commercial and industrial(2)	353	7,547	--	7,900	1,253,292	1,261,192
Other	311	1,149	--	1,460	28,000	29,460
Total	$ 6,761	$ 63,097	$ --	$ 69,858	$ 32,907,381	$ 32,977,239

(1) Excludes $2.9 million of non-covered PCI loans that were 90 days or more past due.
(2) Includes lease financing receivables, all of which were current.

The following table presents information regarding the quality of the Company s non-covered loans held for investment at December 31, 2014:

(in thousands)	**Loans 30-89 Days**	**Non-Accrual**	**Loans 90 Days or More**	**Total Past Due**	**Current Loans**	**Total Loans Receivable**

	Past Due	Loans	Delinquent and Still Accruing Interest	Loans		
Multi-family	$ 464	$ 31,089	$ --	$ 31,553	$ 23,800,293	$ 23,831,846
Commercial real estate	1,464	24,824	--	26,288	7,608,032	7,634,320
One-to-four family	3,086	11,032	--	14,118	124,797	138,915
Acquisition, development, and construction	--	654	--	654	257,462	258,116
Commercial and industrial[(1)]	530	8,382	--	8,912	1,100,309	1,109,221
Other	648	969	--	1,617	30,326	31,943
Total	$ 6,192	$ 76,950	$ --	$ 83,142	$ 32,921,219	$ 33,004,361

(1) Includes lease financing receivables, all of which were current.

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The following table summarizes the Company s portfolio of non-covered loans held for investment, excluding non-covered PCI loans, by credit quality indicator at March 31, 2015:

(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Total Mortgage Loans	Commercial and Industrial[1]	Other	Total Other Loan Segment
Credit Quality Indicator:								
Pass	$ 23,406,267	$ 7,788,726	$ 93,784	$ 307,270	$ 31,596,047	$ 1,225,663	$ 28,311	$ 1,253,974
Special mention	9,846	1,950	--	--	11,796	26,968	--	26,968
Substandard	34,074	32,144	11,270	1,256	78,744	8,561	1,149	9,710
Doubtful	--	--	--	--	--	--	--	--
Total	$ 23,450,187	$ 7,822,820	$ 105,054	$ 308,526	$ 31,686,587	$ 1,261,192	$ 29,460	$ 1,290,652

(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, 2014:

(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Total Mortgage Loans	Commercial and Industrial[1]	Other	Total Other Loan Segment
Credit Quality Indicator:								
Pass	$ 23,777,569	$ 7,591,223	$ 127,883	$ 256,868	$ 31,753,543	$ 1,083,173	$ 30,974	$ 1,114,147
Special mention	6,798	9,123	--	--	15,921	17,032	--	17,032
Substandard	47,479	33,974	11,032	1,248	93,733	9,016	969	9,985
Doubtful	--	--	--	--	--	--	--	--
Total	$ 23,831,846	$ 7,634,320	$ 138,915	$ 258,116	$ 31,863,197	$ 1,109,221	$ 31,943	$ 1,141,164

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

The preceding classifications follow regulatory guidelines and can generally be 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 and 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. A loan modified as a TDR generally is 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 March 31, 2015, loans on which concessions were made with respect to rate reductions and/or extension of maturity dates amounted to $27.4 million; loans on which forbearance agreements were reached amounted to $6.3 million.

The following table presents information regarding the Company s TDRs as of March 31, 2015 and December 31, 2014:

	March 31, 2015			**December 31, 2014**		
(in thousands)	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Loan Category:						
Multi-family	$ 7,664	$ 6,041	$ 13,705	$ 7,697	$ 17,879	$ 25,576
Commercial real estate	8,234	9,642	17,876	8,139	9,939	18,078
One-to-four family	--	259	259	--	260	260
Acquisition, development, and construction	--	654	654	--	654	654
Commercial and industrial	--	1,198	1,198	--	1,195	1,195
Total	$ 15,898	$ 17,794	$ 33,692	$ 15,836	$ 29,927	$ 45,763

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.

There were no financial effects of the Company s TDRs in the three months ended March 31, 2015, as there were no new TDRs arranged during the quarter.

However, in the three months ended March 31, 2014, the Company classified one ADC loan in the amount of $935,000, and three C&I loans totaling $638,000, 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 first quarter of 2014.

At March 31, 2015 and 2014, none of the loans that had been modified as TDRs during the twelve months ended at those dates 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 March 31, 2015:

(dollars in thousands)	Amount	Percent of Covered Loans
Loan Category:		
One-to-four family	$ 2,152,731	91.9%
All other loans	188,697	8.1
Total covered loans	$ 2,341,428	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 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 March 31, 2015 and December 31, 2014, the unpaid principal balances of covered loans were $2.8 billion and $2.9 billion, respectively. The carrying values of such loans were $2.3 billion and $2.4 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.

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On a quarterly basis, the Company 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 quarterly 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.

In the three months ended March 31, 2015, changes in the accretable yield for covered loans were as follows:

(in thousands)	Accretable Yield
Balance at beginning of period	$ 1,037,023
Reclassification from non-accretable difference	61,742
Accretion	(35,577)
Balance at end of period	$ 1,063,188

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 quarterly 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 with the exception of one one-to-four family property that is no longer covered due to the expiration of the pertinent loss-sharing agreement in March 2015. 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 March 31, 2015 and December 31, 2014:

(in thousands)	March 31, 2015	December 31, 2014
Covered Loans 90 Days or More Past Due:		
One-to-four family	$ 145,235	$ 148,967

Other loans		6,752		8,922
Total covered loans 90 days or more past due	$	151,987	$	157,889

The following table presents information regarding the Company s covered loans that were 30 to 89 days past due at March 31, 2015 and December 31, 2014:

(in thousands)		**March 31, 2015**		**December 31, 2014**
Covered Loans 30-89 Days Past Due:				
One-to-four family	$	32,497	$	37,680
Other loans		3,226		4,016
Total covered loans 30-89 days past due	$	35,723	$	41,696

At March 31, 2015, the Company had $35.7 million of covered loans that were 30 to 89 days past due, and covered loans of $152.0 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 $2.2 billion at March 31, 2015 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 provision for losses on covered loans of $877,000 in the three months ended March 31, 2015. The provision was largely due to credit deterioration in the acquired portfolios of one-to-four family and home equity loans, and was partly offset by FDIC indemnification income of $702,000 recorded in non-interest income in the corresponding period.

The Company recovered $14.6 million from the allowance for losses on covered loans during the three months ended March 31, 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 largely offset by FDIC indemnification expense of $11.7 million, which was recorded in non-interest income in the corresponding period.

Note 6. Allowances for Loan Losses

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

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at March 31, 2015:			
Loans individually evaluated for impairment	$ --	$ --	$ --
Loans collectively evaluated for impairment	116,928	22,824	139,752
Acquired loans with deteriorated credit quality	24,457	21,901	46,358
Total	$ 141,385	$ 44,725	$ 186,110

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at December 31, 2014:			
Loans individually evaluated for impairment	$ 26	$ --	$ 26
Loans collectively evaluated for impairment	122,590	17,241	139,831
Acquired loans with deteriorated credit quality	23,538	21,943	45,481
Total	$ 146,154	$ 39,184	$ 185,338

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 March 31, 2015:			
Loans individually evaluated for impairment	$ 69,448	$ 6,147	$ 75,595
Loans collectively evaluated for impairment	31,617,139	1,284,505	32,901,644
Acquired loans with deteriorated credit quality	2,166,111	189,544	2,355,655
Total	$ 33,852,698	$ 1,480,196	$ 35,332,894

(in thousands)	Mortgage	Other	Total
Loans Receivable at December 31, 2014:			
Loans individually evaluated for impairment	$ 81,574	$ 6,806	$ 88,380
Loans collectively evaluated for impairment	31,781,623	1,134,358	32,915,981
Acquired loans with deteriorated credit quality	2,227,572	201,050	2,428,622
Total	$ 34,090,769	$ 1,342,214	$ 35,432,983

Allowance for Losses on Non-Covered Loans

The following table summarizes activity in the allowance for losses on non-covered loans for the three months ended March 31, 2015 and 2014:

	March 31,					
	2015			2014		
(in thousands)	**Mortgage**	**Other**	**Total**	**Mortgage**	**Other**	**Total**
Balance, beginning of period	$122,616	$17,241	$139,857	$127,840	$14,106	$141,946
Charge-offs	(485)	(313)	(798)	(950)	(2,032)	(2,982)
Recoveries	1,400	163	1,563	336	61	397
Transfer from the allowance for losses on covered loans (1)	2,250	166	2,416	--	--	--
(Recovery of) provision for non-covered loan losses	(6,603)	5,733	(870)	--	--	--
Balance, end of period	$119,178	$22,990	$142,168	$127,226	$12,135	$139,361

(1) Represents the allowance associated with $14.2 million of loans acquired in the Desert Hills transaction that were transferred from covered loans to non-covered loans upon expiration of the related FDIC loss sharing agreement.

Please see Critical Accounting Policies 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 March 31, 2015:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance:					
Multi-family	$ 36,199	$ 44,086	$ --	$ 40,791	$ 371
Commercial real estate	31,086	33,268	--	30,729	364
One-to-four family	1,509	1,550	--	1,769	--
Acquisition, development, and construction	654	1,024	--	654	--
Commercial and industrial	6,147	11,782	--	6,476	60
Total impaired loans with no related allowance	$ 75,595	$ 91,710	$ --	$ 80,419	$ 795
Impaired loans with an allowance recorded:					
Multi-family	$ --	$ --	$ --	$ --	$ --

Commercial real estate		--		--		--		--		--
One-to-four family		--		--		--		--		--
Acquisition, development, and construction		--		--		--		--		--
Commercial and industrial		--		--		--		--		--
Total impaired loans with an allowance recorded	$	--	$	--	$	--	$	--	$	--
Total impaired loans:										
Multi-family	$	36,199	$	44,086	$	--	$	40,791	$	371
Commercial real estate		31,086		33,268		--		30,729		364
One-to-four family		1,509		1,550		--		1,769		--
Acquisition, development, and construction		654		1,024		--		654		--
Commercial and industrial		6,147		11,782		--		6,476		60
Total impaired loans	$	75,595	$	91,710	$	--	$	80,419	$	795

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The following table presents additional information about the Company s impaired non-covered loans at December 31, 2014:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance:					
Multi-family	$ 45,383	$ 52,593	$ --	$ 54,051	$ 1,636
Commercial real estate	30,370	32,460	--	29,935	1,629
One-to-four family	2,028	2,069	--	1,254	--
Acquisition, development, and construction	654	1,024	--	505	218
Commercial and industrial	6,806	12,155	--	7,749	307
Total impaired loans with no related allowance	$ 85,241	$ 100,301	$ --	$ 93,494	$ 3,790
Impaired loans with an allowance recorded:					
Multi-family	$ 3,139	$ 3,139	$ 26	$ 628	$ 72
Commercial real estate	--	--	--	490	--
One-to-four family	--	--	--	61	--
Acquisition, development, and construction	--	--	--	--	--
Commercial and industrial	--	--	--	--	--
Total impaired loans with an allowance recorded	$ 3,139	$ 3,139	$ 26	$ 1,179	$ 72
Total impaired loans:					
Multi-family	$ 48,522	$ 55,732	$ 26	$ 54,679	$ 1,708
Commercial real estate	30,370	32,460	--	30,425	1,629
One-to-four family	2,028	2,069	--	1,315	--
Acquisition, development, and construction	654	1,024	--	505	218
Commercial and industrial	6,806	12,155	--	7,749	307
Total impaired loans	$ 88,380	$ 103,440	$ 26	$ 94,673	$ 3,862

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 pools of loans. 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.

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 the 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 three months ended March 31, 2015 and 2014:

	March 31,	
(in thousands)	**2015**	**2014**
Balance, beginning of period	$ 45,481	$ 64,069
Provision for (recovery of) losses on covered loans	877	(14,630)
Transfer to the allowance for losses on non-covered loans	(2,416)	--
Balance, end of period	$ 43,942	$ 49,439

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Note 7. Borrowed Funds

The following table summarizes the Company s borrowed funds at March 31, 2015 and December 31, 2014:

(in thousands)	March 31, 2015	December 31, 2014
Wholesale borrowings:		
FHLB advances	$ 8,985,987	$ 10,183,132
Repurchase agreements	3,425,000	3,425,000
Fed funds purchased	495,000	260,000
Total wholesale borrowings	$ 12,905,987	$ 13,868,132
Junior subordinated debentures	358,415	358,355
Total borrowed funds	$ 13,264,402	$ 14,226,487

The following table summarizes the Company s repurchase agreements accounted for as secured borrowings at March 31, 2015:

	Remaining Contractual Maturity of the Agreements				
(in thousands)	Overnight and Continuous	Up to 30 Days	30 90 Days	Greater than 90 Days	Total
GSE debentures and mortgage-related securities	$ --	$ --	$ 100,000	$ 3,325,000	$ 3,425,000

At both March 31, 2015 and December 31, 2014, the Company had $358.4 million of outstanding junior subordinated deferrable interest debentures (junior subordinated debentures) held by statutory business trusts (the Trusts) that issued guaranteed capital securities. Reflecting the adoption of the Basel III capital rules on January 1, 2015, 25% of the capital securities qualified as Tier 1 capital of the Company at March 31, 2015. At December 31, 2014, 100% of the capital securities qualified as Tier 1 capital of the Company.

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 March 31, 2015:

Issuer	Stated Maturity

	Interest Rate of Capital Securities and Debentures	Junior Subordinated Debentures Amount Outstanding	Capital Securities Amount Outstanding	Date of Original Issue		First Optional Redemption Date
		(dollars in thousands)				
New York Community Capital Trust V (BONUSES[SM] Units)	6.000%	$144,489	$138,138	Nov. 4, 2002	Nov. 1, 2051	Nov. 4, 2007 (1)
New York Community Capital Trust X	1.871	123,712	120,000	Dec. 14, 2006	Dec. 15, 2036	Dec. 15, 2011 (2)
PennFed Capital Trust III	3.521	30,928	30,000	June 2, 2003	June 15, 2033	June 15, 2008 (2)
New York Community Capital Trust XI	1.923	59,286	57,500	April 16, 2007	June 30, 2037	June 30, 2012 (2)
Total junior subordinated debentures		$358,415	$345,638			

(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.

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Note 8. Mortgage Servicing Rights

The Company had MSRs of $220.4 million and $227.3 million, respectively, at March 31, 2015 and December 31, 2014, 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 in the Consolidated Statements of Income and Comprehensive 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.

The following table sets forth the changes in the balances of residential MSRs for the periods indicated:

	For the Three Months Ended March 31,	
(in thousands)	**2015**	**2014**
Carrying value, beginning of year	$ 227,297	$ 241,018
Additions	15,017	6,808
Increase (decrease) in fair value:		
Due to changes in interest rates and valuation assumptions	(6,448)	43
Due to other changes [1]	(15,495)	(9,865)
Amortization	--	--
Carrying value, end of period	$ 220,371	$ 238,004

(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:

	March 31, 2015	**December 31, 2014**

Expected Weighted Average Life	83 months	83 months
Constant Prepayment Speed	10.5%	9.3%
Discount Rate	10.0	10.0
Primary Mortgage Rate to Refinance	3.8	4.0
Cost to Service (per loan per year):		
Current	$ 63	$ 63
30-59 days or less delinquent	213	213
60-89 days delinquent	313	313
90-119 days delinquent	413	413
120 days or more delinquent	563	563

As indicated in the preceding table, there were no changes in the assumed servicing costs.

Note 9. Pension and Other Post-Retirement Benefits

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

	For the Three Months Ended March 31,			
	2015		2014	
(in thousands)	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Components of net periodic (credit) expense:				
Interest cost	$ 1,516	$ 175	$ 1,474	$ 190
Service cost	--	1	--	1
Expected return on plan assets	(4,390)	--	(4,859)	--
Amortization of prior-service costs	--	(62)	--	(62)
Amortization of net actuarial loss	2,052	96	822	118
Net periodic (credit) expense	$ (822)	$ 210	$ (2,563)	$ 247

The Company expects to contribute $1.3 million to its post-retirement plan to pay premiums and claims for the fiscal year ending December 31, 2015. The Company does not expect to make any contributions to its pension plan in 2015.

Note 10. Stock-Based Compensation

At March 31, 2015, the Company had 12,325,312 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 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 2,186,141 shares of restricted stock during the three months ended March 31, 2015. The shares had an average fair value of $15.73 per share on the date of grant and a vesting period of five years. Compensation and benefits expense related to the restricted stock grants is recognized on a straight-line basis over the vesting period, and totaled $7.2 million and $6.7 million, respectively, for the three months ended March 31, 2015 and 2014.

The following table provides a summary of activity with regard to restricted stock awards in the three months ended March 31, 2015:

	For the Three Months Ended March 31, 2015	
	Number of Shares	Weighted Average Grant Date Fair Value

Unvested at beginning of year	5,802,409	$15.24
Granted	2,186,141	15.73
Vested	(1,568,973)	15.33
Cancelled	(44,400)	15.31
Unvested at end of period	6,375,177	15.38

As of March 31, 2015, unrecognized compensation cost relating to unvested restricted stock totaled $92.4 million. This amount will be recognized over a remaining weighted average period of 3.6 years.

In addition, the Company had the following stock option plans at March 31, 2015: the 1998 Richmond County Financial Corp. Stock Compensation Plan and the 2004 Synergy Financial Group Stock Option Plans (the two 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 three months ended March 31, 2015 or the year ended December 31, 2014, 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 March 31, 2015, there were 32,400 stock options outstanding. There were no shares available for future issuance under the Stock Option Plans at March 31, 2015.

The status of the Stock Option Plans at March 31, 2015, and the changes that occurred during the three months ended at that date, are summarized below:

	For the Three Months Ended March 31, 2015	
	Number of Stock Options	Weighted Average Exercise Price
Stock options outstanding, beginning of year	58,560	$ 18.04
Exercised	--	--
Expired/forfeited	(26,160)	17.91
Stock options outstanding, end of period	32,400	18.15
Options exercisable, end of period	32,400	18.15

The intrinsic value of stock options outstanding and exercisable at March 31, 2015 was $0. There were no options exercised during the three months ended March 31, 2015. The intrinsic value of options exercised during the three months ended March 31, 2014 was $58,000.

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.

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The following tables present assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2015 and December 31, 2014, and that were included in the Company s Consolidated Statements of Condition at those dates:

	Fair Value Measurements at March 31, 2015 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	$ --	$ 18,771	$ --	$ --	$ 18,771
GSE CMOs	--	--	--	--	--
Private label CMOs	--	--	--	--	--
Total mortgage-related securities	$ --	$ 18,771	$ --	$ --	$ 18,771
Other Securities Available for Sale:					
Municipal bonds	$ --	$ 940	$ --	$ --	$ 940
Capital trust notes	--	11,004	--	--	11,004
Preferred stock	97,793	28,510	--	--	126,303
Mutual funds and common stock	17,104	1,588	--	--	18,692
Total other securities	$ 114,897	$ 42,042	$ --	$ --	$ 156,939
Total securities available for sale	$ 114,897	$ 60,813	$ --	$ --	$ 175,710
Other Assets:					
Loans held for sale	$ --	$ 351,467	$ --	$ --	$ 351,467
Mortgage servicing rights	--	--	220,371	--	220,371
Interest rate lock commitments	--	--	8,862	--	8,862
Derivative assets-other[2]	6,004	4,464	--	(2,783)	7,685
Liabilities:					
Derivative liabilities	$ (64)	$ (8,180)	$ --	$ 6,047	$ (2,197)

(1) Includes cash collateral received from, and paid to, counterparties.
(2) Includes $4.1 million to purchase Treasury options.

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	Fair Value Measurements at December 31, 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	$ --	$ 19,700	$ --	$ --	$ 19,700
GSE CMOs	--	--	--	--	--
Private label CMOs	--	--	--	--	--
Total mortgage-related securities	$ --	$ 19,700	$ --	$ --	$ 19,700
Other Securities Available for Sale:					
Municipal bonds	$ --	$ 942	$ --	$ --	$ 942
Capital trust notes	--	11,482	--	--	11,482
Preferred stock	95,051	27,960	--	--	123,011
Mutual funds and common stock	16,984	1,664	--	--	18,648
Total other securities	$ 112,035	$ 42,048	$ --	$ --	$ 154,083
Total securities available for sale	$ 112,035	$ 61,748	$ --	$ --	$ 173,783
Other Assets:					
Loans held for sale	$ --	$ 379,399	$ --	$ --	$ 379,399
Mortgage servicing rights	--	--	227,297	--	227,297
Interest rate lock commitments	--	--	4,397	--	4,397
Derivative assets-other[2]	2,655	8,429	--	(7,198)	3,886
Liabilities:					
Derivative liabilities	$ (346)	$ (7,862)	$ --	$ 7,696	$ (512)

(1) Includes cash collateral received from, and paid to, counterparties.
(2) Includes $2.6 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. 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, none of which was 90 days or more past due at March 31, 2015. 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.

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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:

	March 31, 2015			December 31, 2014		
(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	$351,467	$341,245	$10,222	$201,012	$194,692	$6,320

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 March 31,	
(in thousands)	2015	2014
Loans held for sale	$ 4,369	$ 1,667
Mortgage servicing rights	(21,943)	(9,822)
Total loss	$ (17,574)	$ (8,155)

(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.

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Changes in Level 3 Fair Value Measurements

The following tables present, for the three months ended March 31, 2015 and 2014, a roll-forward of the balance sheet amounts (including changes in fair value) for financial instruments classified in Level 3 of the valuation hierarchy:

(in thousands)	Fair Value January 1, 2015	Total Realized/Unrealized Gains/(Losses) Recorded in Income/ (Loss)	Total Realized/Unrealized Gains/(Losses) Recorded in Comprehensive (Loss) Income	Issuances	Settlements	Transfers to/(from) Level 3	Fair Value at March 31, 2015	Change in Unrealized Gains/(Losses) Related to Instruments Held at March 31, 2015
Mortgage servicing rights	$227,297	$(21,943)	$ --	$15,017	$ --	$ --	$220,371	$ (6,448)
Interest rate lock commitments	4,397	4,465	--	--	--	--	8,862	8,807

(in thousands)	Fair Value January 1, 2014	Total Realized/Unrealized Gains/(Losses) Recorded in Income/ (Loss)	Total Realized/Unrealized Gains/(Losses) Recorded in Comprehensive (Loss) Income	Issuances	Settlements	Transfers to/(from) Level 3	Fair Value at March 31, 2014	Change in Unrealized Gains/(Losses) Related to Instruments Held at March 31, 2014
Available-for-sale capital securities	$ 241,018	$(9,822)	$ --	$ 6,808	$ --	$ --	$238,004	$ 43
Interest rate lock commitments	258	1,353	--	--	--	--	1,611	1,606

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 Levels 1, 2, or 3 during the three months ended March 31, 2015 or 2014.

For Level 3 assets and liabilities measured at fair value on a recurring basis as of March 31, 2015, the significant unobservable inputs used in the fair value measurements were as follows:

(dollars in thousands)	Fair Value at March 31, 2015	Valuation Technique	Significant Unobservable Inputs	Significant Unobservable Input Value
Mortgage servicing rights	$ 220,371	Discounted Cash Flow	Weighted Average Constant Prepayment Rate [1]	10.50%
			Weighted Average Discount Rate	10.00
Interest rate lock commitments	8,862	Discounted Cash Flow	Weighted Average Closing Ratio	75.62

(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 March 31, 2015 and December 31, 2014, and that were included in the Company s Consolidated Statements of Condition at those dates:

	Fair Value Measurements at March 31, 2015 Using			
(in thousands)	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value

	(Level 1)			
Certain impaired loans	$--	$ --	$1,751	$ 1,751
Other assets [1]	--	11,613	--	11,613
Total	$--	$11,613	$1,751	$13,364

(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, 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	$--	$ --	$23,366	$23,366
Other assets [1]	--	15,916	--	15,916
Total	$--	$15,916	$23,366	$39,282

(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.

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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 March 31, 2015 or December 31, 2014:

March 31, 2015

			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	$ 582,558	$ 582,558	$ 582,558	$ --	$ --
Securities held to maturity	6,784,883	7,028,201	--	7,027,192	1,009
FHLB stock (1)	464,942	464,942	--	464,942	--
Loans, net	35,519,143	36,050,313	--	--	36,050,313
Financial Liabilities:					
Deposits	$ 28,931,387	$ 28,984,723	$ 23,082,998 (2)	$ 5,901,725 (3)	$ --
Borrowed funds	13,264,402	14,251,356	--	14,251,356	--

(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, 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	$ 564,150	$ 564,150	$ 564,150	$ --	$ --
Securities held to maturity	6,922,667	7,085,971	--	7,084,959	1,012
FHLB stock (1)	515,327	515,327	--	515,327	--
Loans, net	35,647,639	36,167,980	--	--	36,167,980
Financial Liabilities:					
Deposits	$ 28,328,734	$ 28,377,897	$ 21,908,136(2)	$ 6,469,761(3)	$ --

Borrowed funds	14,226,487	15,140,171	--	15,140,171	--

(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 values 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 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 March 31, 2015 and December 31, 2014.

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 that are included in derivative assets, and contracts with positive fair values that are included in derivative liabilities.

The Company held derivatives with a notional amount of $4.1 billion at March 31, 2015. 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 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, as well as 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.

The following table sets forth information regarding the Company s derivative financial instruments at March 31, 2015:

	March 31, 2015		
	Notional	Unrealized (1)	
(in thousands)	Amount	Gain	Loss
Treasury options	$ 800,000	$ 1,694	$ --
Treasury futures	25,000	191	--
Eurodollar futures	175,000	1	64
Forward commitments to sell loans/mortgage-backed securities	1,223,000	181	7,982
Forward commitments to buy loans/mortgage-backed securities	1,065,000	4,282	198
Interest rate lock commitments	823,808	8,862	--
Total derivatives	$ 4,111,808	$ 15,211	$ 8,244

(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.

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 March 31,	
(in thousands)	**2015**	**2014**
Treasury options	$3,416	$ (399)
Treasury and Eurodollar futures	383	(55)
Forward commitments to buy/sell loans/mortgage-backed securities	1,772	3,495
Total gain	$5,571	$3,041

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.

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

	March 31, 2015					
				Gross Amounts Not Offset in the Consolidated Statement of Condition		
(in thousands)	Gross Amount of Recognized Assets [1]	Gross Amount Offset in the Statement of Condition	Net Amount of Assets Presented in the Statement of Condition	Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	$19,330	$2,783	$16,547	$--	$--	$16,547

(1) Includes $4.1 million to purchase Treasury options.

	December 31, 2014					
				Gross Amounts Not Offset in the Consolidated Statement of Condition		
(in thousands)	Gross Amount of Recognized Assets [1]	Gross Amount Offset in the Statement of Condition	Net Amount of Assets Presented in the Statement of Condition	Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	$15,481	$7,198	$8,283	$--	$--	$8,283

(1) Includes $2.6 million to purchase Treasury options.

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

	March 31, 2015					
				Gross Amounts Not Offset in the Consolidated Statement of Condition		
(in thousands)	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statement of Condition	Net Amount of Liabilities Presented in the Statement of Condition	Financial Instruments	Cash Collateral Pledged	Net Amount

Derivatives	$8,244	$6,047	$2,197	$--	$--	$2,197

December 31, 2014

(in thousands)	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statement of Condition	Net Amount of Liabilities Presented in the Statement of Condition	Gross Amounts Not Offset in the Consolidated Statement of Condition: Financial Instruments	Gross Amounts Not Offset in the Consolidated Statement of Condition: Cash Collateral Pledged	Net Amount
Derivatives	$8,208	$7,696	$512	$--	$--	$512

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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 tables provide a summary of the Company s segment results for the three months ended March 31, 2015 and 2014, on an internally managed accounting basis:

For the Three Months Ended March 31, 2015

(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$289,285	$ 3,483	$292,768
Provision for loan losses	7	--	7
Non-interest income:			
Third party[1]	33,154	19,080	52,234
Inter-segment	(4,170)	4,170	--
Total non-interest income	28,984	23,250	52,234
Non-interest expense[2]	140,151	16,685	156,836
Income before income tax expense	178,111	10,048	188,159
Income tax expense	64,890	4,010	68,900
Net income	$113,221	$6,038	$119,259
Identifiable segment assets (period-end)	$47,573,020	$678,695	$48,251,715

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

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	For the Three Months Ended March 31, 2014		
(in thousands)	Banking Operations	Residential Mortgage Banking	Total Company
Net interest income	$ 281,247	$ 2,903	$ 284,150
Recovery of loan losses	(14,630)	--	(14,630)
Non-interest income:			
Third party[1]	21,884	15,351	37,235
Inter-segment	(3,779)	3,779	--
Total non-interest income	18,105	19,130	37,235
Non-interest expense[2]	130,825	15,500	146,325
Income before income tax expense	183,157	6,533	189,690
Income tax expense	72,009	2,427	74,436
Net income	$ 111,148	$ 4,106	$ 115,254
Identifiable segment assets (period-end)	$ 46,918,973	$ 648,497	$ 47,567,470

(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 Accounting Standards Update (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 did not 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 its 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 adoption of ASU No. 2014-01 on January 1, 2014 did not have a material effect on the Company s consolidated statement of condition or results of operations.

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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 on January 1, 2015 did not 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, int plan, project, seek, strive, try, or future or conditional verbs such as will, would, should, could, ma 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.

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

Reconciliations of our stockholders equity and tangible stockholders equity; our total assets and tangible assets; and the related financial measures at March 31, 2015 and December 31, 2014 follow:

(in thousands)	**March 31, 2015**	**December 31, 2014**
Stockholders Equity	$ 5,794,797	$ 5,781,815
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles	(6,359)	(7,943)
Tangible stockholders equity	$ 3,352,307	$ 3,337,741
Total Assets	$48,251,715	$48,559,217
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles	(6,359)	(7,943)
Tangible assets	$45,809,225	$46,115,143
Stockholders equity to total assets	12.01%	11.91%
Tangible stockholders equity to tangible assets	7.32%	7.24%

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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 $48.3 billion at March 31, 2015, we rank among the 25 largest U.S. bank holding companies and, with deposits of $28.9 billion at that date, we also rank among its 25 largest depositories.

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

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

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

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

- We are a leading producer of multi-family loans for portfolio in New York City;
- We have produced a consistent record of above-average asset quality;
- We rank among the nation s top 20 aggregators of one-to-four family loans;

We consistently rank among the nation s most efficient bank holding companies; and

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

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

The following table summarizes the high, low, and average five- and ten-year Constant Maturity Treasury (CMT) rates in the three months ended March 31, 2015, December 31, 2014, and March 31, 2014:

	5-Year CMT For the Three Months Ended			**10-Year CMT For the Three Months Ended**		
	March 31, 2015	**December 31, 2014**	**March 31, 2014**	**March 31, 2015**	**December 31, 2014**	**March 31, 2014**
High	1.70%	1.76%	1.77%	2.24%	2.45%	3.01%
Low	1.18	1.37	1.44	1.68	2.07	2.60
Average	1.46	1.60	1.60	1.97	2.28	2.77

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. In the first three months of 2015, residential mortgage interest rates declined from the levels in the trailing and year-earlier quarters and, as a result, the volume of one-to-four family loans we produced for sale rose. One-to-four family loan originations rose $517.5 million sequentially and $855.4 million year-over-year to $1.5 billion, and income from originations (which is included in Mortgage banking income) rose $6.8 million and $11.7 million, respectively, during the corresponding periods, to $15.5 million.

The impact of market interest rates on our multi-family and commercial real estate lending is far less overt than the impact on our production of one-to-four family mortgage loans. Because the multi-family and commercial real estate loans we produce generate prepayment penalty income when they repay, the impact of repayment activity can be especially meaningful. In the first quarter of 2015, prepayment penalty income rose $8.3 million and $9.8 million, respectively, from the levels recorded in the trailing and year-earlier quarters to $30.1 million, primarily reflecting an increase in property transactions as borrowers took advantage of the increase in property values in our primary market niche.

Reflecting the sequential rise in prepayment penalty income, our net interest income rose $9.1 million sequentially to $292.8 million and our net interest margin grew seven basis points to 2.68%. While our net interest margin fell four basis points year-over-year over, net interest income rose $8.6 million from the year-earlier level, largely reflecting the increase in prepayment penalty income recorded over that time.

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

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

Essentially, a bank is designated a SIFI when its total consolidated assets average more than $50 billion over the four most recent quarters. In the third quarter of 2014, we began taking steps to manage our assets below the threshold for a SIFI bank. Reflecting the specific actions we took in the first quarter of this year, we recorded total assets of $48.3 billion at March 31, 2015, as compared to $48.6 billion at December 31, 2014. In the three months ended March 31, 2015, we sold $553.3 million of loans, largely through participations, and reduced our securities portfolio by $135.9 million through a combination of repayments and calls.

The reduction in assets was largely offset by the production of multi-family and commercial real estate loans totaling $2.3 billion in the first quarter of this year.

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. The first quarter of 2015 was our fourth consecutive quarter with net recoveries instead of net charge-offs, bringing the total of net recoveries to $1.3 million over the past twelve months. In addition, non-performing non-covered assets represented 0.29% of total non-covered assets at the end of the quarter, and non-performing non-covered loans represented 0.19% of total non-covered loans.

While the quality of our assets generally reflects the nature of our primary lending niche and the benefit of conservative underwriting, it also reflects the direction of property values and economic conditions in the markets where our held-for-investment loans are produced.

The following table presents the unemployment rates for the United States and our key deposit markets in the months ended March 31, 2015, December 31, 2014, and March 31, 2014. While unemployment declined year-over-year in

each of these markets, the sequential comparison indicates a linked-quarter increase in New York City, as well as in Florida, Ohio, and New York State.

	For the Month Ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Unemployment rate:			
United States	5.5%	5.6%	6.6%
New York City	6.5	6.4	8.1
Arizona	5.4	6.5	7.3
Florida	5.5	5.4	6.4
New Jersey	6.8	5.7	7.6
New York	5.8	5.7	7.2
Ohio	5.4	4.7	6.2

(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 shows the change in the CPI for the twelve months ended at each of the indicated dates:

	For the Twelve Months Ended		
	March 2015	December 2014	March 2014
Change in prices:	(0.1)%	0.8%	1.5%

Given the impact that home prices have on residential mortgage lending, we believe the S&P/Case-Shiller Home Price Index is an important economic indicator for the Company. According to this index, home prices rose 4.2% across the U.S. in the twelve months ended February 2015, as compared to 4.6% and 0.2%, respectively, in the twelve months ended December 2014 and March 2014.

In addition, the volume of new home sales nationwide was at a seasonally adjusted annual rate of 481,000 in March 2015, according to estimates set forth in a U.S. Commerce Department report issued on April 23, 2015. The March 2015 rate was 11.4% lower than the rate reported in February 2015 and 19.4% above the rate reported in March 2014.

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 81.1% of our multi-family loans and 87.6% of our commercial real estate loans are secured by properties in New York, with Manhattan accounting for 34.8% and 51.8% of our multi-family and commercial real estate loans, respectively. As reflected in the following table, residential rental vacancy rates improved modestly linked-quarter, while office vacancy rates in Manhattan rose to a slightly greater degree during the same time.

	For the Three Months Ended		
	March 31, 2015	December 31, 2014	March 31, 2014
Residential rental vacancy rates:			
New York	4.6%	4.7%	5.9%
Manhattan office vacancy rate:	10.0	9.7	11.1

Notwithstanding the inconsistency in economic indices in the current first quarter, the Consumer Confidence Index® moved up to 101.4 in March 2015 from 92.6 in December and from 82.3 in March 2014. An index level of 90 or more is considered indicative of a strong economy.

Recent Events

On April 28, 2015, the Board of Directors declared a quarterly cash dividend of $0.25 per share, payable on May 22, 2015 to shareholders of record at the close of business on May 11, 2015.

Critical Accounting Policies

We consider certain accounting policies to be critically important to the portrayal of our financial condition and results of operations, since they require management to make complex or subjective judgments, some of which may relate to

matters that are inherently uncertain. The inherent sensitivity of our consolidated financial statements to these critical accounting policies, and the judgments, estimates, and assumptions used therein, could have a material impact on our financial condition or results of operations.

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

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

Allowances for Loan Losses

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 largely the same for each of the Community Bank and the Commercial Bank.

The methodology used for the allocation of the allowance for non-covered loan losses at March 31, 2015, December 31, 2014, and March 31, 2014 was also generally comparable, whereby the Community Bank and the Commercial Bank segregated their loss factors (used for both criticized and non-criticized loans) into a component that was primarily based on historical loss rates and a component that was primarily based on other qualitative factors that were probable to affect loan collectability. In determining the respective allowances for non-covered loan losses, management considers the Community Bank s and the Commercial Bank s current business strategies and credit processes, including compliance with applicable regulatory guidelines and with guidelines approved by the respective Boards of Directors with regard to credit limitations, loan approvals, underwriting criteria, and loan workout procedures.

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

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

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

We also follow a process to assign general valuation allowances to non-covered loan categories. General valuation allowances are established by applying our loan loss provisioning methodology, and reflect the inherent risk in outstanding held-for-investment loans. This loan loss provisioning methodology considers various factors in determining the appropriate quantified risk factors to use to determine the general valuation allowances. The factors assessed begin with the historical loan loss experience for each major loan category. Our allowance for loan losses methodology also considers an estimate of the historical loss emergence period (which is the period of time between the event that triggers a loss and the confirmation and/or charge-off of that loss) for each loan portfolio segment.

The allocation methodology consists of the following components: (1) First, we determine an allowance for loan losses based on a quantitative loss factor for loans evaluated collectively for impairment. This quantitative loss factor is based primarily on historical loss rates, after considering loan type, historical loss and delinquency experience, and loss emergence periods. (2) The quantitative loss factors applied in the methodology are periodically re-evaluated and adjusted to reflect changes in historical loss levels, loss emergence periods, or other risks. (3) Lastly, we allocate an allowance for loan losses to qualitative loss factors. These qualitative loss factors are designed to account for losses that may not be provided for by the quantitative loss component due to other factors evaluated by management which, include, but are not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, and charge-off and recovery practices;
- Changes in international, national, regional, and local economic and business conditions, and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;

- Changes in the volume and severity of past-due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
- Changes in the quality of our loan review system;
- Changes in the value of the underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- Changes in the experience, ability, and depth of lending management and other relevant staff; and
- The effect of other external factors, such as competition and legal and regulatory requirements, on the level of estimated credit losses in the existing portfolio.

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

In the first quarter of 2015, we changed the historical loss period we use to determine the allowance for loan losses on non-covered loans from a rolling 16-quarter look-back period to a rolling 24-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 for the foreseeable future.

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 the Board of Directors of the Community Bank or the Commercial Bank, as applicable.

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

The level of future additions to the respective non-covered loan loss allowances is based on many factors, including certain factors that are beyond 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.

An allowance for unfunded commitments is maintained separate from the allowances for non-covered loan losses and is included in Other liabilities in the consolidated statements of condition.

Allowance for Losses on Covered Loans

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

Covered loans are reported exclusive of the FDIC loss share receivable. The covered loans acquired in the AmTrust and Desert Hills acquisitions are, and will continue to be, reviewed for collectability based on the expectations of cash flows from these loans. Covered loans have been aggregated into pools of loans with common characteristics. In determining the allowance for losses on covered loans, we periodically perform an analysis to estimate the expected cash flows for each of the loan pools. A provision for losses on covered loans is recorded to the extent that the expected cash flows from a loan pool have decreased for credit-related items since the acquisition date. Accordingly, during the loss share recovery period, if there is a decrease in expected cash flows due to an increase in estimated credit losses as 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, or MSRs. MSRs are generally recognized when one-to-four family loans are sold or securitized, servicing retained, and are initially recorded, and subsequently carried, at fair value.

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

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

Investment Securities

The securities portfolio primarily consists of mortgage-related securities and, to a lesser extent, debt and equity (together, other) securities. Securities that are classified as available for sale are carried at their estimated fair value, with any unrealized gains or losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholders equity. Securities that we have the intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost, less the non-credit portion of 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, 2014 and found no indication of goodwill impairment at that date.

Goodwill would be tested in less than one year s time if there were a triggering event. There were no triggering events identified during the three months ended March 31, 2015.

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

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

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

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

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.

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

- New York State tax is now determined by measuring the apportioned income of the combined group of all domestic affiliates of a New York taxpayer that participate in a unitary business relationship, rather than by applying differing rules based on the tax status of each affiliate;
- Taxable income is apportioned to New York State based on the location of the taxpayer s customers, with special rules for income from certain financial transactions. The location of the taxpayer s offices and branches are no longer 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 that reduces the income taxable to New York State.

While most of the provisions of this legislation are effective for fiscal years beginning in 2015, the statutory tax rate will not be reduced until 2016. It is expected that this law will result in a modest reduction in our current income tax expense. The amount of the impact on our future tax expense will be affected by any changes in our operations, structure, or profitability.

In April 2015, new legislation was enacted that changed the tax laws of New York City that are applicable to the Company in a manner similar to the changes that were made to the New York State laws described above. These changes were also effective January 1, 2015. However, the New York City laws would differ from the New York State laws in certain ways including by:

- Retaining an alternative tax on capital;
- Measuring the apportionment of income to New York City by a weighted average of the measured New York City receipts (primarily based on customer location), payroll, and property. However, the payroll and property factors are phased out over three years, at which time the apportionment rules will be identical to those for New York State;
- For financial institutions with total assets below $100 billion, the New York City statutory tax rate drops from 9% to 8.85%; and
- Tax relief is provided for net income earned on residential portfolio loans that are secured by rent-regulated units or situated in low-income communities in New York City. This benefit is phased out for financial institutions with total assets between $100 billion and $150 billion.

Since the law was enacted in April, the impact of the New York City tax legislation will first be reflected in our earnings for the three months ended June 30, 2015.

These changes in the tax laws of New York City will result in a one-time reduction in deferred tax expense of approximately $1.5 million in the second quarter and a modest increase in the ongoing income tax expense of the Company. The amount of the impact on our future tax expense will be affected by any changes in our operations, structure, or profitability.

Balance Sheet Summary

Loans

At March 31, 2015, loans, net represented $35.5 billion, or 73.6%, of total assets, a $128.5 million decrease from the balance at December 31, 2014. Included in the March 31st amount were covered loans, net of $2.3 billion; non-covered loans held for investment, net of $32.9 billion; and non-covered loans held for sale of $351.5 million, as more fully discussed 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 March 31, 2015, covered loans represented $2.3 billion, or 6.6%, of the total loan balance, an $87.2 million decrease from the balance at December 31, 2014. In addition to repayments, the reduction reflects $14.2 million of non-residential loans acquired in the Desert Hills transaction that are no longer covered by our FDIC loss sharing agreements, in accordance with their terms. These loans are now classified as purchased credit-impaired (PCI) loans and are included in the balance of non-covered Other loans at March 31, 2015.

One-to-four family loans represented $2.2 billion of total covered loans at the end of the current first quarter, with all other loan types (primarily consisting of home equity lines of credit, or HELOCs) representing $188.7 million, combined.

Covered one-to-four family loans include both fixed and adjustable rate loans. At March 31, 2015, $1.7 billion, or 70.3%, of our covered loans were adjustable rate loans, with a weighted average interest rate of 3.27%. 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 one-to-four family 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 March 31, 2015:

(in thousands)	
California	$ 410,461
Florida	391,654
Arizona	174,324
Ohio	150,350
Massachusetts	115,312
Michigan	107,149
New York	83,227
Illinois	82,466
Maryland	64,571
New Jersey	57,556
Nevada	56,038
Minnesota	52,757
Washington	50,785
All other states	544,778
Total covered loans	$2,341,428

Non-Covered Loans Held for Investment

Non-covered loans held for investment represented $33.0 billion, or 92.5%, of total loans at the end of the current first quarter, down $12.9 million from the balance at December 31, 2014. In addition to multi-family loans and commercial real estate (CRE) loans, the held-for-investment portfolio includes substantially smaller balances of one-to-four family loans; acquisition, development, and construction (ADC) loans; and other loans, with specialty finance loans and leases and other commercial and industrial (C&I) loans comprising the bulk of the Other loan portfolio.

In the first quarter of 2015, we sold $553.3 million of loans, largely through participations, in connection with our current focus on managing our assets below the SIFI threshold, as mentioned in the Executive Summary. During this time, we also produced $2.7 billion of loans for investment, including $2.3 billion of multi-family and CRE loans, combined.

The following table presents information about the loans held for investment we originated in the three months ended March 31, 2015, December 31, 2014, and March 31, 2014:

(in thousands)	For the Three Months Ended March 31, 2015	December 31, 2014	March 31, 2014
Mortgage Loans Originated for Investment:			
Multi-family	$ 1,674,446	$1,879,470	$ 1,946,585
Commercial real estate	610,874	417,715	472,673
One-to-four family	788	24,525	85,209
Acquisition, development, and construction	70,794	17,351	55,929
Total mortgage loans originated for investment	$ 2,356,902	$2,339,061	$ 2,560,396
Other Loans Originated for Investment:			
Specialty finance	$ 230,670	$ 296,310	$ 104,941
Other commercial and industrial	91,501	89,894	151,034
Other	1,676	1,386	1,584
Total other loans originated for investment	$ 323,847	$ 387,590	$ 257,559
Total loans originated for investment	$ 2,680,749	$2,726,651	$ 2,817,955

The individual held-for-investment loan portfolios are discussed below.

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 this niche, multi-family loan originations represented $1.7 billion, or 62.5%, of the total held-for-investment loans we produced in the first three months of this year.

At March 31, 2015, multi-family loans represented $23.5 billion, or 71.1%, of total non-covered loans held for investment, a $381.7 million decrease from the balance at December 31st. In addition to a modest decline in originations, the reduction in multi-family loans reflects an increase in property transactions and refinancing activity (which resulted in higher prepayment penalty income) and the sale of $410.5 million of multi-family loans, largely through participations. The average multi-family loan had a principal balance of $4.9 million at the end of the current first quarter, as compared to $5.0 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.

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

As the rent roll increases, the typical property owner seeks to refinance the mortgage, and generally does so before the loan reprices in year six or eight. At March 31, 2015 and December 31, 2014, the expected weighted average life of the multi-family loan portfolio was 2.6 years and 3.0 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 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 three months of 2015, CRE loans represented $610.9 million, or 22.8%, of the loans we originated for investment, a $193.2 million increase from the volume produced in the trailing quarter and a $138.2 million increase from the volume produced in the year-earlier three months.

At March 31, 2015, CRE loans represented $7.8 billion, or 23.7%, of total loans held for investment, a $188.5 million increase from the balance at December 31, 2014. The average CRE loan had a principal balance of $5.2 million and $5.0 million at the corresponding dates.

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. The pricing of our CRE loans is similar to the pricing of our multi-family credits. While a small percentage of our CRE loans feature ten-year fixed-rate terms, they primarily feature a fixed rate of interest for the first five or seven years of the loan that is generally based on intermediate-term interest rates plus a spread. During years six through ten or eight through twelve, the loan resets to an annually adjustable rate that is tied 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 3.2 years at both March 31, 2015 and December 31, 2014.

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

Consistent with our short-term focus on containing the growth of our assets, we limited the volume of one-to-four family loans we produced for investment, and reduced our portfolio of such loans by $33.9 million to $105.1 million in the three months ended March 31, 2015. Originations of held-for-investment one-to-four family loans fell to $788,000 in the current first quarter from $24.5 million and $85.2 million in the trailing and year-earlier three months, respectively.

Acquisition, Development, and Construction Loans

ADC loans held for investment rose $50.4 million sequentially, to $308.5 million, representing 0.94% of total held-for-investment loans at the end of March. The increase in the March 31st balance reflects a rise in originations, which totaled $70.8 million in the current three-month period.

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 three months ended March 31, 2015 and 2014, we recovered losses against guarantees of $144,000 and $40,000, respectively.

Other Loans

Other loans represented $1.3 billion, or 4.0%, of total loans held for investment at the end of the current first quarter, and were up $163.7 million from the balance at December 31st. Specialty finance loans and leases accounted for $632.9 million of the March 31st balance, reflecting a modest three-month increase, while other C&I loans represented $628.3 million, reflecting a $151.9 million rise. The latter increase reflects the transfer of certain other C&I loans in the amount of $153.6 million from held for sale to held for investment in the first three months of this year.

The remainder of the other loan portfolio includes non-covered PCI loans, home equity loans, and HELOCs, as well as consumer loans, most of which were originated by our pre-2009 merger partners prior to their joining the Company.

Specialty Finance Loans and Leases

Our specialty finance subsidiary is based in Foxboro, Massachusetts, and staffed by a group of industry veterans with expertise in originating and underwriting senior secured debt and equipment loans and leases. The subsidiary participates in syndicated loans that are brought to us, and equipment loans and leases that are assigned to us, by a select group of nationally recognized sources, and generally are made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide.

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

Other Commercial and Industrial Loans

In contrast to the loans produced by our specialty finance subsidiary, the other C&I loans we produce are primarily made to small and mid-size businesses in the five boroughs of New York City and on Long Island. The other C&I loans we produce are tailored to meet the specific needs of our borrowers, and include term loans, revolving lines of credit, and, to a lesser extent, loans that are partly guaranteed by the Small Business Administration. A broad range of other C&I loans, both collateralized and unsecured, are made available to businesses for working capital (including inventory and accounts receivable), business expansion, the purchase of machinery and equipment, and other general corporate needs. In determining the term and structure of other C&I loans, several factors are considered, including the purpose, the collateral, and the anticipated sources of repayment. Other C&I loans are typically secured by

business assets and personal guarantees of the borrower, and include financial covenants to monitor the borrower s financial stability.

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

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 March 31, 2015, 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.

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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 March 31, 2015:

	At March 31, 2015			
	Multi-Family Loans		Commercial Real Estate Loans	
(dollars in thousands)	Amount	Percent of Total	Amount	Percent of Total
New York City:				
Manhattan	$ 8,156,021	34.78%	$4,054,841	51.83%
Brooklyn	4,215,039	17.97	603,683	7.72
Bronx	2,886,930	12.31	202,689	2.59
Queens	2,494,222	10.64	707,104	9.04
Staten Island	67,395	0.29	40,434	0.52
Total New York City	$17,819,607	75.99%	$5,608,751	71.70%
Long Island	448,306	1.91	1,035,919	13.24
Other New York State	739,487	3.15	206,962	2.65
All other states	4,442,787	18.95	971,188	12.41
Total	$23,450,187	100.00%	$7,822,820	100.00%

At March 31, 2015, the largest concentration of one-to-four family loans held for investment was located in New York and totaled $27.0 million; the largest concentration of ADC loans held for investment was located in New York City and totaled $238.4 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

At March 31, 2015, non-covered loans held for sale totaled $351.5 million, a $27.9 million reduction from the balance at December 31st. Reflecting the transfer of other C&I loans in the amount of $153.6 million from held-for-sale to held-for-investment in the current first quarter, all of our held-for-sale loans were one-to-four family loans at March 31st.

In the first three months of 2015, originations of one-to-four family loans for sale totaled $1.5 billion, exceeding the trailing-quarter volume by $517.5 million and the year-earlier volume by $855.4 million. The increase in the production of one-to-four family loans held for sale was indicative of the low level of residential mortgage interest rates in the current first quarter, which triggered an increase in home purchases and refinancing activity.

Most of our one-to-four family loans are produced by our mortgage banking operation, which 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.

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 quarter of 2015, all but $123.7 million, or 8.3%, were agency-conforming. The latter amount consisted of non-conforming jumbo loans.

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.

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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 March 31, 2015 and 2014, the respective liabilities for estimated possible future losses relating to these representations and warranties were $8.2 million and $8.5 million. The methodology used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a variety of factors, including, but not limited to, actual default experience, estimated future defaults, historical loan repurchase rates 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.

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

Representation and Warranty Reserve

	For the Three Months Ended March 31,	
	2015	**2014**
(in thousands)		
Balance, beginning of period	$8,160	$8,460
Repurchase losses	(41)	--
Recoveries	65	--
Balance, end of period	$8,184	$8,460

Indemnified and Repurchased Loans

The following table sets forth our activity with regard to repurchased loans and the loans we indemnified for GSEs during the periods indicated:

	For the Three Months Ended March 31,			
	2015		**2014**	
(dollars in thousands)	Number of Loans	Amount	Number of Loans	Amount
Balance, beginning of period	31	$ 7,916	29	$ 7,143
New indemnifications	3	460	--	--
New repurchases	2	543	6	1,228
Principal payoffs	(2)	(939)	(1)	(62)
Principal payments	--	(63)	--	(55)
Balance, end of period [1]	34	$ 7,917	34	$ 8,254

(1)

Of the 34 period-end loans, 19 loans with an aggregate principal balance of $4.5 million were repurchased, and are now held for investment. The other 15 loans, with an aggregate principal balance of $3.4 million, are indemnified and are all performing as of the date of this report.

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

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Repurchase and Indemnification Requests

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

	For the Three Months Ended March 31,			
	2015		2014	
(dollars in thousands)	Number of Loans	Amount [1]	Number of Loans	Amount [1]
Balance, beginning of period	24	$ 6,189	18	$ 4,057
New repurchase requests [2]	25	6,265	18	4,304
Successful rebuttal/rescission	(23)	(5,071)	(13)	(3,310)
New indemnifications [3]	(3)	(460)	--	--
Loan repurchases [4]	(2)	(543)	(6)	(1,228)
Balance, end of period [5]	21	$ 6,380	17	$ 3,823

(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) The two loans repurchased during the three months ended March 31, 2015 were originated through our mortgage banking operation. Of the six loans repurchased during the three months ended March 31, 2014, two were originated through our mortgage banking operation and four were originated by a bank we acquired in 2007.
(5) Of the 21 period-end requests as of March 31, 2015, 20 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 the loan.

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 March 31, 2015, we had outstanding loan commitments of $3.0 billion, reflecting a $475.8 million increase from the level at December 31st. Commitments to originate loans held for investment represented $2.2 billion of the March 31st total, and commitments to originate loans held for sale represented the remaining $794.2 million. At December 31, 2014, the respective commitments were $2.1 billion and $494.6 million.

Multi-family and CRE loans together represented $1.0 billion of held-for-investment loan commitments at the end of the current first quarter, while ADC and other loans represented $333.0 million and $866.5 million, respectively. Included in the latter amount were commitments to originate specialty finance loans and leases of $455.6 million and commitments to originate other C&I loans of $363.8 million.

In addition to loan commitments, we had commitments to issue financial stand-by, performance stand-by, and commercial letters of credit totaling $252.6 million at March 31, 2015, as compared to $201.0 million at year-end 2014. 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 (Excluding PCI Loans) and Non-Covered Other Real Estate Owned

Non-performing non-covered assets totaled $133.4 million at the end of the current first quarter, a $5.5 million reduction from the balance at December 31, 2014. The March 31st balance represented 0.29% of total non-covered assets, while the December 31st balance represented 0.30% of total non-covered assets.

The three-month decline was the net effect of a $13.9 million reduction in non-performing non-covered loans to $63.1 million and an $8.4 million increase in OREO to $70.3 million. The decline in non-performing non-covered loans was partially due to the transfer of a $9.1 million multi-family loan to OREO in the current first quarter, which also accounted for the rise in OREO. Non-performing non-covered loans represented 0.19% of total non-covered loans at the end of the current first quarter, an improvement from 0.23% at December 31st.

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The following table sets forth the changes in non-performing non-covered loans over the three months ended March 31, 2015:

(in thousands)	
Balance at December 31, 2014	$76,950
New non-accrual	1,918
Charge-offs	(500)
Transferred to other real estate owned	(9,108)
Loan payoffs, including dispositions and principal pay-downs	(6,021)
Restored to performing status	(142)
Balance at March 31, 2015	$63,097

The following table presents our non-performing loans by loan type and the changes in the respective balances from December 31, 2014 to March 31, 2015:

			Change from December 31, 2014 to March 31, 2015	
(dollars in thousands)	March 31, 2015	December 31, 2014	Amount	Percent
Non-Performing Non-Covered Loans:				
Non-accrual non-covered mortgage loans:				
Multi-family	$18,779	$31,089	$(12,310)	(39.60)%
Commercial real estate	23,698	24,824	(1,126)	(4.54)
One-to-four family	11,270	11,032	238	2.16
Acquisition, development, and construction	654	654	--	--
Total non-accrual non-covered mortgage loans	54,401	67,599	(13,198)	(19.52)
Other non-accrual non-covered loans	8,696	9,351	(655)	(7.00)
Total non-performing non-covered loans	$63,097	$76,950	$(13,853)	(18.00)%

A loan generally is classified as a non-accrual loan when it is 90 days or more past due or when we no longer expect to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. At March 31, 2015 and December 31, 2014, all of our non-performing loans were non-accrual loans. A loan is generally returned to accrual status when the loan is current and we have reasonable assurance that the loan will be fully collectible.

We monitor non-accrual loans both within and beyond our primary lending area in the same manner. Monitoring loans generally involves inspecting and re-appraising the collateral properties; holding discussions with the principals and

managing agents of the borrowing entities and/or retained legal counsel, as applicable; requesting financial, operating, and rent roll information; confirming that hazard insurance is in place or force-placing such insurance; monitoring tax payment status and advancing funds as needed; and appointing a receiver, whenever possible, to collect rents, manage the operations, provide information, and maintain the collateral properties.

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

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

Properties that are acquired through foreclosure are classified as OREO. Upon acquisition, the excess of the remaining loan balance over the asset s fair value, less the costs to sell, is charged off against the allowance for loan losses. We generally obtain an appraisal and environmental assessment of properties classified as OREO before foreclosure, and to re-appraise the properties on an as-needed basis, and not less than annually, until they are sold. We dispose of such properties as quickly and prudently as possible, given current market conditions and the property s condition.

The following table presents our loans 30 to 89 days past due by loan type and the changes in the respective balances from December 31, 2014 to March 31, 2015:

(dollars in thousands)	March 31, 2015	December 31, 2014	Change from December 31, 2014 to March 31, 2015	
			Amount	Percent
Non-Covered Loans 30-89 Days Past Due:				
Multi-family	$ 1,594	$ 464	$ 1,130	243.53%
Commercial real estate	3,259	1,464	1,795	122.61
One-to-four family	1,244	3,086	(1,842)	(59.69)
Other loans	664	1,178	(514)	(43.63)
Total non-covered loans 30-89 days past due	$ 6,761	$ 6,192	$ 569	9.19%

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

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

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

To further manage our credit risk, our lending policies limit the amount of credit granted to any one borrower, and typically require minimum DSCRs of 120% for multi-family loans and 130% for CRE loans. Although we typically will lend up to 75% of the appraised value on multi-family buildings and up to 65% on commercial properties, the average LTVs of such credits at origination were below those levels at March 31, 2015. 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, which are not our primary focus, we typically lend up to 65% of the estimated as-completed market value of the property. Credit risk is also managed through the loan disbursement process. Loan proceeds are disbursed periodically in increments as construction progresses, and as warranted by inspection reports provided to us by our own lending officers and/or consulting engineers.

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

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

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

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

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

Fair values for all multi-family buildings, CRE properties, and land are determined based on the appraised value. If an appraisal is more than one year old and the loan is classified as either non-performing or as an accruing 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 $765,000 and $113,000, respectively, in the three months ended March 31, 2015 and December 31, 2014. In the first quarter of 2014, we recorded net charge-offs of $2.6 million, which were equivalent to 0.01% of average loans.

Reflecting the net recoveries recorded in the first three months of this year, and the recovery of $870,000 from the allowance for non-covered loan losses, the allowance for losses on non-covered loans rose to $142.2 million at the end of the current first quarter from $140.0 million at December 31, 2014. The March 31st balance represented 0.42% of total non-covered loans and 221.49% of non-performing non-covered loans at that date.

Based upon all relevant and available information as of March 31, 2015, 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, one-to-four family loans, ADC loans, and other loans represented 0.32%, 0.94%, and 4.0% of total non-covered loans held for investment at the end of the current first quarter; 10.7%, 0.21%, and 0.67% of one-to-four family, ADC, and other loans were non-performing at that date.

In view of these factors, we do not believe that our level of non-performing non-covered loans will result in a comparable level of loan losses, and will not necessarily require an increase in the allowance for non-covered loan losses in any given period. As indicated, non-performing non-covered loans represented 0.19% of total non-covered loans at the end of the current first quarter, and we ve recorded net recoveries since the second quarter of 2014.

The following table presents information about our five largest non-performing loans at March 31, 2015, 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	CRE	Multi-Family	CRE	CRE
Origination Date	1/05/06	Various (2)	6/10/10	9/12/05	12/10/07
Origination Balance	$12,640,000	$4,999,999	$3,600,000	$4,300,000	$2,750,000
Full Commitment Balance (1)	$12,640,000	$4,999,999	$3,600,000	$4,300,000	$2,750,000
Balance at March 31, 2015	$10,051,317	$4,999,999	$3,138,781	$2,792,632	$1,989,722
Associated Allowance	None	None	None	None	None
Non-Accrual Date	March 2014	December 2014	September 2014	September 2013	March 2014
Origination LTV Ratio	79%	36%	67%	73%	55%
Current LTV Ratio	84%	45%	58%	53%	87%
Last Appraisal	February 2015	February 2015	September 2014	September 2014	February 2015

(1) There are no funds available for further advances on the five largest non-performing loans.
(2) Loan No. 2 consists of two loans with origination dates of July 13, 2010 and September 8, 2011.

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 these loans, as determined by using the fair value of collateral method defined in ASC 310-10 and -35.

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 containing 314 residential units and 4 retail stores in Atlantic City, New Jersey.

No. 2 The borrower is an owner of real estate and is based in New York. These loans are collateralized by an 87,500-square foot commercial building in Bethpage, New York.

No. 3 The borrower is an owner of real estate and is based in New York. This loan is collateralized by a multi-family building containing 40 residential units in Hempstead, New York.

No. 4 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.

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No. 5 The borrower is an owner of real estate and is based in New Jersey. This loan is collateralized by a 23,791-square foot retail building in Somerset, New Jersey.

The following tables present the number and amount of non-performing multi-family and CRE loans by originating bank at March 31, 2015 and December 31, 2014:

As of March 31, 2015	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
(dollars in thousands)	Number	Amount	Number	Amount
New York Community Bank	11	$18,482	21	$17,988
New York Commercial Bank	1	297	3	5,710
Total for New York Community Bancorp	12	$18,779	24	$23,698

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

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. Loans on which concessions were made with respect to rate reductions and/or extension of maturity dates totaled $27.4 million; loans in connection with which forbearance agreements were reached totaled $6.3 million.

Based on the number of loans performing in accordance with their revised terms, our success rates for restructured multi-family and CRE loans were 89% and 91%, respectively, at March 31, 2015; 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 March 31, 2015:

(in thousands)	Accruing	Non-Accrual	Total
Multi-family	$ 7,664	$ 6,041	$13,705
Commercial real estate	8,234	9,642	17,876
One-to-four family	--	259	259
Acquisition, development, and construction	--	654	654
Commercial and industrial	--	1,198	1,198
Total	$15,898	$17,794	$33,692

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

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

The following table sets forth the changes in TDRs over the three months ended March 31, 2015:

(in thousands)	Accruing	Non-Accrual	Total
Balance at December 31, 2014	$15,836	$29,927	$45,763
Transferred to other real estate owned	--	(9,108)	(9,108)
Transferred to accruing from non-accrual	142	(142)	--
Loan payoffs, including dispositions and principal pay-downs	(80)	(2,883)	(2,963)
Balance at March 31, 2015	$15,898	$17,794	$33,692

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 three months ended March 31, 2015, 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 the end of the current first quarter 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.

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Asset Quality Analysis (Excluding Covered Loans, Covered OREO, Non-Covered PCI Loans, 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 March 31, 2015 and December 31, 2014. Covered loans and non-covered PCI loans are considered to be performing due to the application of the yield accretion method, as discussed elsewhere in this report. Therefore, covered loans and non-covered PCI loans are not reflected in the amounts or ratios provided in this table.

(dollars in thousands)	At or For the Three Months Ended March 31, 2015	At or For the Year Ended December 31, 2014
Allowance for Losses on Non-Covered Loans:		
Balance at beginning of period	$ 139,857	$ 141,946
Recovery of losses on non-covered loans	(870)	--
Charge-offs:		
Multi-family	--	(755)
Commercial real estate	(253)	(1,615)
One-to-four family	(232)	(410)
Acquisition, development, and construction	--	--
Other loans	(313)	(5,296)
Total charge-offs	(798)	(8,076)
Recoveries	1,563	5,987
Net recoveries (charge-offs)	765	(2,089)
Balance at end of period	$ 139,752	$ 139,857
Non-Performing Non-Covered Assets:		
Non-accrual non-covered mortgage loans:		
Multi-family	$ 18,779	$ 31,089
Commercial real estate	23,698	24,824
One-to-four family	11,270	11,032
Acquisition, development, and construction	654	654
Total non-accrual non-covered mortgage loans	54,401	67,599
Other non-accrual non-covered loans	8,696	9,351
Total non-performing non-covered loans (1)	$ 63,097	$ 76,950
Non-covered other real estate owned (2)	70,311	61,956
Total non-performing non-covered assets	$ 133,408	$ 138,906

Asset Quality Measures:		
Non-performing non-covered loans to total non-covered loans	0.19%	0.23%
Non-performing non-covered assets to total non-covered assets	0.29	0.30
Allowance for losses on non-covered loans to non-performing non-covered loans	221.49	181.75
Allowance for losses on non-covered loans to total non-covered loans	0.42	0.42
Net charge-offs during the period to average loans outstanding during the period (3)	0.00(4)	0.01
Non-Covered Loans 30-89 Days Past Due:		
Multi-family	$ 1,594	$ 464
Commercial real estate	3,259	1,464
One-to-four family	1,244	3,086
Acquisition, development, and construction	--	--
Other loans	664	1,178
Total non-covered loans 30-89 days past due (5)	$ 6,761	$ 6,192

(1) The March 31, 2015 and December 31, 2014 amounts exclude loans 90 days or more past due of $152.0 million and $157.9 million, respectively, that are covered by FDIC loss sharing agreements. The March 31, 2015 amount also excludes $2.9 million of non-covered PCI loans.
(2) The March 31, 2015 and December 31, 2014 amounts exclude OREO of $31.0 million and $32.0 million, respectively, that is covered by FDIC loss sharing agreements.
(3) Average loans include covered loans and non-covered PCI loans.
(4) Presented on a non-annualized basis.
(5) The March 31, 2015 and December 31, 2014 amounts exclude loans 30 to 89 days past due of $35.7 million and $41.7 million, respectively, that are covered by FDIC loss sharing agreements. The March 31, 2015 amount also excludes $10,000 of non-covered PCI loans.

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 reimbursed us for losses for a five-year period from the date of acquisition which has since expired; 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 are 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 first three months of 2015, we recorded FDIC indemnification income of $702,000 in Non-interest income in connection with an $877,000 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 a deterioration in credit quality. Conversely, in the first three months of 2014, we recovered $14.6 million from the allowance for covered loan losses, as an improvement in credit quality led to our expectation that the cash flows generated by certain pools of covered loans would increase. In connection with said recovery, we recorded FDIC indemnification expense of $11.7 million during the corresponding period.

Decreases in estimated reimbursements from the FDIC, if any, will be 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 will be recognized in income prospectively over the lives of the loans. Gains and recoveries on covered assets will offset losses, or be paid to the FDIC at the applicable loss share percentage at the time of recovery.

The loss share receivables may also increase due to accretion, or decrease due to amortization. In the three months ended March 31, 2015 and 2014, we recorded amortization of $14.2 million and $8.0 million, respectively. 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 three months ended March 31, 2015, we received FDIC reimbursements of $5.7 million, as compared to $12.6 million in the year-earlier three months.

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Asset Quality Analysis (Including Covered Loans, Covered OREO, and Non-Covered PCI Loans)

The following table presents information regarding our non-performing assets and loans past due at March 31, 2015 and December 31, 2014, including covered loans and covered OREO (collectively, covered assets), and non-covered PCI loans:

(dollars in thousands)	At or For the Three Months Ended March 31, 2015	At or For the Year Ended December 31, 2014
Covered Loans and Non-Covered PCI Loans 90 Days or More Past Due:		
Multi-family	$ --	$ --
Commercial real estate	1,254	1,464
One-to-four family	145,235	148,967
Acquisition, development, and construction	1,572	709
Other	6,808	6,749
Total covered loans and non-covered PCI loans 90 days or more past due	$154,869	$157,889
Covered other real estate owned	31,015	32,048
Total covered assets and non-covered PCI loans	$185,884	$189,937
Total Non-Performing Assets:		
Non-performing loans:		
Multi-family	$ 18,779	$ 31,089
Commercial real estate	24,952	26,288
One-to-four family	156,505	159,999
Acquisition, development, and construction	2,226	1,363
Other non-performing loans	15,504	16,100
Total non-performing loans	$217,966	$234,839
Other real estate owned	101,326	94,004
Total non-performing assets	$319,292	$328,843
Asset Quality Ratios (including the allowance for losses on covered loans and non-covered PCI loans):		
Total non-performing loans to total loans	0.62%	0.66%
Total non-performing assets to total assets	0.66	0.68
Allowance for loan losses to total non-performing loans	85.38	78.92
Allowance for loan losses to total loans	0.53	0.52

Covered Loans and Non-Covered PCI Loans 30-89 Days Past Due:		
Multi-family	$ --	$ --
Commercial real estate	--	599
One-to-four family	32,497	37,680
Acquisition, development, and construction	--	--
Other loans	3,226	3,417
Total covered loans and non-covered PCI loans 30-89 days past due	$35,723	$41,696
Total Loans 30-89 Days Past Due:		
Multi-family	$ 1,594	$ 464
Commercial real estate	3,259	2,063
One-to-four family	33,741	40,766
Acquisition, development, and construction	--	--
Other loans	3,890	4,595
Total loans 30-89 days past due	$42,484	$47,888

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

The following table presents a geographical analysis of our non-performing loans at March 31, 2015:

	Non-Performing Loans		
(in thousands)	Non-Covered Loan Portfolio	Covered Loan Portfolio	Total
New Jersey	$ 33,182	$ 15,569	$ 48,751
New York	26,343	15,917	42,260
Florida	--	27,505	27,505
California	225	13,115	13,340
Ohio	--	9,670	9,670
Massachusetts	--	9,517	9,517
Arizona	--	6,824	6,824
Connecticut	3,225	3,316	6,541
All other states	122	50,554	50,676
Total non-performing loans	$ 63,097	$ 151,987	$ 215,084

Securities

Securities represented $7.0 billion, or 14.4%, of total assets at the end of the current first quarter, a $135.9 million reduction from the balance at December 31st. The linked-quarter decline was primarily due to repayments and, to a lesser extent, calls of securities. In addition, GSE obligations represented 95.5% of total securities at the end of the current first quarter, consistent with the percentage at the end of 2014.

Held-to-maturity securities represented $6.8 billion, or 97.5%, of the March 31, 2015 balance, and were down $137.8 million from the balance at December 31, 2014. At the end of March, the fair value of securities held to maturity represented 103.6% of their carrying value, as compared to 102.4% at the end of last year. Mortgage-related securities accounted for $4.0 billion and $4.1 billion, respectively, of securities held to maturity at the ends of March and December, while other securities accounted for $2.8 billion at both dates.

GSE obligations represented $6.6 billion of held-to-maturity securities at the end of the current first quarter, while capital trust notes, corporate bonds, and municipal obligations represented $65.6 million, $73.4 million, and $58.4 million, respectively. At December 31, 2014, GSE obligations accounted for $6.7 billion of held-to-maturity securities, while capital trust notes and corporate bonds represented $75.6 million and $73.3 million, respectively. The estimated weighted average life of the held-to-maturity securities portfolio was 7.0 years and 7.2 years at the respective period-ends.

Available-for-sale securities represented the remaining $175.7 million, or 2.5%, of total securities at the end of the current first quarter, a $1.9 million increase from the balance at December 31st. Included in the respective period-end amounts were mortgage-related securities of $18.8 million and $19.7 million, and other securities of $156.9 million and $154.1 million, respectively. The estimated weighted average life of the available-for-sale securities portfolio was 8.3 years and 8.6 years at the corresponding dates.

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. At March 31, 2015, the Community Bank held $426.5 million of FHLB stock, including $407.5 million of stock in the FHLB-NY and $19.0 million of stock in the FHLB-Cincinnati that was acquired in connection with the AmTrust transaction in December 2009. The Commercial Bank had $38.4 million of FHLB stock at the end of the current first quarter, all of which was with the FHLB-NY. All FHLB stock continued to be valued at par, with no impairment required at March 31, 2015.

In the first three months of 2015, dividends from the FHLB to the Banks totaled $5.5 million and $349,000, respectively.

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; 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: retail, institutional, municipal, and 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 $4.3 billion in the first three months of 2015, as compared to $2.6 billion in the first three months of the prior year.

In the three months ended March 31, 2015 and 2014, cash flows from the repayment and sale of securities respectively totaled $275.6 million and $244.2 million, while purchases of securities totaled $135.0 million and $237.3 million in the corresponding periods. Consistent with our business model, the cash flows from loans and securities were primarily deployed into the production of held-for-investment multi-family loans and CRE loans.

Deposits

Our ability to retain and attract deposits depends on numerous factors, including customer satisfaction, the rates of interest we pay, the types of products we offer, and the attractiveness of their terms. While there have been times we have chosen not to compete actively for deposits (depending on our access to deposits through acquisitions, the availability of lower-cost funding sources, the impact of competition on pricing, and the need to fund our loan demand), we continued to grow our deposits organically in the first quarter of 2015.

Reflecting the success of the Company s deposit-gathering efforts, deposits rose $602.7 million from the December 31st balance to $28.9 billion at March 31st. Reflecting both deposit growth and the decline in total assets, deposits represented 60.0% of total assets at the end of the current first quarter, as compared to 58.3% at the end of 2014.

Retail deposits accounted for the bulk of the increase, rising $562.1 million to $21.9 billion at the end of March. Institutional deposits also rose during this time, by $171.7 million, to $2.4 billion. These increases were only partly offset by a $27.6 million decline in municipal deposits to $820.2 million and by a $103.6 million decline in brokered deposits to $3.8 billion, as further discussed below.

The linked-quarter increase in deposits was primarily due to a $646.8 million increase in savings accounts to $7.7 billion, together with a $448.2 million rise in non-interest-bearing accounts to $2.8 billion. NOW and money market accounts also rose during this time, by $79.9 million, to $12.6 billion at March 31st. The benefit of these increases was partly offset by the impact of a $572.2 million decline in certificates of deposit (CDs) to $5.8 billion, representing 20.2% of total deposits at the current first-quarter end.

The linked-quarter reduction in brokered deposits was the net effect of a $138.5 million decrease in brokered money market accounts to $2.4 billion and a $34.9 million increase in brokered demand deposit accounts to $1.4 billion. The balance of brokered CDs was $3.5 million at both March 31, 2015 and December 31, 2014. 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, junior subordinated debentures. Reflecting a $962.1 million decline in wholesale borrowings to $12.9 billion, borrowed funds fell a like amount over the course of the quarter to $13.3 billion at March 31, 2015.

Wholesale Borrowings

In tandem with the growth of our deposits, we have reduced our use of wholesale borrowings to some degree. Wholesale borrowings totaled $12.9 billion and $13.9 billion, respectively, at March 31, 2015 and December 31, 2014, representing 26.7% and 28.6% of total assets at the corresponding dates.

The balance of FHLB advances declined $1.2 billion over the course of the quarter to $9.0 billion at March 31st. While the balance of repurchase agreements was $3.4 billion at the end of both quarters, the balance of fed funds purchased rose $235.0 million linked-quarter to $495.0 million at the current first quarter-end.

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 $8.5 billion of FHLB-NY advances, the March 31st balance included $488.3 million of FHLB-Cincinnati advances that were acquired in the AmTrust acquisition.

At March 31, 2015, $5.9 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.

Junior Subordinated Debentures

At March 31, 2015 and December 31, 2014, junior subordinated debentures totaled $358.4 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 three months of 2015, 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 continued the origination of C&I loans, which feature floating interest rates; and (3) We increased our core deposits and reduced our wholesale borrowings.

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.

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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 March 31, 2015, our one-year gap was a negative 15.21%, as compared to a negative 15.92% at December 31, 2014. The modest change in our one-year gap was primarily attributable to a decrease in borrowed funds maturing in one year, coupled with an increase in projected loan prepayments, which was partially offset by an increase in the amount of deposits expected to mature in one year.

The table on the following page sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at March 31, 2015 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 March 31, 2015 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 25% per annum; for multi-family and CRE loans, prepayment rates are forecasted at weighted average CPRs of 25% and 17% 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 59% for the first five years and 41% for years six through ten. NOW accounts were assumed to decay at a rate of 74% for the first five years and 26% 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 86% for the first five years and 14% for years six through ten.

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Interest Rate Sensitivity Analysis

	At March 31, 2015					
(dollars in thousands)	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 Year
INTEREST-EARNING ASSETS:						
Mortgage and other loans [1]	$ 4,076,326	$ 6,046,401	$12,105,869	$9,006,717	$ 4,055,318	$ 351,
Mortgage-related securities [2][3]	70,316	144,484	331,456	112,729	2,998,611	316,
Other securities and money market investments [2]	591,607	1,392	64,784	3,193	2,650,648	145,
Total interest-earning assets	4,738,249	6,192,277	12,502,109	9,122,639	9,704,577	813,
INTEREST-BEARING LIABILITES:						
NOW and money market accounts	6,442,495	724,013	859,125	2,041,096	2,562,730	
Savings accounts	698,625	3,020,514	629,995	209,212	3,140,058	
Certificates of deposit	1,344,641	3,257,539	1,155,206	68,338	21,800	8
Borrowed funds	2,583,690	200,373	1,207,368	4,578,037	4,550,436	144,4
Total interest-bearing liabilities	11,069,451	7,202,439	3,851,694	6,896,683	10,275,024	145,
Interest rate sensitivity gap per period [4]	$(6,331,202)	$(1,010,162)	$ 8,650,415	$2,225,956	$ (570,447)	$ 667,
Cumulative interest rate sensitivity gap	$(6,331,202)	$(7,341,364)	$1,309,051	$3,535,007	$2,964,560	$3,632,
Cumulative interest rate sensitivity gap as a percentage of total assets	(13.12)%	(15.21)%	2.71%	7.33%	6.14%	7
Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities	42.80 %	59.82 %	105.92%	112.18%	107.54%	109

(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 March 31, 2015, 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 1.78% 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 1.86% 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 March 31, 2015, 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	(3.49) %
+200	(9.83)

(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.

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Based on the information and assumptions in effect at March 31, 2015, 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	(4.59)%
+200	(8.00)

(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 March 31, 2015, our analysis indicated that an immediate flattening of the yield curve would be expected to result in a 6.12% 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 3.14% increase in net interest income over such time.

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 $582.6 million and $564.2 million, respectively, at March 31, 2015 and December 31, 2014. As in the past, our portfolios of loans and securities provided liquidity in the current three-month period, with cash flows from the repayment and sale of loans totaling $4.3 billion and cash flows from the repayment and sale of securities totaling $275.6 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 March 31, 2015, our available borrowing capacity with the FHLB-NY was $8.8 billion. In addition, the Community Bank and the Commercial Bank had $173.7 million in available-for-sale securities, combined, at that date.

Furthermore, both the Community Bank and the Commercial Bank have agreements with the Federal Reserve Bank of New York (the FRB-NY) that enables them to access the discount window as a further means of enhancing their liquidity if need be. In connection with their agreements, the Banks have pledged certain loans and securities to collateralize any funds they may borrow. At March 31, 2015, the maximum amount the Community Bank could borrow from the FRB-NY was $1.1 billion; the maximum amount the Commercial Bank could borrow from the FRB-NY was $165.3 million. There were no borrowings against the respective lines of credit at that date.

Our primary investing activity is loan production. In the first three months of 2015, the combined volume of loans originated for sale and for investment was $4.2 billion. During this time, the net cash provided by investing activities totaled $417.9 million. Our operating activities provided net cash of $76.3 million in the current first quarter, and our financing activities used net cash of $475.9 million during this time.

CDs due to mature in one year or less from March 31, 2015 totaled $4.6 billion, representing 78.7% 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, as previously discussed.

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 three months ended March 31, 2015, the Banks paid dividends totaling $115.0 million to the Parent Company, leaving $156.2 million that they could dividend to the Parent Company without regulatory approval at that date. 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. Additional

sources of liquidity available to the Parent Company at March 31, 2015 included $68.5 million in cash and cash equivalents and $2.0 million of available-for-sale securities.

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 March 31, 2015, we held derivative financial instruments with a notional value of $4.1 billion. (Please see Note 12, Derivative Financial Instruments, for a further discussion of our use of such financial instruments.)

Capital Position

Stockholders equity totaled $5.8 billion at the end of the current first quarter, a $13.0 million increase from the balance recorded at December 31, 2014. The respective balances were equivalent to 12.01% and 11.91% of total assets, as well as book values of $13.04 and $13.06 per share.

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 March 31, 2015 and December 31, 2014, we had shares outstanding of 444,277,802 and 442,587,190, respectively.

Tangible stockholders equity rose $14.6 million from the year-end 2014 balance to $3.4 billion at the end of March, after the distribution of quarterly cash dividends totaling $110.9 million. Tangible stockholders equity represented 7.32% and 7.24% of tangible assets at the end of March and December, and represented book values of $7.55 and $7.54 per share at the corresponding dates.

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 March 31, 2015 and December 31, 2014, we recorded goodwill of $2.4 billion; we recorded CDI of $6.4 million and $7.9 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 financial measures that appear earlier in this report.)

Both stockholders equity and tangible stockholders equity include AOCL. AOCL declined $3.0 million from the balance at the end of December to $52.7 million at March 31st. The reduction was the net effect of a $1.7 million rise in the net unrealized gain on available-for-sale securities to $4.7 million; a $1.2 million decline in the net unrealized loss on pension and post-retirement obligations to $52.0 million; and a modest decline in the net unrealized loss on the non-credit portion of OTTI losses on securities to $5.4 million over the three months ended March 31, 2015.

At March 31, 2015, our capital measures continued to exceed the minimum federal requirements for a bank holding company, which reflect the new capital rules under Basel III that took effect on January 1st of this year. The following table sets forth our Common Equity Tier 1, Tier 1 risk-based, total risk-based, and leverage 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 March 31, 2015							
	Risk-Based Capital							
	Common Equity Tier 1		Tier 1		Total		Leverage Capital	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$3,413,005	10.98%	$3,499,415	11.25%	$3,948,666	12.70%	$3,499,415	7.56%
Minimum for capital adequacy purposes	1,399,398	4.50	1,865,864	6.00	2,487,819	8.00	1,850,444	4.00
Excess	$2,013,607	6.48%	$1,633,551	5.25%	$1,460,847	4.70%	$1,648,971	3.56%

The impact of the new Basel III capital rules is primarily reflected in the Tier 1 capital of the Company. In accordance with these rules, which call for the phase-out of trust preferred securities as Tier 1 capital, only 25% of our trust preferred securities were included in Tier 1 capital at March 31, 2015. Based on the March 31, 2015 balance of the Company s trust preferred securities, the phase-out of 75% of our trust preferred securities reduced our Tier 1 capital by $259.2 million, our Tier 1 leverage capital ratio by 56 basis points, and our Tier 1 to risk-weighted assets ratio by 83 basis points at that date. The Tier 1 and total capital to risk-weighted assets ratios were also negatively impacted by changes in the calculation of risk-weighted assets under Basel III.

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As reflected in the following tables, the capital ratios for the Community Bank and the Commercial Bank also continued to exceed the minimum regulatory capital levels required at March 31, 2015, in accordance with the new rules under Basel III:

Regulatory Capital Analysis (New York Community Bank)

	At March 31, 2015							
	Risk-Based Capital							
	Common Equity Tier 1		Tier 1		Total		Leverage Capital	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$3,306,555	11.73%	$3,306,555	11.73%	$3,483,970	12.35%	$3,306,555	7.83%
Minimum for capital adequacy purposes	1,268,982	4.50	1,691,976	6.00	2,255,969	8.00	1,688,571	4.00
Excess	$2,037,573	7.23%	$1,614,579	5.73%	$1,228,001	4.35%	$1,617,984	3.83%

Regulatory Capital Analysis (New York Commercial Bank)

	At March 31, 2015							
	Risk-Based Capital							
	Common Equity Tier 1		Tier 1		Total		Leverage Capital	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$372,521	11.87%	$372,521	11.87%	$385,128	12.28%	$372,521	9.01%
Minimum for capital adequacy purposes	141,171	4.50	188,229	6.00	250,971	8.00	165,411	4.00
Excess	$231,350	7.37%	$184,292	5.87%	$134,157	4.28%	$207,110	5.01%

As of March 31, 2015, the Community Bank and the Commercial Bank also exceeded the minimum capital requirements to be categorized as well capitalized. To be categorized as well capitalized, a bank must maintain a minimum Common Equity Tier 1 ratio of 6.50%; a minimum Tier 1 risk-based capital ratio of 8.00%; a minimum total risk-based capital ratio of 10.00%; and a minimum leverage capital ratio of 5.00%.

Earnings Summary for the Three Months Ended March 31, 2015

We generated earnings of $119.3 million, or $0.27 per diluted share, in the first three months of 2015, as compared to $131.2 million, or $0.30 per diluted share in the trailing quarter, and to $115.3 million, or $0.26 per diluted share, in the first three months 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 first quarter of 2015, the average five-year CMT fell to 1.46% from 1.60% in both the trailing and year-earlier quarters. Meanwhile, the average ten-year CMT fell to 1.97% from 2.28% in the trailing quarter and from 2.77% 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.

Net interest income rose $9.1 million sequentially and $8.6 million year-over-year to $292.8 million in the three months ended March 31, 2015. The linked-quarter rise was the net effect of a $6.1 million increase in interest income to $428.9 million and a $3.0 million reduction in interest expense to $136.1 million. The year-over-year increase was the net effect of a $13.6 million increase in interest income and a $5.0 million increase in interest expense. Although the Company s net interest margin dropped four basis points year-over-year, it rose seven basis points linked-quarter, to 2.68% in the first quarter of 2015.

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

Prepayment penalty income contributed $30.1 million to net interest income in the current first quarter, up $8.3 million from the level contributed in the fourth quarter of 2014. The increase was largely attributable to an increase in property transactions and refinancing activity in the Company s multi-family lending niche. Similarly, prepayment penalty income contributed 28 basis points to the Company s current first-quarter margin, as compared to 20 basis points in the fourth quarter of last year. Absent the contributions of prepayment penalty income in the respective quarters, the margin would have declined one basis point in the first quarter of 2015.

Interest-earning assets averaged $43.5 billion in the current first quarter, a $112.8 million decrease from the average balance in the trailing three-month period. The decrease was the net effect of a $175.6 million rise in the average balance of loans to $36.0 billion, and a $288.4 million decrease in the average balance of securities and money market investments to $7.5 billion. Notwithstanding the decrease in the average balance of interest-earning assets, the average yield rose eight basis points linked-quarter, as the average yields on loans and on securities and money market investments rose six and 14 basis points, respectively, to 4.06% and 3.43%. The decline in the average balance of interest-earning assets was not unexpected, given the steps taken by management to limit asset growth in the quarter; the increase in the average yield was primarily due to the aforementioned rise in prepayment penalty income, in addition to yield maintenance fees received on securities that prepaid in the first three months of this year.

Interest-bearing liabilities averaged $40.2 billion in the current first quarter, down $108.1 million from the average balance in the fourth quarter of 2014. The decrease was the net effect of a $108.8 million decline in the average balance of interest-bearing deposits to $26.0 billion and a nominal increase in the average balance of borrowed funds to $14.2 billion. The average cost of funds was 1.37% in both quarters, as the average cost of interest-bearing deposits rose a single basis point to 0.63% linked-quarter, and the average cost of borrowed funds declined by a like amount to 2.72%. The modest increase in the cost of interest-bearing deposits also was not unexpected, given management s focus on increasing core deposits and the related increase in interest rates paid on such accounts.

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

Prepayment penalty income rose $9.8 million year-over-year and contributed nine basis points more to the current first- quarter margin than it contributed to the margin in the first quarter of last year.

Average interest-earning assets rose $2.0 billion year-over-year, as a $2.9 billion increase in the average loan balance more than offset the impact of a $976.6 million decline in the average balance of securities and money market investments. The benefit of the increase in the average balance of interest-earning assets exceeded the impact of a five-basis point reduction in the average yield. While the average yield on securities and money market investments rose 14 basis points year-over-year, the average yield on loans fell 13 basis points, primarily reflecting the replenishment of the portfolio with lower-yielding loans.

Average interest-bearing liabilities rose $1.6 billion year-over-year, as the average balance of interest-bearing deposits rose $2.4 billion, and the average balance of borrowed funds fell $803.3 million. The impact of the increase in the average balance of interest-bearing liabilities was somewhat tempered by the benefit of a one-basis point decline in the average cost of funds. While the average cost of interest-bearing deposits and borrowed funds rose five and 10 basis points, respectively, from the year-earlier level, the average cost of interest-bearing liabilities was favorably impacted by declines in the average balances of CDs and borrowed funds.

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.

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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					
	March 31, 2015			December 31, 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]	$ 35,960,395	$ 364,504	4.06%	$ 35,784,839	$ 358,298	4.00%
Securities and money market investments [2][3]	7,542,579	64,409	3.43	7,830,979	64,505	3.29
Total interest-earning assets	43,502,974	428,913	3.95	43,615,818	422,803	3.87
Non-interest-earning assets	5,266,578			5,254,694		
Total assets	$ 48,769,552			$ 48,870,512		
Liabilities and Stockholders Equity:						
Interest-bearing deposits:						
NOW and money market accounts	$ 12,366,830	$ 11,052	0.36%	$ 12,478,182	$ 11,109	0.35%
Savings accounts	7,528,983	12,333	0.66	7,100,938	11,254	0.63
Certificates of deposit	6,085,108	17,116	1.14	6,510,626	18,657	1.14
Total interest-bearing deposits	25,980,921	40,501	0.63	26,089,746	41,020	0.62
Borrowed funds	14,245,073	95,644	2.72	14,244,337	98,101	2.73
Total interest-bearing liabilities	40,225,994	136,145	1.37	40,334,083	139,121	1.37
Non-interest-bearing deposits	2,510,976			2,545,450		
Other liabilities	230,273			192,719		

Total liabilities	42,967,243			43,072,252		
Stockholders equity	5,802,309			5,798,260		
Total liabilities and stockholders equity	$ 48,769,552			$ 48,870,512		
Net interest income/interest rate spread		$ 292,768	2.58%		$ 283,682	2.50%
Net interest margin			2.68%			2.61%
Ratio of interest-earning assets to interest-bearing liabilities			1.08x			1.08x

(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.

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

	For the Three Months Ended					
	March 31, 2015			March 31, 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)	$ 35,960,395	$ 364,504	4.06%	$ 33,011,094	$ 345,530	4.19%
Securities and money market investments (2)(3)	7,542,579	64,409	3.43	8,519,165	69,781	3.29
Total interest-earning assets	43,502,974	428,913	3.95	41,530,259	415,311	4.00
Non-interest-earning assets	5,266,578			5,342,511		
Total assets	$ 48,769,552			$ 46,872,770		
Liabilities and Stockholders Equity:						
Interest-bearing deposits:						
NOW and money market accounts	$ 12,366,830	$ 11,052	0.36%	$ 10,609,142	$ 8,396	0.32%
Savings accounts	7,528,983	12,333	0.66	5,907,399	6,473	0.44
Certificates of deposit	6,085,108	17,116	1.14	7,023,958	19,060	1.10
Total interest-bearing deposits	25,980,921	40,501	0.63	23,540,499	33,929	0.58
Borrowed funds	14,245,073	95,644	2.72	15,048,416	97,232	2.62
Total interest-bearing liabilities	40,225,994	136,145	1.37	38,588,915	131,161	1.38
Non-interest-bearing deposits	2,510,976			2,341,013		
Other liabilities	230,273			210,737		
Total liabilities	42,967,243			41,140,665		
Stockholders equity	5,802,309			5,732,105		
Total liabilities and stockholders equity	$ 48,769,552			$ 46,872,770		
Net interest income/interest rate spread		$ 292,768	2.58%		$ 284,150	2.62%
Net interest margin			2.68%			2.72%
Ratio of interest-earning assets to interest-bearing liabilities			1.08x			1.08x

(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.

(Recoveries of) Provisions for Loan Losses

(Recovery of) 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 losses incurred 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.

Conversely, the Company may record a recovery from the allowance for losses on non-covered loans if, based on its periodic assessment, it has determined that the allowance is more than adequate in accordance with GAAP. Reflecting such assessment, the net recoveries recorded, and the decline in the balance of non-covered loans at the end of the quarter, the Company recovered $870,000 from the non-covered loan loss allowance in the first quarter of 2015. In the trailing and year-earlier quarters, no provision or recovery was recorded for losses on non-covered loans.

Provision for (Recovery of) Losses on Covered Loans

A provision for losses on covered loans is recorded when we have reason to believe that the cash flows from certain loans acquired in our FDIC-assisted transactions will fall short of our expectations, due to a decline in their credit quality. Conversely, when we have reason to believe that the cash flows from certain loan portfolios acquired in our FDIC-assisted transactions will exceed our expectations due to an improvement in credit quality, we reverse the previously established covered loan loss allowance by recording a recovery.

Reflecting a modest reduction in the credit quality of certain covered loans, we recorded an $877,000 provision for covered loan losses in the first quarter of 2015. Conversely, in the trailing and year-earlier quarters, we recovered $200,000 and $14.6 million, respectively, from the allowance for covered loan losses, as the credit quality of our covered loan portfolio improved.

Because our FDIC loss sharing agreements call for the FDIC to reimburse us for a portion of our losses on covered loans and for the FDIC to share in any recoveries of such losses we record FDIC indemnification income in Non-interest income in the same period that a provision for covered loan losses is recorded, and we record FDIC indemnification expense in Non-interest income in the same period that a recovery occurs. Accordingly, in the three months ended March 31, 2015, we recorded FDIC indemnification income of $702,000; in the trailing and year-earlier quarters, we recorded FDIC indemnification expense of $160,000 and $11.7 million, respectively.

For additional information about our provisions for (recoveries 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, including among others mortgage banking income (which consists of 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); fee income (in the form of retail deposit fees and charges on loans); income from our investment in bank-owned life insurance (BOLI); gains on the sale of securities; and revenues produced through the sale of third-party investment products and those produced through our wholly-owned subsidiary, Peter B. Cannell & Co., Inc. (PBC), an investment advisory firm.

In the three months ended March 31, 2015, non-interest income totaled $52.2 million, reflecting a linked-quarter decrease of $18.2 million and a year-over-year increase of $15.0 million.

In the fourth quarter of 2014, non-interest income included the recovery of $17.3 million on a security that had been written off in 2009. No comparable recovery was recorded in the current first quarter, or in the first quarter of 2014.

In addition to the recovery in the trailing quarter, the linked-quarter decrease in non-interest income was largely due to an $8.5 million reduction in net securities gains to $211,000 in the first three months of this year. The impact of this decline was only somewhat tempered by the following factors: a $4.9 million increase in gains on the sale of loans to $5.9 million (recorded in other income); the $862,000 difference between the FDIC indemnification income recorded in the current first quarter and the FDIC indemnification expense recorded in the fourth quarter of last year; and a $2.0 million increase in mortgage banking income to $18.4 million, as income from originations rose $6.8 million to $15.5 million, and servicing income fell $4.8 million to $2.9 million. The increase in income from originations largely reflects an increase in home purchases and refinancing activity as homeowners took advantage of the decline in residential mortgage interest rates.

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. The mortgage banking income we record 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 loan demand.

The year-over-year increase in non-interest income was attributable to the same factors that tempered the linked-quarter decline: Mortgage banking income rose $3.8 million in the current first quarter, as income from

originations rose $11.7 million and exceeded the impact of a $7.9 million decline in servicing income to the level noted above. In addition, the Company recorded FDIC indemnification income of $702,000 in the current first quarter, in contrast to FDIC indemnification expense of $11.7 million in the year-earlier three months. Furthermore, other non-interest income rose $7.9 million year-over-year to $17.8 million, primarily reflecting the aforementioned gains on the sale of loans. The benefit of these increases was tempered by the impact of a $4.7 million decline in net securities gains. In addition, we recorded a $3.9 million gain on the sale of Class B Visa shares in the year-earlier first quarter; no comparable gain was recorded in the three months ended March 31, 2015 or December 31, 2014.

The following table summarizes the components of non-interest income for the three months ended March 31, 2015, December 31, 2014, and March 31, 2014:

Non-Interest Income Analysis

	For the Three Months Ended		
(in thousands)	March 31, 2015	December 31, 2014	March 31, 2014
Mortgage banking income	$18,406	$16,446	$14,610
Fee income	8,394	9,073	8,894
BOLI income	6,704	6,620	6,829
Net gain on sales of securities	211	8,712	4,873
FDIC indemnification income (expense)	702	(160)	(11,704)
Gain on Visa shares sold	--	--	3,856
Other income:			
Peter B. Cannell & Co., Inc.	7,070	6,998	5,484
Third-party investment product sales	3,001	3,027	3,661
Recovery of OTTI on securities	--	17,326	--
Other	7,746	2,437	732
Total other income	17,817	29,788	9,877
Total non-interest income	$52,234	$70,479	$37,235

Non-Interest Expense

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

Non-interest expense rose $8.7 million sequentially and $10.5 million year-over-year, to $156.8 million in the three months ended March 31, 2015. Operating expenses rose $9.0 million and $11.3 million, respectively, from the levels recorded in the trailing and year-earlier quarters, to $155.3 million in the first three months of this year.

The linked-quarter rise in operating expenses was attributable to a $9.0 million increase in compensation and benefits expense to $87.2 million, as the impact of a modest rise in occupancy and equipment expense to $25.3 million was offset by a comparable decline in G&A expense to $42.7 million. While normal salary increases attributed to the rise in compensation and benefits expense in the current first quarter, the rise was primarily due to $4.0 million of severance expenses and a $1.7 million increase in pension expense.

The year-over-year rise in operating expenses was largely due to an $11.5 million increase in compensation and benefits expense that was driven by the same factors as the linked-quarter increase, together with a $3.6 million increase in payroll taxes in the first quarter of this year.

Income Tax Expense

Income tax expense fell $6.2 million sequentially and $5.5 million year-over-year, to $68.9 million in the three months ended March 31, 2015. The respective declines reflect the level of pre-tax income, which fell $18.1 million and $1.5 million, respectively, to $188.2 million in the first quarter of this year. Meanwhile, the effective tax rate was 36.62% in the current first quarter, as compared to 36.39% and 39.24%, respectively, in the trailing and year-earlier three months.

In the first quarter of 2014, the level of income tax expense was increased by a one-time charge of $4.5 million in connection with the enactment of new tax laws by the State of New York.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about the Company s market risk were presented on pages 90-94 of our 2014 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the SEC) on March 2, 2015. 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, 2014, 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 2014 Annual Report on Form 10-K. The risks described in the 2014 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 March 31, 2015, the Company allocated $6.6 million 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) **First Quarter 2015**	**Total Shares of Common Stock Repurchased**	**Average Price Paid per Common Share**	**Total Allocation**
January 1 January 31	417,321	$15.52	$6,475
February 1 February 28	4,038	15.49	62
March 1 March 31	1,770	16.80	30
Total shares repurchased	423,129	15.52	$6,567

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 March 31, 2015. 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 March 31, 2015, 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 March 23, 2015 (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).

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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: May 11, 2015	BY:	/s/ Joseph R. Ficalora Joseph R. Ficalora President, Chief Executive Officer, and Director
DATE: May 11, 2015	BY:	/s/ Thomas R. Cangemi Thomas R. Cangemi Senior Executive Vice President and Chief Financial Officer