

NEW YORK COMMUNITY BANCORP INC
Form 10-K
February 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 2015

Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06-1377322
(I.R.S. Employer
Identification No.)

615 Merrick Avenue,

Westbury, New York
(Address of principal executive offices)

11590
(Zip code)

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

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

Common Stock, \$0.01 par value and

Bifurcated Option Note Unit SecuritiesSM
(Title of Class)

New York Stock Exchange
(Name of exchange on which registered)

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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

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 No

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

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 No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2015, the aggregate market value of the shares of common stock outstanding of the registrant was \$7.9 billion, excluding 14,092,365 shares held by all directors and executive officers of the registrant. This figure is based on the closing price of the registrant's common stock on June 30, 2015, \$18.38 per share, as reported by the New York Stock Exchange.

The number of shares of the registrant's common stock outstanding as of February 18, 2016 was 486,357,792 shares.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 2, 2016 are incorporated by reference into Part III.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING LANGUAGE

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

Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by use of the words anticipate, believe, estimate, expect, intend, plan, project, seek, strive, try, or future or such as will, would, should, could, may, or similar expressions. Although we believe that our plans, intentions, and expectations as reflected in these forward-looking statements are reasonable, we can give no assurance that they will be achieved or realized.

Our ability to predict results or the actual effects of our plans and strategies is inherently uncertain. Accordingly, actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements contained in this report.

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;

our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may acquire, including from Astoria Financial Corporation (Astoria Financial), into our operations and our ability to realize related revenue synergies and cost savings within expected time frames;

risks relating to unanticipated costs of integration;

the ability to obtain shareholder and regulatory approval of any merger transactions we may propose (including the proposed merger with Astoria Financial) in a timely manner or otherwise;

potential exposure to unknown or contingent liability of companies we have acquired, may acquire, or target for acquisition, including Astoria Financial;

failure to satisfy other closing conditions to any mergers we may propose, including the merger with Astoria Financial;

the potential impact of the announcement or consummation of any merger we propose (including the proposed merger with Astoria Financial) on relationships with third parties, including customers, employees, and competitors;

failure to obtain applicable regulatory approvals for the payment of future dividends;

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the ability to pay future dividends at currently expected rates;

the ability to hire and retain key personnel;

the ability to attract new customers and retain existing ones in the manner anticipated;

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;

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;

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

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

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;

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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;

changes in our credit ratings or in our ability to access the capital markets;

natural disasters, war, or terrorist activities; and

other economic, competitive, governmental, regulatory, technological, and geopolitical factors affecting our operations, pricing, and services.

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

Furthermore, 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.

Please see Item 1A, **Risk Factors** in this annual report and in our other SEC filings for a further discussion of important risk factors that could cause actual results to differ materially from our forward-looking statements.

You should not place undue reliance on these forward-looking statements, which reflect our expectations only as of the date of this report. We do not assume any obligation to revise or update these forward-looking statements except as may be required by law.

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GLOSSARY

BASIS POINT

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

BOOK VALUE PER SHARE

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

BROKERED DEPOSITS

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

CHARGE-OFF

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

COMMERCIAL REAL ESTATE (CRE) LOAN

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

COST OF FUNDS

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

COVERED LOANS AND OTHER REAL ESTATE OWNED (OREO)

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

DEBT SERVICE COVERAGE RATIO (DSCR)

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

DERIVATIVE

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

DIVIDEND PAYOUT RATIO

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

EFFICIENCY RATIO

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

GOODWILL

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

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GOVERNMENT-SPONSORED ENTERPRISES (GSEs)

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

GSE OBLIGATIONS

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

INTEREST RATE LOCK COMMITMENTS (IRLCs)

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

INTEREST RATE SENSITIVITY

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

INTEREST RATE SPREAD

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

LOAN-TO-VALUE RATIO (LTV)

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

LOSS SHARING AGREEMENTS

Refers to the agreements we entered into with the FDIC in connection with the loans and OREO we acquired in our AmTrust and Desert Hills acquisitions. The agreements call for the FDIC to reimburse us for 80% of any losses (and share in 80% of any recoveries) up to specified thresholds and to reimburse us for 95% of any losses (and share in 95% of any recoveries) beyond those thresholds with respect to the acquired assets for specified periods of time. The loss sharing agreements with respect to the one-to-four family loans and home equity loans we acquired in these transactions extend for a period of ten years from the respective dates of acquisition and are still in effect. Such loans are referred to as covered loans.

MORTGAGE BANKING INCOME

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

MORTGAGE SERVICING RIGHTS (MSRs)

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

MULTI-FAMILY LOAN

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

NET INTEREST INCOME

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

NET INTEREST MARGIN

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

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NON-ACCRUAL LOAN

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

NON-COVERED LOANS AND OREO

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

NON-PERFORMING LOANS AND ASSETS

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

RENT-REGULATED APARTMENTS

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

REPURCHASE AGREEMENTS

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

SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTION (SIFI)

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

WHOLESALE BORROWINGS

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

YIELD

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

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PART I

ITEM 1. BUSINESS

General

New York Community Bancorp, Inc. is organized under Delaware Law as a multi-bank holding company with two primary subsidiaries: New York Community Bank and New York Commercial Bank (hereinafter referred to as the Community Bank and the Commercial Bank, respectively, and collectively as the Banks). The Community Bank currently has 227 branches in Metro New York, New Jersey, Ohio, Florida, and Arizona, and the Commercial Bank currently has 30 branches in Metro New York. With assets of \$50.3 billion at December 31, 2015 including loans of \$38.2 billion we rank among the 25 largest U.S. bank holding companies.

On September 17, 2015, we submitted an application to our state and federal regulators requesting permission to merge the Commercial Bank with and into the Community Bank. Pending their approval, we expect to close the merger in the first half of 2016.

On October 29, 2015, we announced the signing of a definitive merger agreement with Astoria Financial Corporation (Astoria Financial), which had assets of \$15.1 billion and 88 branches at December 31, 2015. Pending shareholder approval and the approval of our state and federal regulators, the merger is currently expected to close by the fourth quarter of 2016.

New York Community Bank

Established in 1859, the Community Bank is a New York State-chartered savings bank with 227 branches that currently operate through seven local divisions. We compete for depositors in these diverse markets by emphasizing service and convenience, with a comprehensive menu of traditional and non-traditional products and services, and access to multiple service channels, including online banking, mobile banking, and banking by phone.

In New York, we currently serve our Community Bank customers through Roslyn Savings Bank, with 44 branches on Long Island, a suburban market east of New York City comprised of Nassau and Suffolk counties; Queens County Savings Bank, with 38 branches in the New York City borough of Queens; Richmond County Savings Bank, with 20 branches in the borough of Staten Island; and Roosevelt Savings Bank, with eight branches in the borough of Brooklyn. In the Bronx, we currently have two branches that operate directly under the name New York Community Bank.

In New Jersey, we serve our Community Bank customers through 46 branches that operate under the name Garden State Community Bank. In Florida and Arizona, where we have 27 and 14 branches, respectively, we serve our customers through the AmTrust Bank (AmTrust) division of the Community Bank. In Ohio, we serve our Community Bank customers through 28 branches of Ohio Savings Bank.

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

Unlike the aforementioned loans, which are originated for investment, the one-to-four family loans we produce are primarily originated for sale. In 2015, the vast majority of the one-to-four family loans we produced were agency-conforming loans sold to government-sponsored enterprises (GSEs), servicing retained.

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

New York Commercial Bank

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

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

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Customers of the Commercial Bank may transact their business at any of our 227 Community Bank branches, and Community Bank customers may transact their business at any of the 30 branches of the Commercial Bank. In addition, customers of the Banks have access to their accounts through our ATMs in all five states.

On September 17, 2015, the Company submitted an application to the FDIC and the New York State Department of Financial Services (the NYSDFS) requesting approval to merge the Commercial Bank with and into the Community Bank. Upon completion of the proposed merger, the 30 Commercial Bank branches will continue operations as branches of the Community Bank.

Online Information about the Company and the Banks

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

Our Market

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

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

Competition for Deposits

The combined population of the 26 counties where our branches are located is approximately 30.7 million, and the number of banks and thrifts we compete with currently exceeds 310, including Astoria Bank, the primary subsidiary of Astoria Financial. With total deposits of \$28.4 billion at December 31, 2015, we ranked ninth among all bank and thrift depositories serving these 26 counties. We also ranked third among all banks and thrifts in Richmond County, and fourth in both Queens and Nassau Counties in New York. (Market share information was provided by SNL Financial.) We also compete for deposits with other financial institutions, including credit unions, Internet banks, and brokerage firms.

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

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

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We vie for deposits and customers by placing an emphasis on convenience and service and, from time to time, by offering specific products at highly competitive rates. In addition to our 227 Community Bank branches and 30 Commercial Bank branches, we have 273 ATM locations, including 249 that operate 24 hours a day. Our customers also have 24-hour access to their accounts through our bank-by-phone service, on their cell phones through mobile banking, and online through our three websites, www.myNYCB.com, www.NewYorkCommercialBank.com, and www.NYCBfamily.com. We also offer certain higher-paying money market accounts and certificates of deposit (CDs) through two dedicated websites: www.myBankingDirect.com and www.AmTrustDirect.com.

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

In addition to checking and savings accounts, Individual Retirement Accounts, and CDs for both businesses and consumers, we offer a suite of cash management products to address the needs of small and mid-size businesses and professional associations.

Another competitive advantage is our strong community presence, with April 14, 2015 having marked the 156th year of service of our forebear, Queens County Savings Bank. We have found that our longevity, as well as our strong capital position, are especially appealing to customers seeking a strong, stable, and service-oriented bank.

Competition for Loans

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

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

Our ability to compete for CRE loans depends on the same factors that impact our ability to compete for multi-family credits, and the degree to which other CRE lenders choose to offer loan products similar to ours.

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

We also compete with a significant number of financial and non-financial institutions throughout the nation that originate and aggregate one-to-four family loans for sale. Reflecting the volume of loans funded in 2015 through our mortgage banking operation, we currently rank among the 25 largest aggregators of one-to-four family loans in the United States.

Environmental Issues

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

Our attention to environmental risks also applies to the properties and facilities that house our bank operations. Prior to acquiring a large-scale property, a Phase 1 Environmental Property Assessment is typically performed by a licensed professional engineer to determine the integrity of, and/or the potential risk associated with, the facility and the property on which it is built. Properties and facilities of a smaller scale are evaluated by qualified

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in-house assessors, as well as by industry experts in environmental testing and remediation. This two-pronged approach identifies potential risks associated with asbestos-containing material, above and underground storage tanks, radon, electrical transformers (which may contain PCBs), ground water flow, storm and sanitary discharge, and mold, among other environmental risks. These processes assist us in mitigating environmental risk by enabling us to identify and address potential issues, including by avoiding taking ownership or control of contaminated properties.

Subsidiary Activities

The Community Bank has formed, or acquired through merger transactions, 28 active subsidiary corporations. Of these, 21 are direct subsidiaries of the Community Bank and seven are subsidiaries of Community Bank-owned entities.

The 21 direct subsidiaries of the Community Bank are:

Name	Jurisdiction of Organization	Purpose
DHB Real Estate, LLC	Arizona	Organized to own interests in real estate
Ferry Development Holding Company	Delaware	Formed to hold and manage investment portfolios for the Company
Mt. Sinai Ventures, LLC	Delaware	A joint venture partner in the development, construction, and sale of a 177-unit golf course community in Mt. Sinai, NY, all the units of which were sold by December 31, 2006
NYCB Mortgage Company, LLC	Delaware	Holds certain assets, including interests in real estate
NYCB Specialty Finance Company, LLC	Delaware	Originates asset-based, equipment finance, and dealer-floor plan loans
Realty Funding Company, LLC	Delaware	Holding company for subsidiaries owning an interest in real estate
Woodhaven Investments, LLC	Delaware	Holding company for Ironbound Investment Company, Inc.
Eagle Rock Investment Corp.	New Jersey	Formed to hold and manage investment portfolios for the Company
Pacific Urban Renewal, Inc.	New Jersey	Owns a branch building
Synergy Capital Investments, Inc.	New Jersey	Formed to hold and manage investment portfolios for the Company
BSR 1400 Corp.	New York	Organized to own interests in real estate
Bellingham Corp.	New York	Organized to own interests in real estate
Blizzard Realty Corp.	New York	Organized to own interests in real estate
CFS Investments, Inc.	New York	Sells non-deposit investment products
Main Omni Realty Corp.	New York	Organized to own interests in real estate
NYB Realty Holding Company, LLC	New York	Holding company for subsidiaries owning interests in real estate
O.B. Ventures, LLC	New York	A joint venture partner in a 370-unit residential community in Plainview, New York, all the units of which were sold by December 31, 2004
RCBK Mortgage Corp.	New York	Organized to own interests in certain multi-family loans
RSB Agency, Inc.	New York	Sells non-deposit investment products

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Richmond Enterprises, Inc.

New York

Holding company for Peter B. Cannell & Co., Inc.

Roslyn National Mortgage Corporation

New York

Formerly operated as a mortgage loan originator and servicer

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The seven subsidiaries of Community Bank-owned entities are:

Name	Jurisdiction of Organization	Purpose
Peter B. Cannell & Co., Inc.	Delaware	Advises high net worth individuals and institutions on the management of their assets
Roslyn Real Estate Asset Corp.	Delaware	A REIT organized for the purpose of investing in mortgage-related assets
Walnut Realty Holding Company, LLC	Delaware	Established to own Bank-owned properties
Your New REO, LLC	Delaware	Owns a website that lists bank-owned properties for sale
Ironbound Investment Company, LLC	Florida	Organized for the purpose of investing in mortgage-related assets; is the principal shareholder of Richmond County Capital Corporation
1400 Corp.	New York	Holding company for Roslyn Real Estate Asset Corp.
Richmond County Capital Corporation	New York	Organized for the purpose of investing in mortgage-related assets

There are 88 additional entities that are subsidiaries of a Community Bank-owned entity organized to own interests in real estate.

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

The two direct subsidiaries of the Commercial Bank are:

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

The two subsidiaries of Commercial Bank-owned entities are:

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

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

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

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

Personnel

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At December 31, 2015, the number of full-time equivalent employees was 3,448. Our employees are not represented by a collective bargaining unit, and we consider our relationship with our employees to be good.

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Federal, State, and Local Taxation

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

Regulation and Supervision

General

The Community Bank is a New York State-chartered savings bank and its deposit accounts are insured under the Deposit Insurance Fund (the *DIF*) of the Federal Deposit Insurance Corporation (the *FDIC*) up to applicable legal limits. The Commercial Bank is a New York State-chartered commercial bank and its deposit accounts also are insured by the *DIF* up to applicable legal limits. On September 17, 2015, the Company submitted an application to the *FDIC* and the *NYSDFS* requesting approval to merge the Commercial Bank with and into the Community Bank.

For the fiscal year ended December 31, 2015, the Community Bank and the Commercial Bank were subject to regulation and supervision by the *NYSDFS*, as their chartering agency; by the *FDIC*, as their insurer of deposits; and by the Consumer Financial Protection Bureau (the *CFPB*).

The Banks are required to file reports with the *NYSDFS*, the *FDIC*, and the *CFPB* concerning their activities and financial condition, and are periodically examined by the *NYSDFS*, the *FDIC*, and the *CFPB* to assess compliance with various regulatory requirements, including with respect to safety and soundness and consumer financial protection regulations. The regulatory structure gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss allowances for regulatory purposes. Changes in such regulations or in banking legislation could have a material impact on the Company, the Banks, and their operations, as well as the Company's shareholders.

The Company is subject to examination, regulation, and periodic reporting under the Bank Holding Company Act of 1956, as amended (the *BHCA*), as administered by the Board of Governors of the Federal Reserve System (the *FRB*). Furthermore, the Company would be required to obtain the prior approval of the *FRB* to acquire all, or substantially all, of the assets of any bank or bank holding company.

In addition, the Company is periodically examined by the Federal Reserve Bank of New York (the *FRB-NY*), and is required to file certain reports under, and otherwise comply with, the rules and regulations of the *SEC* under federal securities laws. Certain of the regulatory requirements applicable to the Community Bank, the Commercial Bank, and the Company are referred to below or elsewhere herein. However, such discussion is not meant to be a complete explanation of all laws and regulations, and is qualified in its entirety by reference to the actual laws and regulations.

The Dodd-Frank Act

Enacted in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the *Dodd-Frank Act*) significantly changed the bank regulatory structure and will continue to affect, into the immediate future, the lending and investment activities and general operations of depository institutions and their holding companies. The *Dodd-Frank Act* is complex and comprehensive legislation that impacts practically all aspects of a banking organization, and represents a significant overhaul of many aspects of the regulation of the financial services industry.

Capital Requirements

In early July 2013, the Federal Reserve Board and the *FDIC* approved revisions to their capital adequacy guidelines and prompt corrective action rules to implement the revised standards of the Basel Committee on Banking Supervision, commonly called *Basel III*, and address relevant provisions of the *Dodd-Frank Act*. *Basel III* generally refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009. The *Basel III Rules* generally refer to the rules adopted by U.S. banking regulators in December 2010 to align U.S. bank capital requirements with *Basel III* and with the related loss absorbency rules they issued in January 2011, which include significant changes to bank capital, leverage, and liquidity requirements.

The *Basel III Rules* include new risk-based capital and leverage ratios, which became effective January 1, 2015, and revised the definition of what constitutes capital for purposes of calculating those ratios. Under the *Basel III Rules*, the Company and the Banks are required to maintain minimum capital in accordance with the following ratios: (i) a common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from the prior rules); and (iv) a Tier 1 leverage ratio of 4%.

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In addition, the Basel III Rules assign higher risk weights to certain assets, such as the 150% risk weighting assigned to exposures that are more than 90 days past due or are on nonaccrual status, and to certain commercial real estate facilities that finance the acquisition, development, or construction of real property. The Basel III Rules also eliminate the inclusion of certain instruments, such as trust preferred securities, from Tier 1 capital. In addition, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets, and investments in unconsolidated subsidiaries over designated percentages of common stock will be required to be deducted from capital, subject to a two-year transition period. Finally, Tier 1 capital will include accumulated other comprehensive income, which includes all unrealized gains and losses on available-for-sale debt and equity securities.

The Basel III Rules also require FDIC-insured state non-member banks and bank holding companies with total consolidated assets of more than \$10 billion (covered institutions) to establish a capital conservation buffer (consisting entirely of common equity Tier 1 capital) that will be 2.5% above the new regulatory minimum capital requirements when it is fully phased in. The result will be an increase in the minimum common equity Tier 1, Tier 1, and Total capital ratios to 7.0%, 8.5%, and 10.5%, respectively. The new capital conservation buffer requirement is being phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase by that amount each year until fully implemented in January 2019. An institution can be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital levels fall below these amounts. The Basel III Rules also establish a maximum percentage of eligible retained income that can be utilized for such capital distributions.

Prompt Corrective Regulatory Action

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

As a result of the Basel III Rules, new definitions of the relevant measures for the five capital categories took effect on January 1, 2015. An institution is deemed to be well capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 8% or greater, a common equity Tier 1 risk-based capital ratio of 6.5% or greater, and a leverage capital ratio of 5% or greater, and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure.

An institution is deemed to be adequately capitalized if it has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 6% or greater, a common equity Tier 1 risk-based capital ratio of 4.5% or greater, and generally a leverage capital ratio of 4% or greater.

An institution is deemed to be undercapitalized if it has a total risk-based capital ratio of less than 8%, a Tier 1 risk-based capital ratio of less than 6%, a common equity Tier 1 risk-based capital ratio of less than 4.5%, or generally a leverage capital ratio of less than 4%. An institution is deemed to be significantly undercapitalized if it has a total risk-based capital ratio of less than 6%, a Tier 1 risk-based capital ratio of less than 4%, a common equity Tier 1 risk-based capital ratio of less than 3%, or a leverage capital ratio of less than 3%. An institution is deemed to be critically undercapitalized if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%.

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

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

Stress Testing

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

FDIC and FRB regulations require certain large insured depository institutions and bank holding companies to conduct annual capital-adequacy stress tests. The rules apply to covered institutions, as defined on the preceding page.

Under the rules, each covered institution with between \$10 billion and \$50 billion in assets is required to conduct annual stress tests, using the institution's financial data as of December 31st of the preceding year, to assess the potential impact of different scenarios on the consolidated earnings and capital and certain related items over a nine-quarter, forward-looking planning horizon, taking into account all relevant exposures and activities. The Community Bank and the Company are required to report the results of the stress tests to the FDIC and the FRB, respectively, on or before July 31st of each year and to subsequently publish a summary of the results between October 15th and October 31st. The rules prescribe the manner and form for such reports and, based on the information reported as well as other relevant information, the FDIC and FRB are expected to conduct an analysis of the quality of the respective covered institution's stress test processes and the related results. The FDIC and FRB envision that feedback concerning such analysis would be provided to each covered institution through the supervisory process.

As discussed below, under the FRB's Comprehensive Capital Analysis and Review (CCAR) regime, additional capital stress testing requirements apply to financial institutions whose four-quarter average total consolidated assets exceed \$50 billion.

Boards of directors of covered institutions are required to review and approve capital plans before submitting them to the FRB.

Stress Testing for Large Bank Holding Companies

We currently expect that the average of the Company's total consolidated assets over the four most recent quarters will reach or exceed \$50 billion in the second quarter of 2016. As a result, the Company is expected to become subject to the FRB's stress testing regulations administered under its CCAR capital planning and supervisory process. Under this regime, in addition to reporting the results of a covered institution's own capital stress testing, the FRB will use its own models to evaluate whether each covered institution has the capital, on a total consolidated basis, necessary to continue operating under the economic and financial market conditions of stressed macroeconomic scenarios identified by the FRB. The FRB's analysis will include an assessment of the projected losses, net income, and pro forma capital levels, and the regulatory capital ratio, tier 1 common ratio, and other capital ratios, for the covered institution, and use such analytical techniques that the FRB determines to be appropriate to identify, measure, and monitor any risks of the covered institution that may affect the financial stability of the United States.

A covered institution's capital adequacy will be assessed against a number of quantitative and qualitative criteria, including projected performance under the stress scenarios provided by the FRB and the covered institution's internal scenarios.

Standards for Safety and Soundness

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

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FDIC Regulations

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

Real Estate Lending Standards

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

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

Dividend Limitations

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

Investment Activities

Since the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), all state-chartered financial institutions, including savings banks, commercial banks, and their subsidiaries, have generally been limited to such activities as principal and equity investments of the type, and in the amount, authorized for national banks. The Gramm-Leach-Bliley Act of 1999 and FDIC regulations impose certain quantitative and qualitative restrictions on such activities and on a bank's dealings with a subsidiary that engages in specified activities.

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

Enforcement

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

Insurance of Deposit Accounts

The deposits of the Community Bank and the Commercial Bank are insured up to applicable limits by the DIF. The maximum deposit insurance provided by the FDIC per account owner is \$250,000 for all types of accounts.

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Under the FDIC's risk-based assessment system, insured institutions are assigned to one of four risk categories based upon supervisory evaluations, regulatory capital level, and certain other factors, with less risky institutions paying lower assessments based on the assigned risk levels. An institution's assessment rate depends upon the category to which it is assigned and certain other factors. Assessment rates range from 2.5 to 45 basis points on the institution's assessment base, which is calculated as total assets minus tangible equity.

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

Holding Company Regulation

Federal Regulation

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

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

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

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

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

The Company expects that new capital planning guidance issued by the FRB in December 2015 for Large and Noncomplex Firms will require it to expand its current capital stress testing and planning, beginning in 2018.

New York State Regulation

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

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Transactions with Affiliates

Under current federal law, transactions between depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act and the FRB's Regulation W promulgated thereunder. Generally, Section 23A limits the extent to which the institution or its subsidiaries may engage in covered transactions with any one affiliate to an amount equal to 10% of the institution's capital stock and surplus, and contains an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus. Section 23A also establishes specific collateral requirements for loans or extensions of credit to, or guarantees or acceptances on letters of credit issued on behalf of, an affiliate. Section 23B requires that covered transactions and a broad list of other specified transactions be on terms substantially the same as, or at least as favorable to, the institution or its subsidiaries as similar transactions with non-affiliates.

The Sarbanes-Oxley Act of 2002 generally prohibits loans by the Company to its executive officers and directors. However, the Sarbanes-Oxley Act contains a specific exemption for loans by an institution to its executive officers and directors in compliance with other federal banking laws. Section 22(h) of the Federal Reserve Act, and FRB Regulation O adopted thereunder, govern loans by a savings bank or commercial bank to directors, executive officers, and principal shareholders.

Community Reinvestment Act

Federal Regulation

Under the Community Reinvestment Act (CRA), as implemented by FDIC regulations, an institution has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA generally does not establish specific lending requirements or programs for financial institutions, nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. In its most recent FDIC CRA performance evaluation, the Community Bank received overall state ratings of satisfactory for Ohio, Florida, Arizona, and New Jersey, as well as for the New York/New Jersey multi-state region. Furthermore, the most recent overall FDIC CRA ratings for the Community Bank and the Commercial Bank were Satisfactory.

New York State Regulation

The Community Bank and the Commercial Bank also are subject to provisions of the New York State Banking Law that impose continuing and affirmative obligations upon a banking institution organized in New York State to serve the credit needs of its local community. Such obligations are substantially similar to those imposed by the CRA. The latest CRA rating received by each of the Community Bank and the Commercial Bank under State Law was satisfactory.

Federal Reserve System

Under FRB regulations, the Community Bank and the Commercial Bank are required to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). Beginning January 2016, the Banks are required to maintain average daily reserves equal to 3% on aggregate transaction accounts of up to \$110.2 million, plus 10% on the remainder, and the first \$15.2 million of otherwise reservable balances will both be exempt. These reserve requirements are subject to adjustment by the FRB. The Community Bank and the Commercial Bank currently are in compliance with the foregoing requirements.

Federal Home Loan Bank System

The Community Bank and the Commercial Bank are members of the Federal Home Loan Bank of New York (the FHLB-NY). As members of the FHLB-NY, the Community Bank and the Commercial Bank are required to acquire and hold shares of FHLB-NY capital stock. At December 31, 2015, the Community Bank held \$625.9 million of FHLB-NY stock and the Commercial Bank held FHLB-NY stock of \$38.1 million.

New York State Law

The Community Bank and the Commercial Bank derive their lending, investment, and other authority primarily from the applicable provisions of New York State Banking Law and the regulations of the NYSDFS, as limited by FDIC regulations. Under these laws and regulations, banks, including the Community Bank and the Commercial Bank, may invest in real estate mortgages, consumer and commercial loans, certain types of debt securities (including certain corporate debt securities, and obligations of federal, state, and local governments and agencies), certain types of corporate equity securities, and certain other assets.

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

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

Interstate Branching

Federal law allows the FDIC, and New York State Banking Law allows the Superintendent, to approve an application by a state banking institution to acquire interstate branches by merger, unless, in the case of the FDIC, the state of the target institution has opted out of interstate branching. New York State Banking Law authorizes savings banks and commercial banks to open and occupy de novo branches outside the state of New York. Pursuant to the Dodd-Frank Act, the FDIC is authorized to approve a state bank's establishment of a de novo interstate branch if the intended host state allows de novo branching by banks chartered by that state. The Community Bank currently maintains 46 branches in New Jersey, 27 branches in Florida, 28 branches in Ohio, and 14 branches in Arizona, in addition to its 112 branches in New York State.

Acquisition of the Holding Company

Federal Restrictions

Under the Federal Change in Bank Control Act (CIBCA), a notice must be submitted to the FRB if any person (including a company), or group acting in concert, seeks to acquire 10% or more of the Company's shares of outstanding common stock, unless the FRB has found that the acquisition will not result in a change in control of the Company. Under the CIBCA, the FRB generally has 60 days within which to act on such notices, taking into consideration certain factors, including the financial and managerial resources of the acquirer; the convenience and needs of the communities served by the Company, the Community Bank, and the Commercial Bank; and the anti-trust effects of the acquisition. Under the BHCA, any company would be required to obtain approval from the FRB before it may obtain control of the Company within the meaning of the BHCA. Control generally is defined to mean the ownership or power to vote 25% or more of any class of voting securities of the Company or the ability to control in any manner the election of a majority of the Company's directors. Under the BHA, an existing bank holding company would be required to obtain the FRB's approval before acquiring more than 5% of the Company's voting stock. Please see Holding Company Regulation earlier in this report.

New York State Change in Control Restrictions

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

Federal Securities Law

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

Consumer Protection Regulations

The activities of the Company's banking subsidiaries, including their lending and deposit gathering activities, are subject to a variety of consumer laws and regulations designed to protect consumers. These laws and regulations mandate certain disclosure requirements, and regulate the manner in which financial institutions must deal with clients and monitor account activity when taking deposits from, making loans to, or engaging in other types of transactions with, such clients. Failure to comply with these laws and regulations could lead to substantial penalties, operating restrictions, and reputational damage to the financial institution.

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Applicable consumer protection laws include, but may not be limited to, the Dodd-Frank Act, Truth in Lending Act, Truth in Savings Act, Equal Credit Opportunity Act, Electronic Funds Transfer Act, Fair Housing Act, Home Mortgage Disclosure Act, Fair Debt Collection Practices Act, Fair Credit Reporting Act, Expedited Funds Availability (Regulation CC), Reserve Requirements (Regulation D), Insider Transactions (Regulation O), Privacy of Consumer Information (Regulation P), Margin Stock Loans (Regulation U), Right To Financial Privacy Act, Flood Disaster Protection Act, Homeowners Protection Act, Servicemembers Civil Relief Act, Real Estate Settlement Procedures Act, Telephone Consumer Protection Act, CAN-SPAM Act, Children's Online Privacy Protection Act, and the John Warner National Defense Authorization Act.

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

Consumer Financial Protection Bureau

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

Enterprise Risk Management

The Company's and the Banks' Boards of Directors are actively engaged in the process of overseeing our efforts to identify, measure, monitor, and mitigate risk. We maintain various internal controls to address risks that threaten our ability to achieve our goals and objectives, including with respect to safety and soundness and consumer protection. We have established an Enterprise Risk Management (ERM) program, which follows the FRB's guidance on the adequacy of risk management processes and internal controls. Our risk management controls are designed to conform to the principles set forth in the 2013 Internal Control Integrated Framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

ITEM 1A. RISK FACTORS

There are various risks and uncertainties that are inherent to our business. Primary among these are (1) interest rate risk, which arises from movements in interest rates; (2) credit risk, which arises from an obligor's failure to meet the terms of any contract with a bank or to otherwise perform as agreed; (3) liquidity risk, which arises from a bank's inability to meet its obligations when they come due without incurring unacceptable losses; (4) legal/ compliance risk, which arises from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, or ethical standards; (5) market risk, which arises from changes in the value of portfolios of financial instruments; (6) strategic risk, which arises from adverse business decisions or improper implementation of those decisions; (7) operational risk, which arises from problems with service or product delivery; and (8) reputational risk, which arises from negative public opinion.

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

Interest Rate Risks

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

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

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

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

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

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

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

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

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Credit Risks

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

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

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

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

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

To minimize the risks involved in our specialty finance lending and leasing, we participate in syndicated loans that are brought to us, and equipment loans and leases that are assigned to us, by a select group of nationally recognized sources, and generally are made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide. Each of our credits is secured with a perfected first security interest in the underlying collateral and structured as senior debt or as a non-cancelable lease.

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

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

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

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

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

Furthermore, economic or market turmoil could occur in the near- or long-term. This could negatively affect our business, our financial condition, and our results of operations, as well as our ability to maintain or increase the level of cash dividends we currently pay to our shareholders.

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

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

In addition, although our loss sharing agreements call for the FDIC to bear a significant portion of any losses related to the acquired loan portfolios, we are not protected from all losses resulting from charge-offs with respect to the acquired loans.

Furthermore, our FDIC loss sharing agreements are limited in their duration: The agreements pertaining to the covered loans we acquired in connection with our AmTrust and Desert Hills acquisitions are scheduled to expire in December 2019 and March 2020, respectively.

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

In addition to mitigating credit risk through our underwriting processes, we attempt to mitigate such risk through the establishment of an allowance for losses on non-covered loans. The process of determining whether or not this allowance is sufficient to cover potential non-covered loan losses is based on the methodology described in detail under Critical Accounting Policies in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in this report.

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

In addition, growth in our portfolio of non-covered loans held for investment may require us to increase the allowance for losses on such loans by making additional provisions, which would reduce our net income. Furthermore, bank regulators have the authority to require us to make provisions for non-covered loan losses or otherwise recognize loan charge-offs following their periodic review of our held-for-investment loan portfolio, our underwriting procedures, and our allowance for losses on such loans. Any increase in the non-covered loan loss allowance or loan charge-offs as required by such regulatory authorities could have a material adverse effect on our financial condition and results of operations.

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Liquidity Risks

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

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

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

Deposit flows, calls of investment securities and wholesale borrowings, and the prepayment of loans and mortgage-related securities are strongly influenced by such external factors as the direction of interest rates, whether actual or perceived; local and national economic conditions; and competition for deposits and loans in the markets we serve. The withdrawal of more deposits than we anticipate could have an adverse impact on our profitability as this source of funding, if not replaced by similar deposit funding, would need to be replaced with wholesale funding, the sale of interest-earning assets, or a combination of the two. The replacement of deposit funding with wholesale funding could cause our overall cost of funds to increase, which would reduce our net interest income and results of operations. A decline in interest-earning assets could have the same effect.

In addition, large-scale withdrawals of brokered or institutional deposits could require us to pay significantly higher interest rates on our retail deposits or on other wholesale funding sources, which would have an adverse impact on our net interest income and net income. Furthermore, changes to the FHLB's underwriting guidelines for wholesale borrowings or lending policies may limit or restrict our ability to borrow, and therefore could have a significant adverse impact on our liquidity. A decline in available funding could adversely impact our ability to originate loans, invest in securities, and meet our expenses, or to fulfill such obligations as repaying our borrowings or meeting deposit withdrawal demands.

A downgrade of the credit ratings of the Company and the Banks could also adversely affect our access to liquidity and capital, and could significantly increase our cost of funds, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing to lend to us or to purchase our securities. This could affect our growth, profitability, and financial condition, including our liquidity.

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

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

Legal/Compliance Risks

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

We are subject to the comprehensive, consolidated supervision and regulation set forth by the FRB. Such regulation includes, among other matters, the level of leverage and risk-based capital ratios we are required to maintain. Depending on general economic conditions, changes in our capital position could have a materially adverse impact on our financial condition and risk profile, and also

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could limit our ability to grow through acquisitions or otherwise. Compliance with regulatory capital requirements may limit our ability to engage in operations that require the intensive use of capital and therefore could adversely affect our ability to maintain our current level of business or expand.

Furthermore, it is possible that future regulatory changes could result in more stringent capital or liquidity requirements, including increases in the levels of regulatory capital we are required to maintain and changes in the way capital or liquidity is measured for regulatory purposes, either of which could adversely affect our business and our ability to expand. For example, federal banking regulations adopted under Basel III standards require bank holding companies and banks to undertake significant activities to demonstrate compliance with higher capital requirements. Any additional requirements to increase our capital ratios or liquidity could necessitate our liquidating certain assets, perhaps on terms that are unfavorable to us or that are contrary to our business plans. In addition, such requirements could also compel us to issue additional securities, thus diluting the value of our common stock.

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

The Company expects that new capital planning guidance issued by the FRB in December 2015 for Large and Noncomplex Firms will require us to expand our current capital stress testing and planning, beginning in 2018.

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

On September 3, 2014, the FRB and other banking regulators adopted final rules implementing a U.S. version of the Basel Committee's Liquidity Coverage Ratio (the LCR) requirement. The LCR requirement, including the modified version applicable to bank holding companies with \$50 billion or more in total consolidated assets that have not opted to use the advanced approaches risk-based capital rule, requires a banking organization to maintain an amount of unencumbered high-quality liquid assets (HQLAs) to be at least equal to the amount of its total projected net cash outflows over a hypothetical 30-day stress period. Under the rule, only specific classes of assets qualify as HQLAs (the numerator of the LCR), with riskier classes of assets subject to haircuts and caps.

The total net cash outflow amount (the denominator of the LCR) is determined under the rule by applying outflow and inflow rates that reflect certain standardized assumptions against the balance of the banking organization's funding sources, obligations, transactions, and assets over the hypothetical 30-day stress period. Inflows that can be included to offset outflows are limited to 75% of outflows (which effectively means that banking organizations must hold HQLAs equal to 25% of outflows even if outflows perfectly match inflows over the stress period).

Based on our expectation of exceeding the threshold for a Systemically Important Financial Institution (SIFI) in the second quarter of 2016, we will have to comply with the requirements of the modified LCR beginning on the first day of the first quarter after which we exceed that threshold, or July 1, 2016. The modified LCR is a minimum requirement, and the FRB can impose additional liquidity requirements as a supervisory matter. On November 20, 2015, the FRB issued a proposed rule that would provide companies that become subject to the modified LCR rule after the rule's effective date a full year to comply with the rule, i.e., July 1, 2017.

We expect to be subject to stricter prudential standards required by the Dodd-Frank Act for large bank holding companies when the average of our total consolidated assets over four consecutive quarters passes the current SIFI threshold in the second quarter of 2016.

Pursuant to the current requirements of the Dodd-Frank Act, a bank holding company whose total consolidated assets average more than \$50 billion over the four most recent quarters is determined to be a SIFI, and therefore is subject to stricter prudential standards primarily including (in addition to capital and liquidity requirements) risk-management requirements, dividend limits, and early remediation regimes.

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

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

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

Please see Regulation and Supervision in Part I, Item 1, Business earlier in this filing for a detailed description of the federal, state, and local regulation to which the Company and the Banks are subject.

Furthermore, Congress continues to discuss plans to dramatically transform the role of the government in the U.S. housing finance market, including by winding down Fannie Mae and Freddie Mac (which currently are well into their eighth year of government conservatorship), and by reducing other sources of government support to such markets. It is possible that legislation could be proposed that would result in a significant reduction or elimination of the GSEs' role as a backstop for the nation's primary and secondary housing finance markets, thus shifting this responsibility to the private sector. Due to the significant influence of Fannie Mae and Freddie Mac in the primary and secondary housing finance markets, some of the proposed legislative changes, if adopted, could have broad adverse implications for the mortgage banking market and significant implications for our business, including by necessitating the identification of alternative secondary markets into which to sell the one-to-four family loans we produce.

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

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

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

Market Risks

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

Although we take steps to reduce our exposure to the risks that stem from adverse changes in economic conditions, such changes nevertheless could adversely impact the value of the loans we originate, the securities we invest in, and our portfolios of covered and non-covered loans.

Declines in real estate values and home sales, and an increase in the financial stress on borrowers stemming from high unemployment or other adverse economic conditions, could negatively affect our borrowers and, in turn, the repayment of the loans in our portfolio. Deterioration in economic conditions also could subject us and our industry to increased regulatory scrutiny, and could result in an increase in loan delinquencies, an increase in problem assets and foreclosures, and a decline in the value of the collateral for our loans, which could reduce our customers' borrowing power. Deterioration in local economic conditions could drive the level of loan losses beyond

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the level we have provided for in our loan loss allowances; this, in turn, could necessitate an increase in our provisions for loan losses, which would reduce our earnings and capital. Furthermore, declines in the value of our investment securities could result in our having to record losses based on the other-than-temporary impairment of securities, which would reduce our earnings and also could reduce our capital. In addition, continued economic weakness could reduce the demand for our products and services, which would adversely impact our liquidity and the revenues we produce.

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

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

Operating results that vary from the expectations of our management or of securities analysts and investors;

Developments in our business or in the financial services sector generally;

Regulatory or legislative changes affecting our industry generally or our business and operations;

Operating and securities price performance of companies that investors consider to be comparable to us;

Changes in estimates or recommendations by securities analysts or rating agencies;

Announcements of strategic developments, acquisitions, dispositions, financings, and other material events by us or our competitors;

Changes or volatility in global financial markets and economies, general market conditions, interest or foreign exchange rates, stock, commodity, credit, or asset valuations; and

Significant fluctuations in the capital markets.

Economic or market turmoil could occur in the near or long term, which could negatively affect our business, our financial condition, and our results of operations, as well as volatility in the price and trading volume of our common stock.

Strategic Risks

Extensive competition for loans and deposits could adversely affect our ability to expand our business, as well as our financial condition and results of operations.

We face significant competition for loans and deposits from other banks and financial institutions, both within and beyond our local markets. We also compete with companies that solicit loans and deposits over the Internet.

Because our profitability stems from our ability to attract deposits and originate loans, our continued ability to compete for depositors and borrowers is critical to our success. Our success as a competitor depends on a number of factors, including our ability to develop, maintain, and build long-term relationships with our customers by providing them with convenience, in the form of multiple branch locations, extended hours of service, and access through alternative delivery channels; a broad and diverse selection of products and services; interest rates and service fees that compare favorably with those of our competitors; and skilled and knowledgeable personnel to assist our customers by addressing their

financial needs. External factors that may impact our ability to compete include, among others, the entry of new lenders and depository institutions in our current markets and, with regard to lending, an increased focus on multi-family and CRE lending by existing competitors.

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

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

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

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The inability to complete the Astoria Financial merger, to engage in other merger transactions, or to realize the anticipated benefits of our acquisitions, could adversely affect our ability to compete with other financial institutions and weaken our financial performance.

Mergers and acquisitions have contributed significantly to our growth and remain a key component of our business model. In addition to our proposed merger with Astoria Financial, it is possible that we will look to acquire other financial institutions, financial service providers, or branches of banks in the future.

Our ability to complete the proposed mergers with Astoria Financial and Astoria Bank (together, the Astoria Mergers) depends on our receipt of the necessary regulatory approvals, as well as approval of the transaction by our shareholders and theirs. Our ability to engage in future mergers and acquisitions would depend on our ability to identify suitable merger partners and acquisition opportunities and on our ability to finance and complete negotiated transactions at acceptable prices and on acceptable terms.

If we are unable to complete or engage in desired acquisition or merger transactions, our financial condition and results of operations could be adversely impacted. As acquisitions have been a significant source of deposits, the inability to complete a business combination could require that we increase the interest rates we pay on deposits in order to attract such funding through our current branch network, or that we increase our use of wholesale funds. Increasing our cost of funds could adversely impact our net interest income and our net income. Furthermore, the absence of acquisitions could impact our ability to fulfill our loan demand.

Mergers and acquisitions involve a number of risks and challenges, including:

Our ability to successfully integrate the branches and operations we acquire, and to adopt appropriate internal controls and regulatory functions relating to such activities;

Our ability to limit the outflow of deposits held by customers in acquired branches, and to successfully retain and manage any loans we acquire;

Our ability to attract new deposits, and to generate new interest-earning assets, in geographic areas we have not previously served;

Our success in deploying any cash received in a transaction into assets bearing sufficiently high yields without incurring unacceptable credit or interest rate risk;

Our ability to control the incremental non-interest expense from acquired operations;

Our ability to retain and attract the appropriate personnel to staff acquired branches and conduct any acquired operations;

Our ability to generate acceptable levels of net interest income and non-interest income, including fee income, from acquired operations;

The diversion of management's attention from existing operations;

Our ability to address an increase in working capital requirements; and

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

In addition, mergers and acquisitions can lead to uncertainties about the future on the part of customers and employees. Such uncertainties could cause customers and others to consider changing their existing business relationships with the company to be acquired, and could cause its employees to accept positions with other companies before the merger occurs. As a result, the ability of a company to attract and retain customers, and to attract, retain, and motivate key personnel, prior to a merger's completion could be impaired.

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

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

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

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

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

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

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds available for such payments under applicable law and regulatory guidance, and although we have historically declared cash dividends on our common stock, we are not required to do so. Furthermore, the payment of dividends falls under federal regulations that have grown more stringent in recent years. While we pay our quarterly cash dividend in compliance with current regulations, such regulations could change in the future. In addition, as a SIFI institution, the Company will be subject to regulations under the Dodd-Frank Act that limit the amount of capital that can be distributed by the Company from time to time. Any reduction or elimination of our common stock dividend in the future could adversely affect the market price of our common stock.

Operational Risks

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

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

In addition, the processes we use to estimate the effects of changing interest rates, real estate values, and economic indicators such as unemployment on our financial condition and results of operations depend upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Furthermore, even if our assumptions are accurate predictors of future performance, the models they are based on may prove to be inadequate or inaccurate because of other flaws in their design or implementation. If the models we use in the process of managing our interest rate and other risks prove to be inadequate or inaccurate, we could incur increased or unexpected losses which, in turn, could adversely affect our earnings and capital. Additionally, failure by the Company to maintain compliance with strict capital, liquidity, and other stress test requirements under banking regulations could subject us to regulatory sanctions, including limitations on our ability to pay dividends.

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

Communication and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger, our deposits, and our loans. In addition, our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized

access, misuse, computer viruses, or other malicious code and cyber attacks that could have an impact on information security.

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

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

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

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

The Company and the Banks rely on third parties to perform certain key business functions, which may expose us to further operational risk.

We outsource certain key aspects of our data processing to certain third-party providers. While we have selected these third-party providers carefully, we cannot control their actions. Our ability to deliver products and services to our customers, to adequately process and account for our customers' transactions, or otherwise conduct our business could be adversely impacted by any disruption in the services provided by these third parties; their failure to handle current or higher volumes of usage; or any difficulties we may encounter in communicating with them. Replacing these third-party providers also could entail significant delay and expense.

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

In addition, the Company may not be adequately insured against all types of losses resulting from third-party failures, and our insurance coverage may be inadequate to cover all losses resulting from systems failures or other disruptions to our banking services.

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

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

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

The amount of income taxes we are required to pay on our earnings is based on federal, state, and local legislation and regulations. We provide for current and deferred taxes in our financial statements, based on our results of operations, business activity, legal structure, interpretation of tax statutes, assessment of risk of adjustment upon audit, and application of financial accounting standards. We may take tax return filing positions for which the final determination of tax is uncertain, and our net income and earnings per share could be reduced if a federal, state, or local authority were to assess additional taxes that have not been provided for in our consolidated financial statements. In addition, there can be no assurance that we will achieve our anticipated effective tax rate. Unanticipated changes in tax laws or related regulatory or judicial guidance, or an audit assessment that denies previously recognized tax benefits, could result in our recording tax expenses that materially reduce our net income.

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

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

Many aspects of our operations are dependent upon the soundness of other financial intermediaries, and thus could expose us to systemic risk.

The soundness of many financial institutions may be closely interrelated as a result of relationships between them involving credit, trading, execution of transactions, and the like. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses, or defaults by other institutions. As such systemic risk may adversely affect the financial intermediaries with which we interact on a daily basis (such as clearing agencies, clearing houses, banks, and securities firms and exchanges), we could be adversely impacted as well.

Reputational Risk

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

Following the announcement on October 29, 2015 of the execution of the Company's merger agreement with Astoria Financial, six lawsuits challenging the proposed transaction were filed in the Supreme Court of the State of New York, County of Nassau. These actions are captioned: (1) *Sandra E. Weiss IRA v. Chrin, et al.*, Index No. 607132/2015 (filed November 4, 2015); (2) *Raul v. Palleschi, et al.*, Index No. 607238/2015 (filed November 6, 2015); (3) *Lowinger v. Redman, et al.*, Index No. 607268/2015 (filed November 9, 2015); (4) *Minzer v. Astoria Fin. Corp., et al.*, Index No. 607358/2015 (filed November 12, 2015); (5) *MSS 12-09 Trust v. Palleschi, et al.*, Index No. 607472/2015 (filed November 13, 2015); and (6) *Firemen's Ret. Sys. of St. Louis v. Keegan, et al.*, Index No. 607612/2015 (filed November 23, 2015 (collectively, the New York Actions). On January 15, 2016, the

court consolidated the New York Actions under the caption *In re Astoria Financial Corporation Shareholders Litigation*, Index No. 607132/2015. In addition, a seventh lawsuit was filed challenging the proposed transaction in the Delaware Court of Chancery, captioned *O'Connell v. Astoria Financial Corp., et al.*, Case No. 11928 (filed January 22, 2016) (the Delaware Action).

Each of the lawsuits challenging the proposed transaction is a putative class action filed on behalf of the stockholders of Astoria Financial and names as defendants Astoria Financial, its directors, and the Company. The various complaints allege that the directors of Astoria Financial breached their fiduciary duties in connection with their approval of the merger agreement by, among other things: agreeing to an allegedly unfair price for Astoria Financial; approving the transaction notwithstanding alleged conflicts of interest; agreeing to deal protection devices that plaintiffs allege are unreasonable; and by failing to disclose certain facts about the process that led to the merger and financial analyses performed by Astoria Financial's financial advisors. The complaints also allege that the Company aided and abetted those alleged fiduciary breaches. The actions seek, among other things, an order enjoining completion of the proposed merger. Other potential plaintiffs may also file additional lawsuits challenging the proposed transaction.

The outcome of the pending and any additional future litigation is uncertain. If the cases are not resolved, these lawsuits could prevent or delay completion of the merger and result in substantial costs to the Company and Astoria Financial, including any costs associated with the indemnification of directors and officers. One of the conditions to the closing of the merger is that no order, injunction, or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger shall be in effect. As such, if plaintiffs are successful in obtaining an injunction prohibiting the completion of the merger on the agreed-upon terms, then such injunction may prevent the merger from being completed, or from being completed within the expected time frame. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is completed may adversely affect the Company's business, financial condition, results of operations and cash flows.

The Company believes that the factual allegations in the lawsuits are without merit and intends to defend vigorously against these allegations.

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES**

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

At December 31, 2015, the number of outstanding shares was 484,943,308 and the number of registered owners was approximately 12,500. The latter figure does not include those investors whose shares were held for them by a bank or broker at that date.

Dividends Declared per Common Share and Market Price of Common Stock

The following table sets forth the dividends declared per common share, and the intra-day high/low price range and closing prices for the Company's common stock, as reported by the NYSE, in each of the four quarters of 2015 and 2014:

	Dividends Declared per Common Share	Market Price		
		High	Low	Close
2015				
1st Quarter	\$0.25	\$16.99	\$15.07	\$16.73
2nd Quarter	0.25	18.72	16.53	18.38
3rd Quarter	0.25	19.11	14.26	18.06
4th Quarter	0.25	19.18	15.40	16.32
2014				
1st Quarter	\$0.25	\$17.35	\$15.25	\$16.07
2nd Quarter	0.25	16.30	13.77	15.98
3rd Quarter	0.25	16.58	15.35	15.87
4th Quarter	0.25	16.39	14.62	16.00

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

On July 2, 2015, our President and Chief Executive Officer, Joseph R. Ficalora, submitted to the NYSE his Annual CEO certification confirming our compliance with the NYSE's corporate governance listing standards, as required by Section 303A.12(a) of the NYSE Listed Company Manual.

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Stock Performance Graph

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

The following graph compares the cumulative total return on the Company's stock in the five years ended December 31, 2015 with the cumulative total returns on a broad market index (the S&P Mid-Cap 400 Index) and a peer group index (the SNL U.S. Bank and Thrift Index) during the same time. The S&P Mid-Cap 400 Index was chosen as the broad market index in connection with the Company's trading activity on the NYSE; the SNL U.S. Bank and Thrift Index currently is comprised of 425 banks and thrift institutions, including the Company. SNL Financial provided us with the data for both indices.

The cumulative total returns are based on the assumption that \$100.00 was invested in each of the three investments on December 31, 2010 and that all dividends paid since that date were reinvested. Such returns are based on historical results and are not intended to suggest future performance.

Comparison of 5-Year Cumulative Total Return

Among New York Community Bancorp, Inc.,

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

ASSUMES \$100 INVESTED ON DECEMBER 31, 2010

ASSUMES DIVIDEND REINVESTED

FISCAL YEAR ENDING DECEMBER 31, 2015

	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
New York Community Bancorp, Inc.	\$ 100.00	\$ 70.17	\$ 80.20	\$ 110.55	\$ 111.94	\$ 121.14
S&P Mid-Cap 400 Index	\$ 100.00	\$ 98.27	\$ 115.84	\$ 154.60	\$ 169.66	\$ 165.96
SNL U.S. Bank and Thrift Index	\$ 100.00	\$ 77.76	\$ 104.42	\$ 142.97	\$ 159.60	\$ 162.83

Table of Contents**Share Repurchases*****Shares Repurchased Pursuant to the Company's Stock-Based Incentive Plans***

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

During the twelve months ended December 31, 2015, the Company allocated \$7.0 million toward the repurchase of shares of its common stock, including \$22,000 in the fourth quarter, as indicated in the following table:

(dollars in thousands, except per share data)

Period	Total Shares of Common Stock Repurchased	Average Price Paid per Common Share	Total Allocation
First Quarter 2015	423,129	\$15.52	\$6,566
Second Quarter 2015	6,566	17.56	115
Third Quarter 2015	17,342	18.26	317
Fourth Quarter 2015:			
October	1,186	18.29	22
November			
December			
Total Fourth Quarter 2015	1,186	18.29	22
2015 Total	448,223	\$15.66	\$7,020

In connection with the follow-on common stock offering announced on October 29, 2015, no shares were permitted to be repurchased subsequent to that date for a period of 90 days.

Shares Repurchased Pursuant to the Board of Directors' Share Repurchase Authorization

On April 20, 2004, the Board of Directors authorized the repurchase of up to five million shares of the Company's common stock. Of this amount, 1,659,816 shares were still available for repurchase at December 31, 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.

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<i>(dollars in thousands, except share data)</i>	At or For the Years Ended December 31,				
	2015	2014	2013	2012	2011
EARNINGS SUMMARY:					
Net interest income ⁽¹⁾	\$ 408,075	\$ 1,140,353	\$ 1,166,616	\$ 1,160,021	\$ 1,200,421
(Recovery of) provision for losses on non-covered loans	(3,334)		18,000	45,000	79,000
(Recovery of) provision for losses on covered loans	(11,670)	(18,587)	12,758	17,988	21,420
Non-interest income	210,763	201,593	218,830	297,353	235,325
Non-interest expense:					
Operating expenses ⁽²⁾	615,600	579,170	591,778	593,833	574,683
Amortization of core deposit intangibles	5,344	8,297	15,784	19,644	26,066
Debt repositioning charge	141,209				
Merger-related expenses	3,702				
Income tax (benefit) expense	(84,857)	287,669	271,579	279,803	254,540
Net (loss) income ⁽³⁾	(47,156)	485,397	475,547	501,106	480,037
Basic (loss) earnings per share ⁽³⁾	\$(0.11)	\$1.09	\$1.08	\$1.13	\$1.09
Diluted (loss) earnings per share ⁽³⁾	(0.11)	1.09	1.08	1.13	1.09
Dividends paid per common share	1.00	1.00	1.00	1.00	1.00
SELECTED RATIOS:					
Return on average assets ⁽³⁾	(0.10)%	1.01%	1.07%	1.18%	1.17%
Return on average stockholders' equity ⁽³⁾	(0.81)	8.41	8.46	9.06	8.73
Average stockholders' equity to average assets	11.90	12.01	12.66	13.02	13.38
Operating expenses to average assets ⁽²⁾	1.26	1.21	1.33	1.40	1.40
Efficiency ratio ⁽¹⁾⁽²⁾	99.48	43.16	42.71	40.75	40.03
Interest rate spread ⁽¹⁾	0.69	2.57	2.90	3.11	3.37
Net interest margin ⁽¹⁾	0.94	2.67	3.01	3.21	3.46
Dividend payout ratio		91.74	92.59	88.50	91.74
BALANCE SHEET SUMMARY:					
Total assets	\$ 50,317,796	\$ 48,559,217	\$ 46,688,287	\$ 44,145,100	\$ 42,024,302
Loans, net of allowances for loan losses	38,011,995	35,647,639	32,727,507	31,580,636	30,152,154
Allowance for losses on non-covered loans	147,124	139,857	141,946	140,948	137,290
Allowance for losses on covered loans	31,395	45,481	64,069	51,311	33,323
Securities	6,173,645	7,096,450	7,951,020	4,913,528	4,540,516
Deposits	28,426,758	28,328,734	25,660,992	24,877,521	22,325,654
Borrowed funds	15,748,405	14,226,487	15,105,002	13,430,191	13,960,413
Stockholders' equity	5,934,696	5,781,815	5,735,662	5,656,264	5,565,704
Common shares outstanding	484,943,308	442,587,190	440,809,365	439,050,966	437,344,796
Book value per share	\$12.24	\$13.06	\$13.01	\$12.88	\$12.73
Stockholders' equity to total assets	11.79%	11.91%	12.29%	12.81%	13.24%
ASSET QUALITY RATIOS (excluding covered assets):					
Non-performing non-covered loans to total non-covered loans	0.13%	0.23%	0.35%	0.96%	1.28%
Non-performing non-covered assets to total non-covered assets	0.13	0.30	0.40	0.71	1.07
Allowance for losses on non-covered loans to non-performing non-covered loans	310.08	181.75	137.10	53.93	42.14
Allowance for losses on non-covered loans to total non-covered loans	0.41	0.42	0.48	0.52	0.54
Net (recoveries) charge-offs to average loans ⁽⁴⁾	(0.02)	0.01	0.05	0.13	0.35
ASSET QUALITY RATIOS (including covered assets):					
Total non-performing loans to total loans	0.49%	0.66%	0.97%	1.88%	2.30%

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Total non-performing assets to total assets	0.45	0.68	0.91	1.47	1.97
Allowances for loan losses to total non-performing loans	96.51	78.92	65.40	33.50	25.34
Allowances for loan losses to total loans	0.47	0.52	0.63	0.63	0.58

- (1) *The 2015 amount reflects the impact of a \$773.8 million debt repositioning charge recorded in interest expense in the fourth quarter of the year.*
- (2) *The 2015 amount includes state and local non-income taxes of \$5.4 million resulting from the debt repositioning charge.*
- (3) *The 2015 amount reflects the \$546.8 million after-tax impact of the debt repositioning charge recorded in interest expense and non-interest expense, combined.*
- (4) *Average loans include covered loans.*

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

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

Executive Summary

New York Community Bancorp, Inc. is the holding company for New York Community Bank, with 227 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 \$50.3 billion at December 31, 2015 including loans of \$38.2 billion we rank among the 25 largest U.S. bank holding companies.

Chartered in the State of New York, the Community Bank and the Commercial Bank are subject to regulation by the Federal Deposit Insurance Corporation (the FDIC), the Consumer Financial Protection Bureau, and the New York State Department of Financial Services (the NYSDFS). In addition, the holding company is subject to regulation by the Board of Governors of the Federal Reserve System (the FRB), the U.S. Securities and Exchange Commission (the SEC), 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 actions we took in 2015 were indicative of this model and designed to fulfill the mission cited above. Described below are the most notable actions we took during the year.

We Managed our Asset Growth

Consistent with our objective of remaining below the current threshold for a Systemically Important Financial Institution (SIFI) until the second quarter of 2016, we managed the growth of our assets during the twelve months ended December 31, 2015.

A financial institution is designated systemically important when the average of its total consolidated assets over the four most recent quarters exceeds \$50 billion. In the third quarter of 2014, we embarked upon a strategy to fulfill our objective of remaining below that threshold while, at the same time, producing a record volume of held-for-investment loans. We achieved this goal in 2015 by selling participations in certain of the multi-family and CRE loans we originated and, to a lesser extent, by reducing our portfolio of securities. Reflecting these actions, our total consolidated assets averaged \$49.1 billion in the twelve months ended December 31, 2015. While our assets totaled \$50.3 billion at the end of December, we do not expect to cross the SIFI threshold until the second quarter of 2016.

We Produced a Record Volume of Held-for-Investment Loans

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In 2015, we produced \$12.7 billion of loans held-for-investment, establishing a new record for the second consecutive year. Multi-family loans represented \$9.2 billion of the year's total volume, an indication of our emphasis on this particular lending niche.

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Reflecting the volume of loans we produced, the year-end balance of loans held for investment was \$35.8 billion, exceeding the year-earlier balance by \$2.7 billion, or 8.3%. Multi-family loans accounted for \$26.0 billion of the year-end 2015 balance, reflecting a \$2.1 billion, or 9.0%, increase from the year-earlier amount.

To offset the impact on the growth of our assets, we continued to reduce the balance of certain interest-earning assets, including through the sale of participations in certain multi-family and commercial real estate (CRE) loans. In the twelve months ended December 31, 2015, we sold \$1.2 billion of multi-family loans through participations and \$632.7 million of CRE loans in much the same way. The sales enabled us to maintain the four-quarter average of our assets below \$50 billion, and also generated net gains of \$26.1 million over the course of the year.

Asset growth was further constrained by the year-over-year reduction in our securities portfolio. Securities declined \$922.8 million to \$6.2 billion at the end of December, largely reflecting a combination of repayments and calls.

We Extended our Exceptional Asset Quality

In the twelve months ended December 31, 2015, non-performing non-covered assets declined \$78.0 million, or 56.2%, to \$60.9 million, the lowest level we have recorded since the second quarter of 2008. In addition to a \$30.1 million decline in non-performing non-covered loans to \$46.8 million, the reduction reflects a \$47.9 million decline in other real estate owned (OREO) to \$14.1 million. The latter reduction was primarily due to the sale of two multi-family properties that resulted in net gains of \$12.4 million, combined.

We Relunched our Growth-through-Acquisition Strategy

In the fourth quarter of 2015, we took a series of actions designed to increase our earnings and capital, while maintaining our asset quality and efficiency. On October 29, 2015, we announced the following actions and events:

We announced the signing of a definitive merger agreement with Astoria Financial Corporation (Astoria Financial), a neighboring institution with \$15.1 billion of assets and 88 branches as of December 31, 2015. Pending receipt of the necessary shareholder and regulatory approvals, and as of the date of this filing, the merger is currently expected to close by the fourth quarter of 2016.

In connection with the merger, which is expected to boost our deposits by approximately \$9.1 billion upon closing, we also announced plans to reposition a significant portion of our wholesale borrowings. From the date this action was announced through the end of December, we prepaid \$10.4 billion of wholesale borrowings with an average cost of 3.16% and replaced them with a like amount of wholesale borrowings with an average cost of 1.58%. While the prepayment resulted in a non-routine after-tax debt repositioning charge of \$546.8 million in 2015, the reduction in the average cost of funds is expected to result in an annual after-tax benefit to earnings of approximately \$100 million beginning in 2016. In addition, the majority of the wholesale borrowings we prepaid had callable features; the borrowings with which they were replaced featured fixed maturities.

To offset the impact on capital of the charge we recorded in the fourth quarter, we offered 40,625,000 shares of our common stock in a follow-on offering. The sale of these shares produced proceeds of \$630.5 million, exceeding the after-tax debt repositioning charge by \$83.7 million.

The last of the actions we announced was also consistent with our focus on maintaining our capital strength. In anticipation of growing our assets and becoming subject to the capital requirements for a SIFI, we decided to reallocate a portion of our earnings toward the maintenance and growth of our capital by reducing our quarterly cash dividend to \$0.17 per share per quarter, beginning with the dividend to be declared and paid in the first quarter of 2016.

Reflecting the actions described above, we believe that 2015 will prove to have been a pivotal year in our evolution, setting the stage for earnings, franchise, and capital growth in the current year.

External Factors

The following is a discussion of certain external factors that tend to influence our financial performance and the strategic actions we take.

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Interest Rates

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.

As further discussed under *Loans Held for Investment* later on in this discussion, the interest rates on our multi-family loans and CRE credits generally are based on the five-year Constant Maturity Treasury Rate (the *five-year CMT*). The following table summarizes the high, low, and average five- and ten-year Constant Maturity Treasury rates in 2015 and 2014:

	Constant Maturity Treasury Rates			
	Five-Year		Ten-Year	
	2015	2014	2015	2014
High	1.81%	1.85%	2.50%	3.01%
Low	1.18	1.37	1.68	2.07
Average	1.53	1.64	2.14	2.54

In addition, residential market interest rates impact the volume of one-to-four family mortgage loans we originate in any given quarter, directly affecting 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 2015, we originated \$4.7 billion of one-to-four family mortgage loans for sale through our mortgage banking operation, exceeding the year-earlier volume by \$1.5 billion.

Changes in market interest rates generally have a lesser impact on our multi-family and CRE loans than on our production of one-to-four family mortgage loans. Because the multi-family and CRE loans we produce generate prepayment penalty income when they repay (which is recorded as interest income), the impact of repayment activity can be especially meaningful. In 2015, prepayment penalty income from loans contributed \$97.3 million to interest income; in the prior year, the contribution was \$86.8 million.

Economic Indicators

While we attribute our asset quality to the nature of the loans we produce and our conservative underwriting standards, the quality of our assets can also be impacted by economic conditions in our local markets and throughout the United States. The information that follows consists of recent economic data that we consider to be germane to our performance and the markets we serve.

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

	December	
	2015	2014
Unemployment rate:		
United States	4.8%	5.4%
New York City	5.0	6.2
Arizona	5.5	6.3
Florida	4.7	5.4
New Jersey	4.4	5.8
New York	4.7	5.6
Ohio	4.6	4.7

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

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	For the Twelve Months	
	Ended	
	December	
	2015	2014
Change in prices:	0.7%	0.8%

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Economic activity also is indicated by the Consumer Confidence Index[®], which moved up to 96.3 in December 2015 from 93.1 in December 2014. An index level of 90 or more is considered indicative of a strong economy.

The level of our mortgage lending activity also is impacted by new home sales. According to estimates set forth in a U.S. Department of Commerce report issued on January 27, 2016, the volume of new home sales nationwide was at a seasonally adjusted annual rate of 544,000 in December 2015, 9.9% higher than the rate reported for December 2014.

Given the impact that home prices have on residential mortgage lending, we believe the S&P/Case Shiller Home Price Index is another important economic indicator for the Company. According to this Index, home prices rose 5.4% across the U.S. in the twelve months ended December 31, 2015 as compared to 4.6% in the twelve months ended December 31, 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 70.4% of our multi-family loans and 72.4% of our CRE loans are secured by properties in New York City, with Manhattan accounting for 30.6% and 53.0% of our multi-family and CRE loans, respectively. As reflected in the following table, rental vacancy rates increased year-over-year in this market, and the office vacancy rate in Manhattan increased, albeit more modestly.

	For the Three Months Ended December 31,	
	2015	2014
Residential rental vacancy rate in New York	5.0%	4.7%
Manhattan office vacancy rate	9.6	9.5

Recent Events

Dividend Declaration

On January 26, 2016, the Board of Directors declared a quarterly cash dividend of \$0.17 per share, payable on February 19, 2016 to shareholders of record at the close of business on February 8, 2016.

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, if any, 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 represents our estimate of probable and estimable losses inherent in the non-covered loan portfolio as of the date of the balance sheet. Losses on non-covered loans are charged against, and recoveries of losses on non-covered loans are credited back to, the allowance for losses on non-covered loans.

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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.

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The methodology used for the allocation of the allowance for non-covered loan losses at December 31, 2015 and 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 are 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 management's evaluation of incurred losses in the portfolio in accordance with U.S. generally accepted accounting principles (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 all amounts due under the contractual terms of the loan agreement. We apply this classification as necessary to non-covered loans individually evaluated for impairment in our portfolios. Smaller-balance homogenous loans and loans carried at the lower of cost or fair value are evaluated for impairment on a collective, rather than individual, basis. Loans to certain borrowers who have experienced financial difficulty and for which the terms have been modified, resulting in a concession, are considered troubled debt restructurings (TDRs) and are classified as impaired.

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

We also follow a process to assign general valuation allowances to non-covered loan categories. General valuation allowances are established by applying our loan loss provisioning methodology, and reflect the inherent risk in outstanding held-for-investment loans. This loan loss provisioning methodology considers various factors in determining the appropriate quantified risk factors to use to determine the general valuation allowances. The factors assessed begin with the historical loan loss experience for each major loan category. We also take into account an estimated historical loss emergence period (which is the period of time between the event that triggers a loss and the confirmation and/or charge-off of that loss) for each loan portfolio segment. During 2015, this methodology was enhanced by estimating the loss emergence period using a more granular segmentation approach.

The allocation methodology consists of the following components: First, we determine an allowance for loan losses based on a quantitative loss factor for loans evaluated collectively for impairment. This quantitative loss factor is based primarily on historical loss rates, after considering loan type, historical loss and delinquency experience, and loss emergence periods. The quantitative loss factors applied in the methodology are periodically re-evaluated and adjusted to reflect changes in historical loss levels, loss emergence periods, or other risks. Lastly, we allocate an allowance for loan losses based on 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;

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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;

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Changes in the quality of our loan review system;

Changes in the value of the underlying collateral for collateral-dependent loans;

The existence and effect of any concentrations of credit, and changes in the level of such concentrations;

Changes in the experience, ability, and depth of lending management and other relevant staff; and

The effect of other external factors, such as competition and legal and regulatory requirements, on the level of estimated credit losses in the existing portfolio.

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

In 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 produces a more appropriate reflection of our historical loss experience. This change has not had a significant effect on the current 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;

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

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Covered loans are reported exclusive of the FDIC loss share receivable. The covered loans acquired in the AmTrust and Desert Hills acquisitions are 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 rights to service mortgage loans for others as a separate asset referred to as mortgage servicing rights, or MSR. MSRs are generally recognized when loans are sold whole or in part (i.e., as a participation), and the servicing is retained by us. Both of the Company's two classes of MSRs, residential and participation, are initially recorded at fair value. While residential MSRs continue to be carried at fair value, participation MSRs are subsequently amortized and carried at the lower of their fair value or amortized amount on a quarterly basis. The amortization is recorded in proportion to, and over the period of, estimated net servicing income.

We base the fair value of our MSRs on a valuation performed by a third-party valuation specialist. This specialist determines fair value based on the present value of estimated future net servicing income cash flows, and incorporates 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 specialist and the Company evaluate, and periodically adjust, as necessary, 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 residential MSRs are reported in Mortgage banking income and changes in the value of participation MSRs are reported in Other 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.

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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, 2015 and found no indication of goodwill impairment at that date.

In addition to being test annually, goodwill would be tested in less than one year's time if there were a triggering event. During the year ended December 31, 2015, no triggering events were identified.

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 update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The Company did not elect to perform a qualitative assessment of its goodwill in 2015. 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 method for determining 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.

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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.

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

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

The statutory tax rate was reduced from 7.1% to 6.5%.

An alternative tax of 0.15% on apportioned capital is imposed to the extent that it exceeds the tax on apportioned income. The New York State alternative tax is capped at \$5 million for a tax year and is gradually phased out over six years.

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.

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. However, the New York City laws differ from the New York State laws in certain ways, including by:

Retaining an alternative tax on capital and increasing the cap on such tax to \$10 million for a tax year;

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 being 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

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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.

While most of the provisions of these laws were effective for fiscal years beginning in 2015, the New York State statutory tax rate will not be reduced until 2016. It is expected that the net impact of these laws 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.

Table of Contents**FINANCIAL CONDITION****Balance Sheet Summary**

In the third quarter of 2014, we announced our intention of remaining below the SIFI threshold until the second quarter of 2016. Consistent with that objective, our assets rose \$1.8 billion year-over-year to \$50.3 billion at December 31, 2015, bringing the four-quarter average of our total consolidated assets to \$49.1 billion.

The increase in total assets was driven by a record level of loan production, and tempered by a reduction in securities. During the year, we produced \$12.7 billion of loans held for investment, including \$9.2 billion of multi-family loans. To limit the growth of our balance sheet, we sold \$1.9 billion of multi-family and CRE loans, largely through participations, as well as \$45.3 million of one-to-four family loans. Reflecting these sales, as well as prepayments, our portfolio of held-for-investment loans rose \$2.7 billion year-over-year to \$35.8 billion, exceeding the impact of a \$922.8 million reduction in securities that largely was due to repayments and calls.

In addition to the cash flows from loan and securities sales and repayments, we fund the loans we produce and the securities we invest in with the deposits we gather and wholesale borrowings. At December 31, 2015, our deposits totaled \$28.4 billion, reflecting a year-over-year increase of \$98.0 million. Borrowed funds totaled \$15.7 billion at the end of December, reflecting a year-over-year increase of \$1.5 billion.

In the fourth quarter of 2015, we prepaid \$10.4 billion of wholesale borrowings (primarily with callable features) and replaced them with a like amount of wholesale borrowings with fixed maturities. While the prepayment resulted in a non-routine after-tax debt repositioning charge of \$546.8 million, the impact on capital was more than offset by the proceeds of a follow-on common stock offering of 40,625,000 shares. The offering generated proceeds of \$630.5 million, which contributed an additional \$83.7 million to our capital at December 31, 2015.

Partly reflecting the additional capital raised in the fourth quarter, stockholders' equity rose \$152.9 million year-over-year to \$5.9 billion at December 31, 2015. Tangible stockholders' equity rose \$158.2 million year-over-year to \$3.5 billion after the distribution of cash dividends totaling \$454.0 million. (Please see the discussion and reconciliations of stockholders' equity and tangible stockholders' equity, total assets and tangible assets, and the related measures that appear on the last page of this discussion and analysis of financial condition and results of operations.)

Loans

Total loans grew \$2.4 billion year-over-year, to \$38.2 billion, representing 75.9% of total assets at December 31, 2015. Included in the year-end amount were covered loans of \$2.1 billion; non-covered loans held for investment of \$35.8 billion, and non-covered loans held for sale of \$367.2 million.

Covered Loans

In December 2009 and March 2010, we acquired certain assets and assumed certain liabilities of AmTrust and Desert Hills, respectively, in FDIC-assisted acquisitions. Covered loans refers to the loans we acquired in those transactions, and are referred to as such because they are covered by loss sharing agreements with the FDIC. At the time of each acquisition, the loss sharing agreements required the FDIC to reimburse us for 80% of losses up to a specific threshold and for 95% of losses beyond that threshold with respect to covered loans and covered OREO.

The length of the agreements depended on the types of loans that were covered, with the agreements covering one-to-four family loans and home equity loans extending for ten years from the date of acquisition, and all other covered loans and OREO extending for five years from the acquisition dates. Accordingly, in March 2015, approximately \$23.4 million of other covered loans and \$942,000 of OREO acquired in our Desert Hills transaction were transferred to our portfolio of held-for-investment loans.

Reflecting the transfer, as well as prepayments, the balance of covered loans declined \$368.5 million year-over-year to \$2.1 billion at December 31, 2015. Covered loans thus represented 5.4% of total loans at the end of this December, as compared to 6.8%, at the prior year-end.

At December 31, 2015, \$1.5 billion, or 69.1%, of the loans in our covered loan portfolio were variable-rate loans, with a contractual weighted average interest rate of 3.43%. The remainder of the portfolio consisted of fixed-rate loans. The interest rates on 83.8% of our covered variable rate loans were scheduled to reprice within twelve months and annually thereafter. The interest rates on our variable-rate covered loans are indexed to either the one-year LIBOR or the one-year Treasury rate, plus a spread in the range of 2% to 5%, subject to certain caps.

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The following table presents a geographical analysis of our covered loan portfolio at December 31, 2015 which now consists primarily of one-to-four family loans and home equity loans:

(in thousands)

California	\$ 363,027
Florida	345,031
Arizona	153,238
Ohio	125,891
Massachusetts	100,493
Michigan	95,577
New York	74,667
Illinois	71,717
Maryland	58,690
New Jersey	53,173
Nevada	52,431
All other states	566,154
Total covered loans	\$ 2,060,089

Loan Maturity and Repricing Analysis: Covered Loans

The following table sets forth the maturity or period to repricing of our covered loan portfolio at December 31, 2015. Loans that have adjustable rates are shown as being due or repricing in the period during which their interest rates are next subject to change.

(in thousands)	Covered Loans at December 31, 2015		
	One-to-Four Family	All Other Loans	Total Loans
Amount due or repricing:			
Within one year	\$ 980,786	\$ 143,580	\$ 1,124,366
After one year:			
One to five years	192,255		192,255
Over five years	743,468		743,468
Total due or repricing after one year	935,723		935,723
Total amounts due or repricing, gross	\$ 1,916,509	\$ 143,580	\$ 2,060,089

The following table sets forth, as of December 31, 2015, the dollar amount of all covered loans due or repricing after December 31, 2016, and indicates whether such loans have fixed or adjustable rates of interest.

(in thousands)	Due or Repricing after December 31, 2016		
	Fixed	Adjustable	Total
One-to-four family	\$ 669,408	\$ 266,315	\$ 935,723
All other loans			
Total loans	\$ 669,408	\$ 266,315	\$ 935,723

Non-Covered Loans Held for Investment

Non-covered loans held for investment represented \$35.8 billion, or 93.6%, of total loans at the end of this December, reflecting a year-over-year increase of \$2.7 billion or 8.3%. In addition to multi-family loans and 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 commercial and industrial (C&I) loans comprising the bulk of the other loan portfolio.

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In 2015, we originated \$12.7 billion of held-for-investment loans, establishing a new record and exceeding the year-earlier volume by \$1.7 billion, or 15.1%. Consistent with our short-term objective of containing the growth of our assets, we sold \$1.9 billion of multi-family and CRE loans, largely through participations, in addition to \$45.3 million of one-to-four family loans, over the course of the year. In 2015, the sale of such loans produced net gains of \$26.1 million, as further discussed under *Non-Interest Income* later in this report.

Multi-Family Loans

Multi-family loans are our principal asset. The loans we produce are primarily secured by non-luxury residential apartment buildings in New York City that are rent-regulated and feature below-market rents a market we refer to as our primary lending niche. Consistent with our emphasis on multi-family lending, multi-family loan originations represented \$9.2 billion, or 72.7%, of the loans we produced in 2015 for investment, exceeding the year-earlier volume by \$1.6 billion and establishing a new record with regard to the volume of multi-family loans produced in a single year.

At December 31, 2015, multi-family loans represented \$26.0 billion, or 72.7%, of total non-covered loans held for investment, reflecting a year-over-year increase of \$2.1 billion, or 9.0%. The growth of the portfolio was tempered by the sale of multi-family loans through participations in the amount of \$1.2 billion over the course of the year.

At December 31, 2015 and 2014, respectively, the average multi-family loan had a principal balance of \$5.3 million and \$5.0 million; the expected weighted average life of the portfolio was 2.8 years and 3.0 years at the respective dates.

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

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

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

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.

Because prepayment penalties are recorded as interest income, they are reflected in the average yields on our loans and interest-earning 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.

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

At December 31, 2015, the majority of our multi-family loans were secured by rental apartment buildings. In addition, 70.4% of our multi-family loans were secured by buildings in New York City and 4.8% were secured by buildings elsewhere in New York State. The remaining multi-family loans were secured by buildings outside these markets, including in the four other states served by our retail branch offices.

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

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

Accordingly, while our multi-family lending niche has not been immune to downturns in the credit cycle, the limited number of losses we have recorded, even in adverse credit cycles, suggests 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 exclude any short-term property tax exemptions and abatement benefits the property owners receive when we underwrite our multi-family loans.

Commercial Real Estate Loans

At December 31, 2015, CRE loans represented \$7.9 billion, or 22.0%, of total loans held for investment, as compared to \$7.6 billion, or 23.1%, at December 31, 2014. The growth of the portfolio was tempered by the sale of CRE loans, largely through participations, in the amount of \$632.7 million during the year. The average CRE loan had a principal balance of \$5.4 million at the end of this December, as compared to \$5.0 million at the prior year-end. The portfolio had an expected weighted average life of 3.2 years at the corresponding dates.

CRE loans represented \$1.8 billion, or 14.5%, of the loans we produced in 2015 for investment, as compared to \$1.7 billion in the prior year.

The CRE loans we produce are secured by income-producing properties such as office buildings, retail centers, mixed-use buildings, and multi-tenanted light industrial properties. At December 31, 2015, 72.4% of our CRE loans were secured by properties in New York City, while properties on Long Island accounted for 12.3%. Other parts of New York State accounted for 2.5% of the properties securing our CRE credits, while all other states accounted for 12.8%, combined.

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

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

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

One-to-Four Family Loans

At December 31, 2015, one-to-four family loans represented \$116.8 million, or 0.33%, of total loans held for investment, as compared to \$138.9 million, or 0.42%, at December 31, 2014. Consistent with our focus on managing the growth of our assets, we sold \$45.3 million of one-to-four family loans in the first quarter, and limited our production of one-to-four family loans held for investment until the fourth quarter of the year. As a result, originations of one-to-four family loans for investment totaled \$21.3 million and \$287.6 million in the twelve months ended December 31, 2015 and 2014, respectively.

Acquisition, Development, and Construction Loans

ADC loans represented \$311.7 million, or 0.87%, of total loans held for investment at the end of this December and \$155.3 million, or 1.2%, of the held-for-investment loans we produced in the twelve months ended at that date. By comparison, ADC loans represented \$258.1 million, or 0.78%, of total loans held for investment at December 31, 2014 and \$96.8 million, or 0.9%, of the held-for-investment loans produced during the year.

At December 31, 2015, 74.4% of the loans in our ADC portfolio were for land acquisition and development; the remaining 25.6% consisted of loans that were provided for the construction of commercial properties and owner-occupied homes. Loan terms vary based upon the scope of the construction, and generally range from 18 months to two years. They also feature a floating rate of interest tied to prime, with a floor. At December 31, 2015, 74.2% of our ADC loans were for properties in New York City, with Manhattan accounting for more than half of New York City's share.

Because ADC loans are generally considered to have a higher degree of credit risk, especially during a downturn in the credit cycle, borrowers are required to provide a guarantee of repayment and completion. In the twelve months ended December 31, 2015, we recovered losses against guarantees of \$336,000, as compared to \$276,000 in the prior year. The risk of loss on an ADC loan is largely dependent upon the accuracy of the initial appraisal of the property's value upon completion of construction; the developer's experience; the estimated cost of construction, including interest; and the estimated time to complete and/or sell or lease such property.

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

Other Loans

Other loans represented \$1.5 billion, or 4.2%, of total held-for-investment loans at December 31, 2015, as compared to \$1.1 billion, representing 3.5%, at December 31, 2014. Included in the respective amounts were C&I loans of \$1.5 billion and \$1.1 billion, representing 97.8% and 97.2% of total other loans at the respective year-ends.

Our C&I loans are divided into two categories: specialty finance loans and leases, and other C&I loans, as further described below.

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Specialty Finance Loans and Leases

The year-over-year increase in C&I loans was driven by specialty finance loans and leases, which rose \$247.8 million to \$880.7 million in the twelve months ended December 31, 2015. During the year, we originated \$1.1 billion of specialty finance loans and leases, exceeding the year-earlier volume by \$219.2 million.

We produce our specialty finance loans and leases through a subsidiary that is staffed by a group of industry veterans with expertise in originating and underwriting senior securitized debt and equipment loans and leases. The subsidiary participates in syndicated loans that are brought to them, and equipment loans and leases that are assigned to them, by a select group of nationally recognized sources, and are generally 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 specialty finance loans and leases we fund fall into three 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 in, or outright ownership of, 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 C&I Loans

In the twelve months ended December 31, 2015, other C&I loans rose \$93.5 million to \$569.9 million, and represented \$367.7 million of the held-for-investment loans we produced during that time. Included in the balance at year-end were taxi medallion loans of \$157.7 million, all of which were collateralized by New York City medallion taxicabs.

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. Such loans are tailored to meet the specific needs of our borrowers, and include term loans, demand loans, revolving lines of credit, and, to a lesser extent, loans that are partly guaranteed by the Small Business Administration.

A broad range of other C&I loans, both collateralized and unsecured, are made available to businesses for working capital (including inventory and accounts receivable), business expansion, the purchase of machinery and equipment, and other general corporate needs. In determining the term and structure of other C&I loans, several factors are considered, including the purpose, the collateral, and the anticipated sources of repayment. Other C&I loans are typically secured by business assets and personal guarantees of the borrower, and include financial covenants to monitor the borrower's financial stability.

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

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

Lending Authority

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

In accordance with the Banks' policies, all loans originated by the Banks are presented to the Mortgage Committee or the Credit Committee, as applicable. In addition, all loans of \$20.0 million or more originated by the Community Bank, and all loans of \$10.0 million or more originated by the Commercial Bank, are reported to the applicable Board of Directors. In 2015, 285 loans of \$10.0 million or more were originated by the Banks, with an aggregate loan balance of \$7.3 billion at origination. In 2014, 225 loans of \$10.0 million or more were originated by the Banks, with an aggregate loan balance at origination of \$5.6 billion.

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At December 31, 2015 and 2014, the largest loan in our portfolio was a loan originated by the Community Bank on June 28, 2013 to the owner of a commercial office building located in Manhattan. As of the date of this report, the loan has been current since origination. The balance of the loan was \$287.5 million and \$275.0 million at the respective dates.

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

The following table presents a geographical analysis of the multi-family and CRE loans in our held-for-investment loan portfolio at December 31, 2015:

<i>(dollars in thousands)</i>	At December 31, 2015			
	Multi-Family Loans		Commercial Real Estate Loans	
	Amount	Percent of Total	Amount	Percent of Total
New York City:				
Manhattan	\$ 7,942,564	30.58%	\$ 4,165,300	53.01%
Brooklyn	4,437,565	17.09	551,386	7.02
Bronx	3,345,218	12.88	175,305	2.23
Queens	2,505,623	9.65	741,903	9.44
Staten Island	63,320	0.24	54,712	0.70
Total New York City	\$ 18,294,290	70.44%	\$ 5,688,606	72.40%
Long Island	461,117	1.78	963,726	12.26
Other New York State	770,088	2.96	197,850	2.52
All other states	6,446,134	24.82	1,007,022	12.82
Total	\$ 25,971,629	100.00%	\$ 7,857,204	100.00%

At December 31, 2015, the largest concentration of one-to-four family loans held for investment was in New York State, with a total of \$29.3 million; the largest concentration of ADC loans held for investment was in New York City, with a total of \$231.4 million at that date. The majority of our other C&I loans held for investment were secured by properties and/or businesses located in Metro New York.

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

The following table sets forth the maturity or period to repricing of our portfolio of non-covered loans held for investment at December 31, 2015. Loans that have adjustable rates are shown as being due in the period during which their interest rates are next subject to change.

<i>(in thousands)</i>	Non-Covered Loans Held for Investment at December 31, 2015					
	Multi-Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Other	Total Loans
Amount due:						
Within one year	\$ 2,050,016	\$ 1,122,324	\$ 27,332	\$300,332	\$ 1,026,608	\$ 4,526,612
After one year:						
One to five years	14,326,626	3,857,321	28,453	11,344	213,979	18,437,723
Over five years	9,594,987	2,877,559	61,056		242,552	12,776,154
Total due or repricing after one year	23,921,613	6,734,880	89,509	11,344	456,531	31,213,877
Total amounts due or repricing, gross	\$ 25,971,629	\$ 7,857,204	\$ 116,841	\$311,676	\$ 1,483,139	\$ 35,740,489

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The following table sets forth, as of December 31, 2015, the dollar amount of all non-covered loans held for investment that are due after December 31, 2016, and indicates whether such loans have fixed or adjustable rates of interest:

<i>(in thousands)</i>	Due after December 31, 2016		Total
	Fixed	Adjustable	
Mortgage Loans:			
Multi-family	\$ 2,925,231	\$ 20,996,382	\$ 23,921,613
Commercial real estate	957,256	5,777,624	6,734,880
One-to-four family	38,473	51,036	89,509
Acquisition, development, and construction		11,344	11,344
Total mortgage loans	3,920,960	26,836,386	30,757,346
Other loans	414,844	41,687	456,531
Total loans	\$ 4,335,804	\$ 26,878,073	\$ 31,213,877

Non-Covered Loans Held for Sale

Our portfolio of non-covered loans held for sale consists of one-to-four family loans originated through our mortgage banking operation, utilizing our proprietary web-based technology. This platform is not only used by the Community Bank to serve our retail customers in New York, New Jersey, Ohio, Florida, and Arizona, but also by approximately 850 clients' community banks, credit unions, mortgage companies, and mortgage brokers to originate full-documentation, prime credit one-to-four family loans across the United States. While the vast majority of the one-to-four family loans held for sale we produce are agency-conforming loans sold to GSEs, we also utilize our mortgage banking platform to originate prime jumbo loans for sale to other private mortgage investors, as well as for our own portfolio.

In 2015, the volume of non-covered loans originated for sale rose \$1.5 billion to \$4.7 billion, representing 27.0% of total loans produced over the course of the year. While the increase was largely attributable to the low level of residential mortgage interest rates, which encouraged the purchase of new homes as well as refinancing, it also reflects our decision to originate fewer one-to-four family loans for investment in a year when we were aiming to limit our asset growth. Of the one-to-four family loans we produced for sale in 2015, \$4.3 billion, or 92.5%, were agency-conforming and \$345.3 million, or 7.5%, were non-conforming (i.e., jumbo) loans.

Loans held for sale totaled \$367.2 million at the end of this December, a \$12.2 million reduction from the year-earlier amount.

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

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

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

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by performing audits during the process, which include the final underwriting of the loan file (the credit decision), and various other pre-funding and post-funding quality control reviews.

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

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

We record a liability for estimated losses relating to these representations and warranties, which is included in *Other liabilities* in the accompanying Consolidated Statements of Condition. The related expense is recorded in *Mortgage banking income* in the accompanying Consolidated Results of Operations and Comprehensive (Loss) Income. At December 31, 2015 and 2014, the respective liabilities for estimated possible future losses relating to these representations and warranties were \$8.0 million and \$8.2 million. The methodology used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a variety of factors, including, but not limited to, actual default experience, estimated future defaults, historical loan repurchase rates, the frequency and potential severity of defaults, the probability that a repurchase request will be received, and the probability that a loan will be required to be repurchased.

Representation and Warranty Reserve

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

(in thousands)	For the Years Ended December 31,	
	2015	2014
Balance, beginning of period	\$ 8,160	\$ 8,460
Repurchase losses	(217)	(300)
Recoveries	65	
Balance, end of period	\$ 8,008	\$ 8,160

Indemnified and Repurchased Loans

The following table sets forth our activity with regard to repurchased loans and the loans we indemnified for GSEs during the twelve months ended December 31, 2015 and 2014:

(dollars in thousands)	For the Years Ended December 31,			
	2015		2014	
	Number of Loans	Amount	Number of Loans	Amount
Balance, beginning of period	31	\$ 7,916	29	\$ 7,143
New indemnifications	5	989		
New repurchases	8	2,654	12	3,693
Transfers to REO			(3)	(545)
Principal payoffs	(7)	(2,910)	(7)	(2,097)
Principal payments		(284)		(278)
Modifications/other				
Balance, end of period ⁽¹⁾	37	\$ 8,365	31	\$ 7,916

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- (1) *Of the 37 period-end loans, 21 loans with an aggregate principal balance of \$4.7 million were repurchased, and are now held for investment. The other 16 loans, with an aggregate principal balance of \$3.7 million, were indemnified and are all performing as of the date of this report.*

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

Repurchase and Indemnification Requests

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

	For the Years Ended December 31,			
	2015		2014	
(dollars in thousands)	Number of Loans	Amount ⁽¹⁾	Number of Loans	Amount ⁽¹⁾
Balance, beginning of period	24	\$ 6,190	18	\$ 4,057
New repurchase requests ⁽²⁾	45	12,736	81	19,548
Successful rebuttal/rescission	(50)	(12,552)	(63)	(13,722)
New indemnifications ⁽³⁾	(5)	(989)		
Loan repurchases ⁽⁴⁾	(8)	(2,654)	(12)	(3,693)
Balance, end of period	6	\$ 2,731	24	\$ 6,190

(1) Represents the loan balance as of the repurchase request date.

(2) All requests relate to one-to-four family loans originated for sale.

(3) An indemnification agreement is an arrangement whereby the Company protects the GSEs against future losses.

(4) Of the six requests as of December 31, 2015, five were from Fannie Mae and one was from a private investor. The GSEs allow 60 days to respond to a repurchase request. Failure to respond in a timely manner could result in our having an obligation to repurchase the loan.

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

Loan Origination Analysis

The following table summarizes our production of loans held for investment and loans held for sale in the years ended December 31, 2015 and 2014:

	For the Years Ended December 31,			
	2015		2014	
(dollars in thousands)	Amount	Percent of Total	Amount	Percent of Total
Mortgage Loan Originations for Investment:				
Multi-family	\$ 9,214,336	53.10%	\$ 7,584,154	53.39%
Commercial real estate	1,842,062	10.62	1,661,066	11.69
One-to-four family	21,265	0.12	287,577	2.03
Acquisition, development, and construction	155,312	0.89	96,762	0.68
Total mortgage loan originations for investment	11,232,975	64.73	9,629,559	67.79
Other Loan Originations for Investment:				
Specialty finance	1,067,672	6.15	848,482	5.97
Other commercial and industrial	367,699	2.12	530,330	3.74

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Other	4,674	0.03	6,253	0.04
Total other loan originations for investment	1,440,045	8.30	1,385,065	9.75
Total loan originations for investment	\$ 12,673,020	73.03%	\$ 11,014,624	77.54%
Loan originations for sale	4,680,243	26.97	3,189,694	22.46
Total loan originations	\$ 17,353,263	100.00%	\$ 14,204,318	100.00%

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Loan Portfolio Analysis

The following table summarizes the composition of our loan portfolio at each year-end for the five years ended December 31, 2015:

	2015			2014			At December 31, 2013			2012			2011	
	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans
	\$ 25,971,629	68.05%	71.93%	\$ 23,831,846	66.54%	71.39%	\$ 20,699,927	62.89%	68.71%	\$ 18,595,833	58.55%	65.30%	\$ 17,430,628	56.12%
	7,857,204	20.59	21.76	7,634,320	21.32	22.87	7,364,231	22.37	24.44	7,436,598	23.41	26.11	6,855,244	20.16
	116,841	0.31	0.32	138,915	0.39	0.41	560,730	1.70	1.86	203,435	0.64	0.71	127,361	0.37
	311,676	0.82	0.86	258,116	0.72	0.77	344,100	1.05	1.14	397,917	1.25	1.40	445,671	1.35
	34,257,350	89.77	94.87	31,863,197	88.97	95.44	28,968,988	88.01	96.15	26,633,783	83.85	93.52	24,858,904	76.23
	880,673	2.31	2.44	632,827	1.77	1.89	172,698	0.52	0.57					
	569,883	1.49	1.58	476,394	1.33	1.43	640,993	1.95	2.13	590,044	1.86	2.07	599,986	1.78
	32,583	0.09	0.09	31,943	0.09	0.10	39,036	0.12	0.13	49,880	0.16	0.18	69,907	0.21
	1,483,139	3.87	4.11	1,141,164	3.19	3.42	852,727	2.59	2.83	639,924	2.02	2.25	669,893	2.01
	\$ 35,740,489	93.64	98.98	\$ 33,004,361	92.16	98.86	\$ 29,821,715	90.60	98.98	\$ 27,273,707	85.87	95.77	\$ 25,528,797	78.74
	367,221	0.96	1.02	379,399	1.06	1.14	306,915	0.93	1.02	1,204,370	3.79	4.23	1,036,918	3.13
	\$ 36,107,710	94.60	100.00%	\$ 33,383,760	93.22	100.00%	\$ 30,128,630	91.53	100.00%	\$ 28,478,077	89.66	100.00%	\$ 26,565,715	80.88
	2,060,089	5.40		2,428,622	6.78		2,788,618	8.47		3,284,061	10.34		3,753,031	11.39
	\$ 38,167,799	100.00%		\$ 35,812,382	100.00%		\$ 32,917,248	100.00%		\$ 31,762,138	100.00%		\$ 30,318,746	93.03
	22,715			20,595			16,274			10,757			4,021	0.01
	(147,124)			(139,857)			(141,946)			(140,948)			(137,290)	-0.42
	(31,395)			(45,481)			(64,069)			(51,311)			(33,323)	-0.10
	\$ 38,011,995			\$ 35,647,639			\$ 32,727,507			\$ 31,580,636			\$ 30,152,154	92.47

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Outstanding Loan Commitments

At December 31, 2015 and 2014, we had outstanding loan commitments of \$2.8 billion and \$2.6 billion, respectively. Loans held for investment represented \$2.5 billion of the year-end 2015 total and \$2.1 billion of the year-end 2014 amount. In contrast, loans held for sale represented \$371.4 million of outstanding loan commitments at the end of this December, as compared to \$494.6 million at the prior year-end.

We also had commitments to issue letters of credit totaling \$296.5 million and \$201.0 million at December 31, 2015 and 2014, respectively. The fees we collect in connection with the issuance of letters of credit are included in *Fee income* in the Consolidated Results of Operations and Comprehensive (Loss) Income.

The letters of credit we issue consist of performance stand-by, financial stand-by, and commercial letters of credit. Financial stand-by letters of credit primarily are issued for the benefit of other financial institutions or municipalities, on behalf of certain of our current borrowers, and obligate us to guarantee payment of a specified financial obligation. Performance stand-by letters of credit are primarily issued for the benefit of local municipalities on behalf of certain of our borrowers. These borrowers are mainly developers of residential subdivisions with whom we currently have a lending relationship. Performance letters of credit obligate us to make payments in the event that a specified third party fails to perform under non-financial contractual obligations. Commercial letters of credit act as a means of ensuring payment to a seller upon shipment of goods to a buyer. Although commercial letters of credit are used to effect payment for domestic transactions, the majority are used to settle payments in international trade. Typically, such letters of credit require the presentation of documents that describe the commercial transaction, and provide evidence of shipment and the transfer of title.

For more information about our outstanding loan commitments and commitments to issue letters of credit at the end of this December, please see the discussion of *Liquidity* later in this discussion and analysis of our financial condition.

Asset Quality

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

At December 31, 2015, we recorded the lowest level of non-performing non-covered loans and the lowest level of non-performing non-covered assets we have recorded since the second quarter of 2008.

Non-performing non-covered loans fell \$30.1 million year-over-year to \$46.8 million, representing 0.13% of total non-covered loans at December 31, 2015. The 39.2% decline was driven by reductions of \$17.2 million and \$9.9 million in the balances of non-performing non-covered multi-family loans and CRE loans, respectively.

Reflecting the decline in non-performing loans and a \$47.9 million decline in OREO to \$14.1 million, non-performing non-covered assets fell 56.2% to \$60.9 million at the end of this December from \$138.9 million at December 31, 2014. The respective amounts were equivalent to 0.13% and 0.30% of total non-covered assets at the corresponding dates. The substantial decline in OREO was primarily due to the sale of a multi-family property in the amount of \$41.6 million in the second quarter of the year. The sale generated a net gain of \$7.8 million, which was recorded in *Other non-interest income* for the twelve months ended December 31, 2015.

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

<i>(dollars in thousands)</i>	December 31,		Change from December 31, 2014 to December 31, 2015	
	2015	2014	Amount	Percent
Non-Performing Non-Covered Loans:				
Non-accrual non-covered mortgage loans:				
Multi-family	\$ 13,904	\$ 31,089	\$ (17,185)	(55.28)%
Commercial real estate	14,920	24,824	(9,904)	(39.90)
One-to-four family	12,259	11,032	1,227	11.12
Acquisition, development, and construction	27	654	(627)	(95.87)
Total non-accrual non-covered mortgage loans	41,110	67,599	(26,489)	(39.19)
Other non-accrual non-covered loans	5,715	9,351	(3,636)	(38.88)
Total non-performing non-covered loans	\$ 46,825	\$ 76,950	\$ (30,125)	(39.15)

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

<i>(in thousands)</i>	
Balance at December 31, 2014	\$ 76,950
New non-accrual	16,021
Charge-offs	(2,148)
Transferred to other real estate owned	(11,613)
Loan payoffs, including dispositions and principal pay-downs	(31,507)
Restored to performing status	(878)
Balance at December 31, 2015	\$ 46,825

A loan generally is classified as a non-accrual loan when it is 90 days or more past due or when we no longer expect to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. At December 31, 2015 and 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

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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.

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

To mitigate the potential for credit losses, we underwrite our loans in accordance with credit standards that we consider to be prudent. In the case of multi-family and CRE loans, we look first at the consistency of the cash flows being generated by the property to determine its economic value 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.

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.

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 lend up to 75% of the appraised value on multi-family buildings and up to 65% on commercial properties, the average LTVs of such credits at origination were below those amounts at December 31, 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 CRE loan also depends on the borrower's credit history, profitability, and expertise in property management. Given that our CRE loans are underwritten in accordance with underwriting standards that are similar to those applicable to our multi-family credits, the percentage of non-performing CRE loans that have resulted in losses has been comparatively small over time.

Multi-family and CRE loans are generally originated at conservative LTVs and DSCRs, as previously stated. Low LTVs provide a greater likelihood of full recovery and reduce the possibility of incurring a severe loss on a credit; in many cases, they reduce the likelihood of the borrower walking 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. Furthermore, in the case of multi-family loans, the cash flows generated by the properties are generally below-market and have significant value.

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

As of December 31, 2015 <i>(dollars in thousands)</i>	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
	Number	Amount	Number	Amount
New York Community Bank	7	\$ 13,603	12	\$ 8,589
New York Commercial Bank	2	301	4	6,331
Total for New York Community Bancorp	9	\$ 13,904	16	\$ 14,920

As of December 31, 2014 <i>(dollars in thousands)</i>	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
	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

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

To minimize the risk involved in specialty finance lending and leasing, 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.

In addition, at December 31, 2015, one-to-four family loans, ADC loans, and other loans represented 0.33%, 0.87%, and 4.2%, respectively, of total non-covered loans held for investment, as compared to 0.42%, 0.78%, and 3.5%, respectively, at December 31, 2014. Furthermore, while 10.5% of our one-to-four family loans were non-performing at the end of this December, 0.01% and 0.39% of our ADC and one-to-four family loans, respectively, were non-performing at that date.

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.

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

<i>(dollars in thousands)</i>	December 31,		Change from December 31, 2014 to December 31, 2015	
	2015	2014	Amount	Percent
Non-Covered Loans 30-89 Days Past Due:				
Multi-family	\$ 4,818	\$ 464	\$ 4,354	938.36%
Commercial real estate	178	1,464	(1,286)	(87.84)
One-to-four family	1,117	3,086	(1,969)	(63.80)
Other loans	492	1,178	(686)	(58.23)
Total non-covered loans 30-89 days past due	\$ 6,605	\$ 6,192	\$ 413	6.67

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. Historically, our level of charge-offs has been relatively low in adverse credit cycles, even when the volume of non-performing loans has increased. In 2015, we recorded net recoveries of \$8.2 million; in 2014, we recorded net charge-offs of \$2.1 million.

Partially reflecting the net recoveries noted above, and the recovery of \$3.3 million from the allowance for non-covered loan losses, the allowance for losses on non-covered loans rose to \$147.1 million at the end of this December from \$139.9 million at December 31, 2014. Reflecting the reduction in non-performing non-covered loans mentioned earlier in this discussion, the allowance for losses on non-covered loans represented 310.08% of non-performing non-covered loans at December 31, 2015, as compared to 181.75% at the prior year-end.

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

The following table presents information about our five largest non-performing loans at December 31, 2015, all of which are non-covered held-for-investment loans:

Type of Loan	Loan No. 1 Multi-Family	Loan No. 2 CRE	Loan No. 3 CRE	Loan No. 4 CRE	Loan No. 5 Multi-Family
Origination Date	1/05/06	Various ⁽²⁾	9/12/05	6/16/03	11/04/04
Origination Balance	\$12,640,000	\$4,999,999	\$4,300,000	\$1,800,000	\$1,500,000
Full Commitment Balance ⁽¹⁾	\$12,640,000	\$4,999,999	\$4,300,000	\$1,800,000	\$1,500,000
Balance at December 31, 2015	\$9,465,025	\$4,999,999	\$2,707,926	\$1,255,633	\$1,252,192
Associated Allowance	None	None	None	None	None
Non-Accrual Date	March 2014	December 2014	September 2013	October 2015	November 2015
Origination LTV	79%	36%	73%	68%	79%
Current LTV	80%	45%	51%	23%	82%
Last Appraisal	February 2015	February 2015	September 2015	January 2015	January 2016

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- (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 that are collateralized by the same property.*

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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 with 314 residential units and four retail stores in Atlantic City, New Jersey.
- No. 2 - The borrower is an owner of real estate and is based in 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 Jersey. This loan is collateralized by a 33,040-square foot medical/professional office building in Raritan, New Jersey.
- No. 4 - The borrower is an owner of real estate and is based in New York. This loan is collateralized by a 19,508-square foot commercial building in Woodhaven, New York.
- No. 5 - The borrower is an owner of real estate and is based in New York. This loan is collateralized by a multi-family building with 22 residential units in Hempstead, New York.

Troubled Debt Restructurings

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

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

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

At December 31, 2015, loans modified as TDRs totaled \$12.2 million, including accruing loans of \$2.8 million and non-accrual loans of \$9.4 million. At the prior year-end, loans modified as TDRs totaled \$45.8 million, including accruing loans of \$15.8 million and non-accrual loans of \$29.9 million.

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

<i>(in thousands)</i>	Accruing	Non-Accrual	Total
Balance at December 31, 2014	\$ 15,836	\$ 29,927	\$ 45,763
New TDRs	627	9,622	10,249
Transferred to other real estate owned		(10,957)	(10,957)
Transferred to accruing from non-accrual	145	(145)	
Loan payoffs, including dispositions and principal pay-downs	(13,849)	(19,051)	(32,900)
Balance at December 31, 2015	\$ 2,759	\$ 9,396	\$ 12,155

Loans on which concessions were made with respect to rate reductions and/or extension of maturity dates totaled \$9.3 million and \$39.4 million, respectively, at December 31, 2015 and 2014, while loans in connection with which forbearance agreements were reached amounted to \$2.9 million and \$6.4 million at the respective dates.

Multi-family loans and CRE loans accounted for \$2.7 million and \$6.4 million of TDRs at the end of this December, as compared to \$25.6 million and \$18.1 million, respectively, at December 31, 2014. Based on the number of loans performing in accordance with their revised terms, our success rates for restructured multi-family, CRE, and one-to-four family loans were 100%, 71%, and 100%, respectively, at the end of this

December; our success rate was 50% for other loans.

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On a limited basis, we may provide additional credit to a borrower after the loan has been placed on non-accrual status or modified as a TDR if, in management's judgment, the value of the property after the additional loan funding is greater than the initial value of the property plus the additional loan funding amount. In 2015, no such additional credit was provided. Furthermore, the terms of our restructured loans typically would not restrict us from cancelling outstanding commitments for other credit facilities to a borrower in the event of non-payment of a restructured loan.

For additional information about our TDRs at December 31, 2015 and 2014, please see the discussion of Asset Quality in Note 5, Loans in Item 8, Financial Statements and Supplementary Data.

Except for the non-accrual loans and TDRs disclosed in this filing, we did not have any potential problem loans at December 31, 2015 that would have caused management to have serious doubts as to the ability of a borrower to comply with present loan repayment terms and that would have resulted in such disclosure if that were the case.

Table of Contents**Asset Quality Analysis (Excluding Covered Loans, Covered OREO, Non-Covered Purchased Credit-Impaired 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 each year-end in the five years ended December 31, 2015. Covered loans and non-covered purchased credit-impaired (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.

<i>(dollars in thousands)</i>	2015	2014	At December 31, 2013	2012	2011
Allowance for Losses on Non-Covered Loans:					
Balance at beginning of year	\$ 139,857	\$ 141,946	\$ 140,948	\$ 137,290	\$ 158,942
(Recovery of) provision for losses on non-covered loans	(2,846)		18,000	45,000	79,000
Charge-offs:					
Multi-family	(167)	(755)	(12,922)	(27,939)	(71,187)
Commercial real estate	(273)	(1,615)	(3,489)	(5,046)	(11,900)
One-to-four family	(875)	(410)	(351)	(574)	(1,208)
Acquisition, development, and construction			(1,503)	(5,974)	(9,153)
Other loans	(1,273)	(5,296)	(7,092)	(6,685)	(12,462)
Total charge-offs	(2,588)	(8,076)	(25,357)	(46,218)	(105,910)
Recoveries	10,773	5,987	8,355	4,876	5,258
Net recoveries (charge-offs)	8,185	(2,089)	(17,002)	(41,342)	(100,652)
Balance at end of year	\$ 145,196	\$ 139,857	\$ 141,946	\$ 140,948	\$ 137,290
Non-Performing Non-Covered Assets:					
Non-accrual non-covered mortgage loans:					
Multi-family	\$ 13,904	\$ 31,089	\$ 58,395	\$ 163,460	\$ 205,064
Commercial real estate	14,920	24,824	24,550	56,863	68,032
One-to-four family	12,259	11,032	10,937	10,945	11,907
Acquisition, development, and construction	27	654	2,571	12,091	29,886
Total non-accrual non-covered mortgage loans	41,110	67,599	96,453	243,359	314,889
Other non-accrual non-covered loans	5,715	9,351	7,084	17,971	10,926
Loans 90 days or more past due and still accruing interest					
Total non-performing non-covered loans ⁽¹⁾	\$ 46,825	\$ 76,950	\$ 103,537	\$ 261,330	\$ 325,815
Non-covered other real estate owned ⁽²⁾	14,065	61,956	71,392	29,300	84,567
Total non-performing non-covered assets	\$ 60,890	\$ 138,906	\$ 174,929	\$ 290,630	\$ 410,382
Asset Quality Measures:					
Non-performing non-covered loans to total non-covered loans	0.13%	0.23%	0.35%	0.96%	1.28%
Non-performing non-covered assets to total non-covered assets	0.13	0.30	0.40	0.71	1.07
Allowance for losses on non-covered loans to non-performing non-covered loans	310.08	181.75	137.10	53.93	42.14
Allowance for losses on non-covered loans to total non-covered loans	0.41	0.42	0.48	0.52	0.54
Net (recoveries) charge-offs during the period to average loans outstanding during the period ⁽³⁾	(0.02)	0.01	0.05	0.13	0.35

Non-Covered Loans 30-89 Days Past Due:

Multi-family	\$ 4,818	\$ 464	\$ 33,678	\$ 19,945	\$ 46,702
Commercial real estate	178	1,464	1,854	1,679	53,798
One-to-four family	1,117	3,086	1,076	2,645	2,712
Acquisition, development, and construction				1,178	6,520
Other loans	492	1,178	481	2,138	1,925
Total loans 30-89 days past due ⁽⁴⁾	\$ 6,605	\$ 6,192	\$ 37,089	\$ 27,585	\$ 111,657

- (1) The December 31, 2015, 2014, 2013, 2012, and 2011 amounts exclude loans 90 days or more past due of \$137.2 million, \$157.9 million, \$211.5 million, \$312.6 million, and \$347.4 million, respectively, that are covered by FDIC loss sharing agreements. The December 31, 2015 amount also excludes \$969,000 of non-covered PCI loans.
- (2) The December 31, 2015, 2014, 2013, 2012, and 2011 amounts exclude OREO of \$25.8 million, \$32.0 million, \$37.5 million, \$45.1 million, and \$71.4 million, respectively, that is covered by FDIC loss sharing agreements.
- (3) Average loans include covered loans.
- (4) The December 31, 2015, 2014, 2013, 2012, and 2011 amounts exclude loans 30 to 89 days past due of \$32.8 million, \$41.7 million, \$57.9 million, \$81.2 million, and \$112.0 million, respectively, that are covered by FDIC loss sharing agreements. There were no PCI loans 30 to 89 days past due at December 31, 2015.

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The following table sets forth the allocation of the consolidated allowance for losses on non-covered loans, excluding the allowance for loan losses on non-covered PCI loans, at each year-end for the five years ended December 31, 2015.

	2015		2014		2013		2012		2011	
	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for Investment	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for Investment	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for Investment	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for Investment	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for Investment
<i>(dollars in thousands)</i>										
Multi-family loans	\$ 93,977	72.67%	\$ 96,212	72.21%	\$ 79,745	69.41%	\$ 79,618	68.18%	\$ 66,745	68.28%
Commercial real estate loans	19,721	21.98	19,546	23.13	34,702	24.70	38,426	27.27	43,262	26.85
One-to-four family loans	612	0.33	562	0.42	1,755	1.88	1,519	0.75	972	0.50
Acquisition, development, and construction loans	8,402	0.87	6,296	0.78	7,789	1.15	8,418	1.46	11,016	1.75
Other loans	22,484	4.15	17,241	3.46	17,955	2.86	12,967	2.34	15,295	2.62
Total loans	\$ 145,196	100.00%	\$ 139,857	100.00%	\$ 141,946	100.00%	\$ 140,948	100.00%	\$ 137,290	100.00%

Each of the preceding allocations was based upon an estimate of various factors, as discussed in *Critical Accounting Policies* earlier in this report, and a different allocation methodology may be deemed to be more appropriate in the future. In addition, it should be noted that the portion of the allowance for losses on non-covered loans allocated to each non-covered loan category does not represent the total amount available to absorb losses that may occur within that category, since the total loan loss allowance is available for the entire non-covered loan portfolio.

Table of Contents***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 home equity lines of credit are effective for a ten-year period from the date of acquisition. Under the loss sharing agreements applicable to all other covered loans and the OREO acquired in the Desert Hills transaction, the FDIC reimbursed us for losses for a five-year period from the date of acquisition; the period for sharing in recoveries on all other covered loans and the Desert Hills 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 accretible 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 increase if the losses increase, and 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 2015 and 2014, respectively, we recorded FDIC indemnification expense of \$9.3 million and \$14.9 million in Non-interest income in connection with the recovery of \$11.7 million and \$18.6 million from the allowance for losses on covered loans, respectively. The recoveries were recorded to reflect our expectation that the cash flows generated by certain pools of covered loans would increase due to an improvement in credit quality.

Decreases in estimated reimbursements from the FDIC, if any, are recognized in income prospectively over the lives of the related covered loans (or, if shorter, over the remaining term of the loss sharing agreement). Related additions to the accretible yield on the covered loans are recognized in income prospectively over the lives of the loans. Gains and recoveries on covered assets will either 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 2015 and 2014, we recorded net amortization of \$49.1 million and \$42.2 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 FDIC loss sharing reimbursements. In the twelve months ended December 31, 2015, we received FDIC reimbursements of \$24.5 million, as compared to \$37.8 million in the prior year.

Table of Contents**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 December 31, 2015 and 2014, including covered loans and covered OREO (collectively, covered assets), and non-covered PCI loans:

	At or For the Years Ended December 31,	
	2015	2014
<i>(dollars in thousands)</i>		
Covered Loans and Non-Covered Loans 90 Days or More Past Due:		
Multi-family	\$	\$
Commercial real estate	729	1,464
One-to-four family	130,626	148,967
Acquisition, development, and construction	237	709
Other	6,559	6,749
Total covered loans and non-covered PCI loans 90 days or more past due	\$ 138,151	\$ 157,889
Covered other real estate owned	25,817	32,048
Total covered assets and non-covered PCI loans	\$ 163,968	\$ 189,937
Total Non-Performing Assets:		
Non-performing loans:		
Multi-family	\$ 13,904	\$ 31,089
Commercial real estate	15,649	26,288
One-to-four family	142,885	159,999
Acquisition, development, and construction	264	1,363
Other non-performing loans	12,274	16,100
Total non-performing loans	\$ 184,976	\$ 234,839
Other real estate owned	39,882	94,004
Total non-performing assets	\$ 224,858	\$ 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	0.49%	0.66%
Total non-performing assets to total assets	0.45	0.68
Allowances for loan losses to total non-performing loans	96.51	78.92
Allowances for loan losses to total loans	0.47	0.52
Covered Loans and Non-Covered PCI Loans 30-89 Days Past Due:		
Multi-family	\$	\$
Commercial real estate		599
One-to-four family	30,455	37,680
Acquisition, development, and construction		
Other loans	2,369	3,417
Total covered loans and non-covered PCI loans 30-89 days past due	\$ 32,824	\$ 41,696
Total Loans 30-89 Days Past Due:		
Multi-family	\$ 4,818	\$ 464
Commercial real estate	178	2,063

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One-to-four family	31,572	40,766
Acquisition, development, and construction		
Other loans	2,861	4,595
Total loans 30-89 days past due	\$ 39,429	\$ 47,888

Table of Contents**Geographical Analysis of Non-Performing Loans (Covered and Non-Covered)**

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

<i>(in thousands)</i>	Non-Performing Loans		Total
	Non-Covered Loan Portfolio	Covered Loan Portfolio	
New York	\$ 22,781	\$ 13,982	\$ 36,763
New Jersey	22,217	14,171	36,388
Florida		20,402	20,402
California	223	13,046	13,269
Ohio		9,564	9,564
Massachusetts		7,353	7,353
Maryland		6,154	6,154
All other states	1,604	53,479	55,083
Total non-performing loans	\$ 46,825	\$ 138,151	\$ 184,976

Securities

Securities represented \$6.2 billion, or 12.3%, of total assets at the end of this December as compared to \$7.1 billion, representing 14.6% of total assets, at December 31, 2014. The year-over-year decline was primarily due to calls and repayments, including \$106.4 million of Delegated and Underwritten Servicing (DUS) securities, which are Fannie Mae securities backed by multi-family and CRE loans.

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

Our general investment strategy is to purchase liquid investments with various maturities to ensure that our overall interest rate risk position stays within the required limits of our investment policies. We generally limit our investments to GSE obligations (defined as GSE certificates; GSE collateralized mortgage obligations, or CMOs; and GSE debentures). At both December 31, 2015 and 2014, GSE obligations represented 94.8% and 95.5% of total securities, respectively. The remainder of the portfolio at those dates was comprised of corporate bonds, trust preferred securities, corporate equities, and municipal obligations. None of our securities investments are backed by subprime or Alt-A loans.

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

Held-to-maturity securities represented \$6.0 billion, or 96.7%, of total securities at the end of this December, a \$953.3 million reduction from the year-earlier balance, which represented 97.6% of total securities. At December 31, 2015 and 2014, the fair value of securities held to maturity represented 102.3% and 102.4%, respectively, of their carrying value.

Mortgage-related securities and other securities accounted for \$3.6 billion and \$2.4 billion, respectively, of held-to-maturity securities at December 31, 2015, as compared to \$4.1 billion and \$2.8 billion, respectively, at the prior year-end. Included in other securities at the respective dates were GSE obligations of \$2.2 billion and \$2.6 billion; capital trust notes of \$65.6 million and \$75.6 million; and corporate bonds of \$73.8 million and \$73.3 million. The estimated weighted average life of the held-to-maturity securities portfolio was 6.5 years and 7.2 years at the corresponding dates.

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At December 31, 2015, available-for-sale securities represented \$204.3 million, or 3.3%, of total securities, and had an estimated weighted average life of 2.8 years. Included in the year-end amount were mortgage-related securities of \$53.9 million and other securities of \$150.4 million.

At the prior year-end, available-for-sale securities represented \$173.8 million, or 2.4%, of total securities and had an estimated weighted average life of 8.6 years. Mortgage-related securities represented \$19.7 billion of the year-end 2014 balance, with other securities accounting for the remaining \$154.1 million.

In anticipation of our crossing the SIFI threshold in the second quarter of 2016, we have taken certain actions to ensure that we are ready to fulfill the LCR requirements once they take effect. Doing so will require our investing in Level 1 high-quality liquid assets, as defined in the Dodd-Frank Act.

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 December 31, 2015, the Community Bank held FHLB-NY stock in the amount of \$625.9 million; the Commercial Bank held FHLB-NY stock of \$38.1 million at that date.

At December 31, 2014, the Community Bank held \$466.0 million of FHLB stock, including FHLB-NY stock of \$446.4 million. The remainder consisted of \$19.1 million of stock in the FHLB-Cincinnati and \$535,000 of stock in the FHLB-San Francisco, all of which was redeemed in 2015. The Commercial Bank held \$49.3 million of FHLB stock at December 31 2014, all of which was stock in the FHLB-NY.

Dividends from the three FHLBs to the Community Bank totaled \$19.8 million and \$22.4 million, respectively, in 2015 and 2014; dividends from the FHLB-NY to the Commercial Bank totaled \$1.6 million and \$614,000 in the corresponding years.

Bank-Owned Life Insurance

At December 31, 2015, our investment in bank-owned life insurance (BOLI) totaled \$931.6 million, as compared to \$915.2 million at December 31, 2014. The increase was attributable to a rise in the cash surrender value of the underlying policies.

BOLI is recorded at the total cash surrender value of the policies in Other assets in the Consolidated Statements of Condition, and the income generated by the increase in the cash surrender value of the policies is recorded in Non-interest income in the Consolidated Results of Operations and Comprehensive (Loss) Income.

FDIC Loss Share Receivable

In connection with our FDIC loss sharing agreements, we recorded FDIC loss share receivables of \$314.9 million and \$397.8 million, respectively, at December 31, 2015 and 2014. The loss share receivables represent the present values of the reimbursements we expected to receive under the combined loss sharing agreements at those dates.

Goodwill and Core Deposit Intangibles

We record goodwill and core deposit intangibles (CDI) in our Consolidated Statements of Condition in connection with certain of our business combinations.

Goodwill totaled \$2.4 billion at both December 31, 2015 and 2014. Reflecting amortization, CDI declined \$5.3 million year-over-year, to \$2.6 million, at the end of 2015.

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 Parent 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.

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On a consolidated basis, our funding primarily stems from a combination of the following sources: retail, institutional, 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.

In 2015, loan repayments and sales generated cash flows of \$15.0 billion, as compared to \$11.3 billion in the year-earlier twelve months. Cash flows from repayments accounted for \$10.5 billion and \$7.5 billion of the respective totals and cash flows from sales accounted for \$4.5 billion and \$3.8 billion, of the respective amounts. While the increase in cash flows from loan repayments reflects an increase in property sales as well as refinancing, the increase in cash flows from sales largely reflects the sale of participations in multi-family and CRE loans during the year.

In 2015, cash flows from the repayment and sale of securities respectively totaled \$950.5 million and \$322.8 million, while the purchase of securities amounted to \$338.0 million for the year. By comparison, cash flows from the repayment and sale of securities totaled \$785.1 million and \$473.0 million, respectively, in 2014, and were offset by the purchase of \$376.3 million of securities.

In 2015, the cash flows from loans and securities were primarily deployed into the production of multi-family loans held for investment, as well as held-for-investment CRE loans and specialty finance loans and leases.

Deposits

Deposits totaled \$28.4 billion and \$28.3 billion, respectively, and represented 56.5% and 58.3%, of total assets, at December 31, 2015 and 2014. While certificates of deposit (CDs) declined \$1.1 billion year-over-year, to \$5.3 billion, the decline was somewhat exceeded by a \$1.2 billion increase in all other deposits combined. Specifically, NOW and money accounts rose \$519.4 million year-over-year, to \$13.1 billion, while savings accounts rose \$489.9 million to \$7.5 billion. Non-interest-bearing accounts represented \$196.8 million of the year-over-year increase in total deposits, having grown to \$2.5 billion at December 31, 2015.

While the vast majority of our deposits are retail deposits we have gathered through our branch network or acquired through business combinations, institutional deposits and municipal deposits were also part of our deposit mix. Retail deposits dropped \$359.5 million year-over-year, to \$21.0 billion, while institutional deposits rose \$573.1 million to \$2.8 billion at December 31, 2015. Municipal deposits represented \$733.4 million of total deposits at the end of this December, a \$114.4 million decrease from the prior year-end amount.

Depending on their availability and pricing relative to other funding sources, we also include brokered deposits in our deposit mix. Brokered deposits accounted for \$4.0 billion of our deposits at the end of this December which was comparable to the balance at December 31, 2014. Included in the respective balances were brokered money market accounts of \$2.5 billion and \$2.6 billion and brokered interest-bearing checking accounts of \$1.5 billion and \$1.4 billion. Brokered CDs accounted for \$3.5 million of the year-end 2014 balance; we had no brokered CDs at December 31, 2015.

Borrowed Funds

Borrowed funds consist primarily of wholesale borrowings (i.e., FHLB advances, repurchase agreements, and federal funds purchased) and, to a far lesser extent, junior subordinated debentures. Largely reflecting a \$1.5 billion rise in wholesale borrowings to \$15.4 billion, the total balance of borrowed funds also rose \$1.5 billion year-over-year, to \$15.7 billion.

Wholesale Borrowings

Wholesale borrowings totaled \$15.4 billion and \$13.9 billion, respectively, at December 31, 2015 and 2014, and represented 30.6% and 28.6% of total assets at the respective dates. FHLB advances accounted for \$13.5 billion of the year-end 2015 balance, as compared to \$10.2 billion at the prior year-end. While all of our advances at December 31, 2015 were FHLB-NY advances, our advances at December 31, 2014 included FHLB-Cincinnati advances of \$489.4 million.

As previously indicated, in the fourth quarter of 2015, we prepaid \$10.4 billion of wholesale borrowings (the majority of which had callable features) and replaced them with a like amount of wholesale borrowings with fixed maturities. None of our wholesale borrowings had callable features at December 31, 2015.

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The Community Bank and the Commercial Bank are both 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 and securities.

Also included in wholesale borrowings at December 31, 2015 and 2014 were repurchase agreements of \$1.5 billion and \$3.4 billion, respectively. Repurchase agreements are contracts for the sale of securities owned or borrowed by the Banks with an agreement to repurchase those securities at agreed-upon prices and dates.

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

Federal funds purchased represented \$426.0 million of wholesale borrowings at the end of this December, up \$166.0 million from the year-earlier amount.

Junior Subordinated Debentures

Junior subordinated debentures totaled \$358.6 million at December 31, 2015, comparable to the balance at the prior year-end.

Please see Note 8, Borrowed Funds, in Item 8, Financial Statements and Supplementary Data for a further discussion of our wholesale borrowings and our junior subordinated debentures.

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

Liquidity

We manage our liquidity to ensure that our 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 \$537.7 million and \$564.2 million, respectively, at December 31, 2015 and 2014. As in the past, our loan and securities portfolios provided meaningful liquidity in 2015, with cash flows from the repayment and sale of loans totaling \$15.0 billion and cash flows from the repayment and sale of securities totaling \$1.3 billion.

Additional liquidity stems from the deposits we gather or acquire through business combinations, and from our use of wholesale funding sources, including brokered deposits and wholesale borrowings. In addition, we 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 amount of mortgage loan collateral available under a blanket lien we have pledged to the respective institutions and, to a lesser extent, the amount of available securities that may be pledged to collateralize our borrowings. At December 31, 2015, our available borrowing capacity with the FHLB-NY was \$5.7 billion. In addition, the Community Bank and the Commercial Bank had available-for-sale securities of \$202.3 million and unpledged held-to-maturity securities of \$3.8 billion, combined, at that date.

Furthermore, the Banks both have agreements with the Federal Reserve Bank of New York (the FRB-NY) that enable them to access the discount window as a further means of enhancing their liquidity if need be. In connection with these agreements, the Banks have pledged certain loans and securities to collateralize any funds they may borrow. At December 31, 2015, the maximum amount the Community Bank could borrow from the FRB-NY was \$980.1 million; the maximum amount the Commercial Bank could borrow at that date was \$148.7 million. There were no borrowings against either line of credit at December 31, 2015.

Our primary investing activity is loan production, and the volume of loans we originated for sale and for investment totaled \$17.4 billion in 2015. During this time, the net cash used in investing activities totaled \$1.4 billion; the net cash used in our operating activities totaled \$420.4 million. Our financing activities provided net cash of \$1.8 billion.

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CDs due to mature or reprice in one year or less from December 31, 2015 totaled \$4.7 billion, representing 88.6% of total CDs at that date. Our ability to attract and retain retail deposits, including CDs, depends on numerous factors, including, among others, the convenience of our branches and our other banking channels; our customers' satisfaction with the service they receive; the rates of interest we offer, the types of products we feature, and the attractiveness of their terms.

Our decision to compete for deposits also depends on numerous factors, including, among others, 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. The proposed merger with Astoria Financial is expected to increase our retail deposits by approximately \$9 billion, pending regulatory approval and the approval of our shareholders and theirs.

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 FRB 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; where the dividend declared for a period is not supported by earnings; or where the Company plans to declare an increase in the dividend.

As a result of the aforementioned debt repositioning charge, the Company is required to receive, pursuant to the FRB's Supervisory Letter SR 09-04, a non-objection from the FRB to pay cash dividends on its outstanding common stock throughout 2016. The first of these non-objections was received on January 22, 2016 and related to the dividend declared on January 26, 2016 and paid on February 19, 2016.

The Parent Company's ability to pay dividends may depend, in part, upon 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 FRB, 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 2015, the Banks paid dividends totaling \$345.0 million to the Parent Company, leaving \$33.9 million that they could dividend to the Parent Company without regulatory approval at year-end. Additional sources of liquidity available to the Parent Company at December 31, 2015 included \$70.4 million in cash and cash equivalents and \$2.0 million of available-for-sale securities. If either of the Banks were to apply to the Superintendent for approval to make a dividend or capital distribution in excess of the dividend amounts permitted under the regulations, there can be no assurance that such application would be approved.

Contractual Obligations and Off-Balance Sheet Commitments

In the normal course of business, we enter into a variety of contractual obligations in order to manage our assets and liabilities, fund loan growth, operate our branch network, and address our capital needs.

For example, we offer CDs with contractual terms to our customers, and borrow funds under contract from the FHLB and various brokerage firms. These contractual obligations are reflected in the Consolidated Statements of Condition under Deposits and Borrowed funds, respectively. At December 31, 2015, we had CDs of \$5.3 billion and long-term debt (defined as borrowed funds with an original maturity in excess of one year) of \$12.0 billion.

We also are obligated under certain non-cancelable operating leases on the buildings and land we use in operating our branch network and in performing our back-office responsibilities. These obligations are not included in the Consolidated Statements of Condition and totaled \$158.5 million at December 31, 2015.

Table of Contents**Contractual Obligations**

The following table sets forth the maturity profile of the aforementioned contractual obligations as of December 31, 2015:

<i>(in thousands)</i>	Certificates of Deposit	Long-Term Debt ⁽¹⁾	Operating Leases	Total
One year or less	\$ 2,427,758	\$	\$ 28,833	\$ 2,456,591
One to three years	2,801,355	7,473,500	48,434	10,323,289
Three to five years	57,820	4,200,000	32,486	4,290,306
More than five years	25,554	358,605	48,710	432,869
Total	\$ 5,312,487	\$ 12,032,105	\$ 158,463	\$ 17,503,055

(1) Includes FHLB advances, repurchase agreements, and junior subordinated debentures.

At December 31, 2015, we also had commitments to extend credit in the form of mortgage and other loan originations, as well as commercial, performance stand-by, and financial stand-by letters of credit, totaling \$3.1 billion. These off-balance sheet commitments consist of agreements to extend credit, as long as there is no violation of any condition established in the contract under which the loan is made. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee.

The following table summarizes our off-balance sheet commitments to extend credit in the form of loans and letters of credit at December 31, 2015:

<i>(in thousands)</i>	
Mortgage Loan Commitments:	
Multi-family and commercial real estate	\$ 1,122,634
One-to-four family	394,912
Acquisition, development, and construction	311,062
Total mortgage loan commitments	\$ 1,828,608
Other loan commitments ⁽¹⁾	1,003,216
Total loan commitments	\$ 2,831,824
Commercial, performance stand-by, and financial stand-by letters of credit	296,505
Total commitments	\$ 3,128,329

(1) Includes unadvanced lines of credit.

Of the total loan commitments noted in the preceding table, \$2.5 billion were loans held for investment and the remaining \$371.4 million were one-to-four family mortgage loans held for sale.

Based upon our current liquidity position, we expect that our funding will be sufficient to fulfill these obligations and commitments when they are due.

At December 31, 2015, we had \$10.1 million in commitments to purchase securities.

Derivative Financial Instruments

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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, interest rate lock commitments (IRLCs), swaps, and options, and relate to our mortgage banking operations, MSRs, and other related 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 December 31, 2015, we held derivative financial instruments with a notional value of \$2.0 billion. (Please see Note 15, Derivative Financial Instruments, in Item 8, Financial Statements and Supplementary Data for a further discussion of our use of such financial instruments.)

Table of Contents**Capital Position**

Stockholders' equity rose \$152.9 million year-over-year to \$5.9 billion, representing 11.79% of total assets and a book value of \$12.24 per share at December 31, 2015. At the prior year-end, stockholders' equity represented 11.91% of total assets and a book value of \$13.06 per share.

The increase in stockholders' equity was primarily driven by the common stock offering we completed on November 4, 2015. Pursuant to the offering, 40,625,000 shares of our common stock were issued, generating proceeds of \$630.5 million. The proceeds exceeded the impact of the debt repositioning charge on our capital levels by \$83.7 million.

Tangible stockholders' equity rose \$158.2 million year-over-year, to \$3.5 billion, after the distribution of four quarterly cash dividends totaling \$454.0 million. At December 31, 2015, tangible stockholders' equity represented 7.30% of tangible assets and a tangible book value of \$7.21 per share, as compared to 7.24% and \$7.54 per share, respectively, at year-end 2014.

We calculate book value and tangible book value per share by dividing the amount of stockholders' equity and tangible stockholders' equity at the end of a period by the number of shares outstanding at the same date. Primarily reflecting the shares issued in the fourth quarter, we had 484,943,308 shares outstanding at the end of this December, as compared to 442,587,190 at the prior year-end.

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 December 31, 2015 and 2014, we recorded goodwill of \$2.4 billion; CDI totaled \$2.6 million and \$7.9 million at the respective 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 on the last page of this discussion and analysis of financial condition and results of operations.)

Stockholders' equity and tangible stockholders' equity both include AOCL, which is comprised of the net unrealized gain or loss on available-for-sale securities; the net unrealized loss on the non-credit portion of OTTI securities; and the Company's pension and post-retirement obligations at the end of a period. In the twelve months ended December 31, 2015 and 2014, AOCL totaled \$54.7 million and \$53.3 million, respectively.

As reflected in the following table, our capital measures continued to exceed the minimum federal requirements for a bank holding company at December 31, 2015 and 2014.

At December 31, 2015 (dollars in thousands)	Actual		Minimum Required
	Amount	Ratio	Ratio
Common equity Tier 1 capital	\$ 3,558,415	10.49%	4.50%
Total risk-based capital	4,086,913	12.05	8.00
Tier 1 risk-based capital	3,644,872	10.75	6.00
Leverage capital	3,644,872	7.77	4.00

At December 31, 2014 (dollars in thousands)	Actual		Minimum Required
	Amount	Ratio	Ratio
Total risk-based capital	\$ 3,919,248	12.92%	8.00%
Tier 1 risk-based capital	3,731,430	12.30	4.00
Leverage capital	3,731,430	8.04	4.00

In addition, the capital ratios for the Community Bank and the Commercial Bank continued to exceed the minimum levels required for classification as well capitalized institutions at December 31, 2015 and 2014, as defined under the Federal Deposit Insurance Corporation Improvement Act of 1991, and as further discussed in Note 18, Regulatory Matters, in Item 8, Financial Statements and Supplementary Data.

Table of Contents**RESULTS OF OPERATIONS: 2015 and 2014****Summary**

In the fourth quarter of 2015, we recorded a non-routine pre-tax debt repositioning charge of \$915.0 million in connection with the prepayment of \$10.4 billion of wholesale borrowings. In accordance with ASC 470-50, \$773.8 million of the debt repositioning charge was recorded in interest expense, and the remaining \$141.2 million was recorded in non-interest expense. In addition, our fourth quarter non-interest expense included pre-tax expenses of \$3.7 million in connection with the proposed merger with Astoria Financial. On an after-tax basis, the entire debt repositioning charge was equivalent to \$546.8 million and the merger-related expenses were equivalent to \$3.2 million.

Reflecting these after-tax items, we recorded a loss of \$47.2 million, or \$0.11 per diluted share, in the twelve months ended December 31, 2015. The impact of the after-tax debt repositioning charge and the after-tax merger-related expenses on our 2015 results of operations was largely offset by the earnings we produced in the first nine months of the year: \$357.7 million, or \$0.80 per diluted share.

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 federal funds rate (the rate at which banks borrow funds overnight from one another) as it deems necessary. On December 17, 2015, the FOMC raised the target federal funds rate to a range of 0.25% to 0.50%. This was the first time the rate has been raised since the fourth quarter of 2008, when it was reduced to a range of zero to 0.25%.

While the target federal 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 2015, the five-year CMT ranged from a low of 1.18% in January to a high of 1.81% in December, with an average rate of 1.53% for the twelve-month period. In 2014, the five-year CMT ranged from a low of 1.37% to a high of 1.85%; the average rate for the year was 1.64%.

While the benefit of the strategic debt repositioning will be reflected in our 2016 earnings and thereafter, the inclusion of the \$773.8 million charge in the interest expense on borrowed funds in the fourth quarter resulted in our recording total interest expense of \$1.3 billion and net interest income of \$408.1 million in 2015. By comparison, in 2014, we recorded total interest expense of \$542.7 million and net interest income of \$1.1 billion. The impact was further reflected in our net interest margin, which was 0.94% and 2.67% in the respective years.

Net Interest Income Analysis

The following tables set forth certain information regarding our average balance sheet for the years 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 year 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.

Given the significant impact of the debt repositioning charge on the Company's 2015 net interest income and margin, a comparison with the year-earlier levels is not meaningful, in our view. To provide an understanding of the impact of the debt repositioning charge, and to clarify the net interest income and margin produced through our ongoing operations, we have presented our net interest income analysis for the twelve months ended December 31, 2015 both with (i.e., in accordance with GAAP) and without (i.e., on a non-GAAP basis) the \$773.8 million charge recorded in interest expense.

Readers are particularly encouraged to compare the following line items, which were directly impacted by the debt repositioning charge: the interest expense on average borrowed funds; the average cost of borrowed funds; the interest expense on average interest-bearing liabilities; the average cost of interest-bearing liabilities (also known as our cost of funds); our net interest income; our interest rate spread; and our net interest margin.

Table of Contents**Net Interest Income Analysis (GAAP)**

	2015		For the Years Ended December 31,			2014		2013		Average Yield/ Cost
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest		
<i>(dollars in thousands)</i>										
ASSETS:										
Interest-earning assets:										
Mortgage and other loans, net ⁽¹⁾	\$ 36,343,407	\$ 1,441,462	3.97%	\$ 34,510,611	\$ 1,414,884	4.10%	\$ 31,871,860	\$ 1,487,662	4.67%	
Securities and money market investments ⁽²⁾⁽³⁾	7,278,562	250,122	3.44	8,215,129	268,183	3.26	6,804,991	220,436	3.23	
Total interest-earning assets	43,621,969	1,691,584	3.88	42,725,740	1,683,067	3.94	38,676,851	1,708,098	4.41	
Non-interest-earning assets	5,248,236			5,312,332			5,719,412			
Total assets	\$ 48,870,205			\$ 48,038,072			\$ 44,396,263			
LIABILITIES AND STOCKHOLDERS EQUITY:										
Interest-bearing liabilities:										
NOW and money market accounts	\$ 12,674,236	\$ 46,467	0.37%	\$ 11,638,484	\$ 39,508	0.34%	\$ 9,433,403	\$ 35,884	0.38%	
Savings accounts	7,546,417	50,776	0.67	6,595,334	35,727	0.54	5,309,817	21,950	0.41	
Certificates of deposit	5,698,437	62,906	1.10	6,663,188	74,511	1.12	7,910,982	83,805	1.06	
Total interest-bearing deposits	25,919,090	160,149	0.62	24,897,006	149,746	0.60	22,654,202	141,639	0.63	
Borrowed funds	14,275,818	1,123,360	7.87	14,687,889	392,968	2.68	13,282,743	399,843	3.01	
Total interest-bearing liabilities	40,194,908	1,283,509	3.19	39,584,895	542,714	1.37	35,936,945	541,482	1.51	
Non-interest-bearing deposits	2,660,220			2,481,751			2,597,356			
Other liabilities	201,441			202,631			241,517			
Total liabilities	43,056,569			42,269,277			38,775,818			
Stockholders equity	5,813,636			5,768,795			5,620,445			
Total liabilities and stockholders equity	\$ 48,870,205			\$ 48,038,072			\$ 44,396,263			
Net interest income/interest rate spread										
		\$ 408,075	0.69%		\$ 1,140,353	2.57%		\$ 1,166,616	2.90%	
Net interest margin			0.94%			2.67%			3.01%	

Ratio of interest-earning assets to interest-bearing liabilities	1.09x	1.08x	1.08x
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- (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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Adjusted Net Interest Income Analysis (Non-GAAP)

(dollars in thousands)	2015			For the Years Ended December 31, 2014			2013		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
ASSETS:									
Interest-earning assets:									
Mortgage and other loans, net ⁽¹⁾	\$ 36,343,407	\$ 1,441,462	3.97%	\$ 34,510,611	\$ 1,414,884	4.10%	\$ 31,871,860	\$ 1,487,662	4.67%
Securities and money market investments ⁽²⁾⁽³⁾	7,278,562	250,122	3.44	8,215,129	268,183	3.26	6,804,991	220,436	3.23
Total interest-earning assets	43,621,969	1,691,584	3.88	42,725,740	1,683,067	3.94	38,676,851	1,708,098	4.41
Non-interest-earning assets	5,248,236			5,312,332			5,719,412		
Total assets	\$ 48,870,205			\$ 48,038,072			\$ 44,396,263		
LIABILITIES AND STOCKHOLDERS EQUITY:									
Interest-bearing liabilities:									
NOW and money market accounts	\$ 12,674,236	\$ 46,467	0.37%	\$ 11,638,484	\$ 39,508	0.34%	\$ 9,433,403	\$ 35,884	0.38%
Savings accounts	7,546,417	50,776	0.67	6,595,334	35,727	0.54	5,309,817	21,950	0.41
Certificates of deposit	5,698,437	62,906	1.10	6,663,188	74,511	1.12	7,910,982	83,805	1.06
Total interest-bearing deposits	25,919,090	160,149	0.62	24,897,006	149,746	0.60	22,654,202	141,639	0.63
Borrowed funds	14,275,818	349,604	2.45	14,687,889	392,968	2.68	13,282,743	399,843	3.01
Total interest-bearing liabilities	40,194,908	509,753	1.27	39,584,895	542,714	1.37	35,936,945	541,482	1.51
Non-interest-bearing deposits	2,660,220			2,481,751			2,597,356		
Other liabilities	201,441			202,631			241,517		
Total liabilities	43,056,569			42,269,277			38,775,818		
Stockholders' equity	5,813,636			5,768,795			5,620,445		
Total liabilities and stockholders' equity	\$ 48,870,205			\$ 48,038,072			\$ 44,396,263		
Net interest income/interest rate spread		\$ 1,181,831	2.61%		\$ 1,140,353	2.57%		\$ 1,166,616	2.90%
Net interest margin			2.71%			2.67%			3.01%
Ratio of interest-earning assets to interest-bearing liabilities			1.09x			1.08x			1.06x

- (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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The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities affected our interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) the changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) the changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

As the following rate/volume analysis is presented in accordance with GAAP, it includes the impact of the debt repositioning charge on the following items: borrowed funds; total interest-bearing liabilities; and change in net interest income.

Rate/Volume Analysis (GAAP)

<i>(in thousands)</i>	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Compared to Year Ended December 31, 2014			Compared to Year Ended December 31, 2013		
	Increase/(Decrease)			Increase/(Decrease)		
	Due to			Due to		
	Volume	Rate	Net	Volume	Rate	Net
INTEREST-EARNING ASSETS:						
Mortgage and other loans, net	\$ 68,802	\$ (42,224)	\$ 26,578	\$ 155,096	\$ (227,874)	\$ (72,778)
Securities and money market investments	(33,567)	15,506	(18,061)	45,363	2,384	47,747
Total	35,235	(26,718)	8,517	200,459	(225,490)	(25,031)
INTEREST-BEARING LIABILITIES:						
NOW and money market accounts	\$ 3,664	\$ 3,295	\$ 6,959	\$ 6,715	\$ (3,091)	\$ 3,624
Savings accounts	5,618	9,431	15,049	6,037	7,740	13,777
Certificates of deposit	(10,661)	(944)	(11,605)	(14,354)	5,060	(9,294)
Borrowed funds	(10,711)	741,103	730,392	133,964	(140,839)	(6,875)
Total	(12,090)	752,885	740,795	132,362	(131,130)	1,232
Change in net interest income	\$ 47,325	\$ (779,603)	\$ (732,278)	\$ 68,097	\$ (94,360)	\$ (26,263)

Interest Income

Interest income rose \$8.5 million year-over-year to \$1.7 billion, as the average balance of interest-earning assets rose \$896.2 million to \$43.6 billion and the average yield fell six basis points to 3.88%.

Reflecting the record volume of loans we produced, the average balance of loans rose \$1.8 billion year-over-year to \$36.3 billion, while the average yield on our loans fell 13 basis points to 3.97%. The net effect was a \$26.6 million rise in the interest income from loans to \$1.4 billion, which accounted for 85.2% of the interest income produced in 2015.

The loan growth recorded in 2015 was partly offset by a decline in securities and money market investments, which averaged \$7.3 billion and \$8.2 billion, respectively, in 2015 and 2014. While the average balance fell year-over-year, the impact on interest income was, to some degree, tempered by the benefit of an 18-basis point rise in the average yield to 3.44%. Securities and money market investments generated interest income of \$250.1 million in 2015, down \$18.1 million from the year-earlier amount.

In 2015, as in the past, the interest income we recorded was impacted by the prepayment penalty income we receive, primarily in connection with the prepayment of our multi-family and CRE loans, but also in connection with our investment in DUS securities.

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 securities (i.e., our interest-earning assets), and therefore, in our net interest income, net interest margin, and spread.

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In 2015, prepayment penalty income contributed \$116.7 million to interest income, with prepayment penalties on loans accounting for \$97.3 million of the total and prepayment penalties on securities accounting for the remaining \$19.4 million. In 2014, prepayment penalty income contributed \$89.0 million to interest income, with loans and securities accounting for \$86.8 million and \$2.3 million, respectively. In addition, prepayment penalty income contributed 27 basis points to our 2015 margin and 21 basis points to our margin in the prior year.

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

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

In 2015, the largest loan to prepay was a \$116.7 million loan to a single borrower that accounted for \$3.5 million of the prepayment penalty income recorded on loans; in comparison, the largest loan to prepay in 2014 was a \$170.0 million loan to a single borrower, which accounted for \$6.8 million of the prepayment penalty income recorded during the year.

Interest Expense

As previously noted, the interest expense we recorded in 2015 was significantly increased by the \$773.8 million debt repositioning charge included in the interest expense produced by borrowed funds.

Also included in the year's interest expense was the interest expense produced by our interest-bearing deposits, which rose \$10.4 million year-over-year to \$160.1 million in the twelve months ended December 31, 2015. The increase was attributable to a \$1.0 billion rise in the average balance of such funds to \$25.9 billion and a two-basis point rise in the average cost of such funds to 0.62%.

NOW and money market accounts contributed \$7.0 million to the year-over-year increase in interest expense as a \$1.0 billion rise in the average balance was accompanied by a three-basis point rise in the average cost of such funds to 0.37%. Savings accounts contributed \$15.0 million to the year-over-year increase, as the average balance of such funds rose \$951.1 million to \$7.5 billion, and the average cost rose 13 basis points to 0.67%. The impact of these increases was partly offset by an \$11.6 million decline in the interest expense produced by CDs to \$62.9 million as a \$964.8 million reduction in the average balance to \$5.7 billion combined with a two-basis point decline in the average cost to 1.10%.

(Recoveries of) Provisions for Losses on Loans

(Recovery of) Provision for Losses on Non-Covered Loans

The recovery of losses on non-covered loans, like the provision for such losses, is based on the methodology used by management in calculating the allowance for losses on such loans. Reflecting this methodology, which is discussed in detail under *Critical Accounting Policies* earlier in this report, and the net recoveries recorded during the year, the Company recovered \$3.3 million from the allowance for non-covered loan losses in 2015. In 2014, no recovery of, nor provision for, losses on non-covered loans was recorded, reflecting management's application of the same methodology.

(Recovery of) Provision for Losses on Covered Loans

When we have reason to believe that the cash flows from certain loan portfolios acquired in our FDIC-assisted transactions will exceed our expectations due to an improvement in the credit quality of those portfolios, we reverse the previously established covered loan loss allowance by recording a recovery. In accordance with this methodology, we recovered \$11.7 million and \$18.6 million from the allowance for covered loan losses in the twelve months ended December 31, 2015 and 2014, respectively.

Because our FDIC loss sharing agreements call for the FDIC to share in any recoveries of such losses, we record FDIC indemnification expense in *Non-interest income* in the same period that a recovery of covered loan losses occurs. Accordingly, the recoveries of covered loan losses noted above were partially offset by FDIC indemnification expense of \$9.3 million and \$14.9 million, respectively, as noted in the discussion of *Non-interest income* below.

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If we had reason to believe that the cash flows from certain loans acquired in our FDIC-assisted transactions would fall short of our expectations due to a decline in credit quality, we would record a provision for losses on non-covered loans. In accordance with our loss sharing agreements, which also call for the FDIC to share in any covered loan losses, the provision would be partially offset by FDIC indemnification income recorded in Non-interest income during the same period.

For additional information about our methodologies for recording recoveries of, and provisions for, 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 BOLI; gains on the sale of securities; and other sources, including the 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.

Non-interest income rose \$9.2 million year-over-year to \$210.8 million in the twelve months ended December 31, 2015, reflecting the combination of factors described below:

Other non-interest income rose \$24.6 million year-over-year to \$100.3 million, primarily reflecting gains on the sale of loans, largely through participations; net gains on the sale of OREO properties; and a gain on the sale of a bank-owned building used for retail operations. The respective gains added \$26.1 million, \$15.8 million, and \$13.3 million to other income in 2015. In 2014, the level of non-interest income recorded included a \$1.0 million gain on the sale of loans, a \$9.3 million net gain on the sale of OREO properties, a \$3.9 million gain on Visa shares sold, and the recovery of \$17.3 million on a security that had previously been written off.

Reflecting the aforementioned decline in the recovery of covered loan losses, FDIC indemnification expense dropped \$5.5 million year-over-year to \$9.3 million in the twelve months ended December 31, 2015.

Mortgage banking income declined \$8.8 million year-over-year to \$54.1 million, as a \$15.5 million increase in income from originations was more than offset by a \$24.3 million decline in servicing income to \$14.6 million. In addition to a 15-basis point rise in the gain-on-sale margin to 0.88%, the year-over-year increase in income from originations reflects a rise in loan production as consumers were encouraged by the low level of residential mortgage interest rates to purchase new homes or refinance. The decline in servicing income was generally attributable to a mismatch between the change in the valuation of our MSR's and the change in the value of the derivatives used to hedge our MSR's which, in turn, was due to the volatility of interest rates in the third quarter of the year.

Net securities gains fell \$10.0 million year-over-year to \$4.1 million in the twelve months ended December 31, 2015.

Table of Contents**Non-Interest Income Analysis**

The following table summarizes our sources of non-interest income in the twelve months ended December 31, 2015, 2014, and 2013:

<i>(in thousands)</i>	For the Years Ended December 31,		
	2015	2014	2013
Mortgage banking income	\$ 54,113	\$ 62,953	\$ 78,283
Fee income	34,058	36,585	38,179
BOLI income	27,541	27,150	29,938
Net gain on sale of securities	4,054	14,029	21,036
FDIC indemnification (expense) income	(9,336)	(14,870)	10,206
Loss on OTTI of securities			(612)
Other income:			
Peter B. Cannell & Co., Inc.	26,771	26,176	16,588
Third-party investment product sales	13,292	13,571	15,487
Gain on Visa shares sold		3,856	
Recovery of OTTI of securities	242	17,326	4,255
Other	60,028	14,817	5,470
Total other income	100,333	75,746	41,800
Total non-interest income	\$ 210,763	\$ 201,593	\$ 218,830

It should be noted that the amount of mortgage banking income we record in any given year or 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. In addition, the servicing income we record can vary from quarter to quarter, depending on the effectiveness of the hedging we engage in to offset the anticipated impact of changing interest rates on our serviced loans.

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.

In accordance with ASC 470-50, and as previously noted, \$141.2 million of the debt repositioning charge incurred in the fourth quarter was recorded in non-interest expense in 2015. Primarily reflecting this charge and, to a lesser extent, merger-related expenses of \$3.7 million, non-interest expense rose \$178.4 million from the year-earlier level to \$765.9 million in 2015.

Operating expenses accounted for \$36.4 million of the year-over-year increase in non-interest expense and totaled \$615.6 million in the twelve months ended December 31, 2015. The bulk of the increase was attributable to compensation and benefits expense, which rose \$35.8 million year-over-year to \$342.6 million. The increase in compensation and benefits expense was due to a combination of factors, including normal increases in compensation, as well as stock incentives; an increase in medical benefits expense and pension expenses; and the expansion of staffing in certain departments in preparation for our expected transition to SIFI status.

The remainder of the increase in operating expenses was the net effect of a \$3.4 million rise in occupancy and equipment expense to \$102.4 million and a \$2.8 million decrease in G&A expense to \$170.5 million.

Income Tax Expense

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

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Reflecting the \$915.0 million debt repositioning charge and the \$3.7 million of merger-related expenses, the Company recorded a pre-tax loss of \$132.0 million and an income tax benefit of \$84.9 million in 2015. By comparison, the Company recorded pre-tax income of \$773.1 million and income tax expense of \$287.7 million in 2014. The effective tax rates were 64.28% and 37.21% in the respective years.

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RESULTS OF OPERATIONS: 2014 and 2013

Earnings Summary

In 2014 and 2013, we generated earnings of \$485.4 million and \$475.5 million, respectively, equivalent to \$1.09 and \$1.08 per diluted share.

While net interest income fell year-over-year as the yield curve flattened, the impact was exceeded by the benefit of a decline in the provision for non-covered loan losses, together with the recovery of losses on covered loans. In addition, non-interest expense declined year-over-year, fueled by reductions in operating expenses and CDI amortization, exceeding the impact of a decrease in non-interest income year-over-year. Reflecting a rise in pre-tax income and the effective tax rate, income tax expense rose in 2014.

Net Interest Income

In 2014, we generated net interest income of \$1.1 billion, reflecting a year-over-year decrease of \$26.3 million. The reduction was the net effect of a \$25.0 million decrease in interest income to \$1.7 billion and a \$1.2 million increase in interest expense to \$542.7 million. Furthermore, our margin declined to 2.67% in 2014 from 3.01% in the prior year. The following factors contributed to the respective declines:

In 2014, the five-year CMT ranged from a low of 1.37% to a high of 1.85%, with a 1.64% average. In 2013, the five-year CMT ranged from 0.65% to 1.85%, with an average of 1.17%.

While the average balance of interest-earning assets rose \$4.0 billion year-over-year, to \$42.7 billion, the average yield on such assets fell 47 basis points to 3.94%. The lower yield was attributable to the replenishment of our asset mix with lower-yielding loans held for investment, as market interest rates trended lower, and to a 15-basis point decline in the contribution of prepayment penalty income to the average yield.

In 2014, loans accounted for \$34.5 billion of average interest-earning assets, reflecting a year-over-year increase of \$2.6 billion, or 8.3%. Nevertheless, the interest income produced by loans fell \$72.8 million, or 4.9%, to \$1.4 billion, as the average yield on such assets fell 57 basis points to 4.10%.

In 2014, prepayment penalty income contributed \$86.8 million to the interest income on loans, and 25 basis points to the average yield on such assets. In the prior year, prepayment penalty income contributed \$136.8 million to the interest income from loans and 43 basis points to the average yield. The remainder of the decline in the average yield was attributable to the replenishment of the portfolio with lower-yielding loans.

Also included in 2014's average balance of interest-earning assets were securities and money market investments of \$8.2 billion, reflecting a year-over-year increase of \$1.4 billion, or 20.7%. The interest income produced by such assets rose \$47.7 million during this time to \$268.2 million, as the increase in the average balance was accompanied by a three-basis point rise in the average yield to 3.26%.

The average balance of interest-bearing liabilities rose \$3.6 billion year-over-year to \$39.6 billion, while the average cost of funds fell 14 basis points to 1.37%. In addition to the low level of short-term interest rates, the decline reflects a decrease in the average cost of total interest-bearing deposits as well as a decrease in the average cost of borrowed funds.

In 2014, interest-bearing deposits accounted for \$24.9 billion of average interest-bearing liabilities, reflecting a year-over-year increase of \$2.2 billion, or 9.9%. While the average balance of CDs declined \$1.2 billion during this time, to \$6.7 billion, the decrease was exceeded by increases of \$2.2 billion and \$1.3 billion in the average balances of NOW and money market accounts and

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savings accounts, respectively. While the average costs of savings accounts and CDs respectively rose 13 and six basis points from the year-earlier levels, the average cost of NOW and money market accounts fell four basis points year-over-year. The net effect of the increase in the higher average balance and the lower cost of interest-bearing deposits was an \$8.1 million increase in interest expense on deposits to \$149.7 million.

While the average balance of borrowed funds rose \$1.4 billion year-over-year to \$14.7 billion, the average cost of such funds fell 33 basis points to 2.68%. As a result, the interest expense produced by borrowed funds declined \$6.9 million to \$393.0 million, tempering the impact of the increase in the interest expense produced by interest-bearing deposits.

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(Recoveries of) Provisions for Loan Losses

(Recovery of) Provision for Losses on Non-Covered Loans

In contrast to 2013, when an \$18.0 million provision for non-covered loan losses was recorded, no provision was recorded in 2014. Reflecting the modest level of net charge-offs during the year, the allowance for losses on non-covered loans was \$139.9 million at the end of December, as compared to \$141.9 million at December 31, 2013.

(Recovery of) Provision for Losses on Covered Loans

Reflecting a year-over-year improvement in the credit quality of certain covered loans, we recovered \$18.6 million from the allowance for covered loan losses in 2014. In the prior year, we recorded a \$12.8 million provision for losses on covered loans, reflecting a decline in the credit quality of certain covered loans.

Accordingly, in 2014, we recorded FDIC indemnification expense of \$14.9 million, in contrast to FDIC indemnification income of \$10.2 million in the year-earlier twelve months.

Non-Interest Income

In 2014, non-interest income totaled \$201.6 million, as compared to \$218.8 million in the prior year. The reduction was attributable to the factors described below.

Largely reflecting the higher level of residential mortgage interest rates, as compared to the year-earlier level, refinancing activity declined through most of 2014. As a result, mortgage banking income fell \$15.3 million year-over-year, to \$63.0 million, the net effect of a \$26.8 million decrease in income from originations to \$24.1 million and an \$11.5 million increase in servicing income to \$38.9 million.

In addition to the reduction in mortgage banking income, the decline in non-interest income was primarily due to the \$25.1 million difference between the FDIC indemnification expense recorded in 2014 and the FDIC indemnification income recorded in the prior year. Furthermore, net securities gains fell \$7.0 million year-over-year, to \$14.0 million, while BOLI income and fee income fell \$4.4 million, combined.

These declines were largely offset by a \$33.9 million increase in other non-interest income to \$75.7 million, as the revenues produced by PBC rose \$9.6 million year-over-year to \$26.2 million, and as we recovered \$17.3 million on a single security we had written off in 2009. Also contributing to the year's non-interest income were a \$3.9 million gain on the sale of Class B Visa shares in the first quarter and a \$6.0 million gain on the sale of an OREO property.

Non-Interest Expense

In 2014, non-interest expense declined \$20.1 million year-over-year to \$587.5 million, the result of a \$12.6 million reduction in operating expenses to \$579.2 million and a \$7.5 million reduction in the amortization of CDI to \$8.3 million.

The decline in operating expenses was the result of a \$6.3 million decrease in compensation and benefits expense to \$306.8 million, and an \$8.0 million decrease in G&A expense to \$173.3 million. Included in the prior year's compensation and benefits expense were severance charges of \$6.0 million; no comparable charges were recorded in 2014. The decline in G&A expense was largely due to a reduction in FDIC insurance premiums from the year-earlier level and a reduction in costs related to the management and disposition of foreclosed properties as our asset quality improved.

The benefit of these declines was partly offset by a \$1.8 million increase in occupancy and equipment expense to \$99.0 million, primarily reflecting costs incurred in the consolidation of back-office departments that had been housed at several locations into a single facility.

Income Tax Expense

In 2014, our income tax expense rose \$16.1 million year-over-year to \$287.7 million. Pre-tax income rose \$25.9 million during this time, to \$773.1 million, while the effective tax rate rose to 37.21% from 36.35%.

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The level of income tax expense was also increased by a one-time charge of \$3.5 million that was recorded in connection with the enactment of certain New York State tax laws on March 31, 2014.

QUARTERLY FINANCIAL DATA

The following table sets forth selected unaudited quarterly financial data for the years ended December 31, 2015 and 2014:

<i>(in thousands, except per share data)</i>	2015				2014			
	4th ⁽¹⁾	3rd	2nd	1st	4th	3rd	2nd	1st
Net interest (loss) income	\$ (449,202)	\$ 279,412	\$ 285,097	\$ 292,768	\$ 283,682	\$ 289,029	\$ 283,492	\$ 284,150
(Recovery of) provision for loan losses	(6,317)	(9,028)	334	7	(200)	(3,945)	188	(14,630)
Non-interest income	59,041	37,587	61,901	52,234	70,479	41,286	52,593	37,235
Non-interest expense	309,781	147,308	151,930	156,836	148,111	145,195	147,836	146,325
(Loss) income before income taxes	(693,625)	178,719	194,734	188,159	206,250	189,065	188,061	189,690
Income tax (benefit) expense	(288,818)	64,031	71,030	68,900	75,053	68,807	69,373	74,436
Net (loss) income	\$ (404,807)	\$ 114,688	\$ 123,704	\$ 119,259	\$ 131,197	\$ 120,258	\$ 118,688	\$ 115,254
Basic (loss) earnings per share	\$ (0.87)	\$ 0.26	\$ 0.28	\$ 0.27	\$ 0.30	\$ 0.27	\$ 0.27	\$ 0.26
Diluted (loss) earnings per share	\$ (0.87)	\$ 0.26	\$ 0.28	\$ 0.27	\$ 0.30	\$ 0.27	\$ 0.27	\$ 0.26

(1) *With the exception of the recovery of loan losses and non-interest income, the fourth quarter 2015 amounts reflect the non-routine debt repositioning charge recorded in connection with the prepayment of \$10.4 billion of wholesale borrowings. In accordance with ASC 470-50, \$773.8 million of the \$915.0 million pre-tax charge was recorded in interest expense and \$141.2 million was recorded in non-interest expense. On an after-tax basis, the non-routine charge was equivalent to \$546.8 million, or \$1.17 per diluted share.*

IMPACT OF INFLATION

The consolidated financial statements and notes thereto presented in this report have been prepared in accordance with GAAP, which requires that we measure our financial condition and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, nearly all of a bank's assets and liabilities are monetary in nature. As a result, the impact of interest rates on our performance is greater than the impact of general levels of inflation. Interest rates do not necessarily move in the same direction, or to the same extent, as the prices of goods and services.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

Please refer to Note 2, Summary of Significant Accounting Policies, in Item 8, Financial Statements and Supplementary Data, for a discussion of the impact of recent accounting pronouncements on our financial condition and results of operations.

RECONCILIATIONS OF STOCKHOLDERS' EQUITY AND TANGIBLE STOCKHOLDERS' EQUITY, TOTAL ASSETS AND TANGIBLE ASSETS, AND THE RELATED FINANCIAL MEASURES

Although tangible stockholders' equity and tangible assets are not measures that are calculated in accordance with GAAP, management uses these non-GAAP financial measures in their analysis of our performance. We believe that these non-GAAP financial 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 CDI, and calculate tangible assets by subtracting the same sum from our total assets. To calculate our ratio of tangible stockholders' equity to tangible assets, we divide our

tangible stockholders' equity by our tangible assets.

Tangible stockholders' equity, tangible assets, and the related tangible financial measures, should not be considered in isolation or as a substitute for stockholders' equity or any other financial 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 financial measures with similar names.

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

<i>(dollars in thousands)</i>	At or for the Twelve Months Ended December 31,	
	2015	2014
Stockholders' Equity	\$ 5,934,696	\$ 5,781,815
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles	(2,599)	(7,943)
Tangible stockholders' equity	\$ 3,495,966	\$ 3,337,741
Total Assets	\$ 50,317,796	\$ 48,559,217
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles	(2,599)	(7,943)
Tangible assets	\$ 47,879,066	\$ 46,115,143
Stockholders' equity to total assets	11.79%	11.91%
Tangible stockholders' equity to tangible assets	7.30	7.24

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET 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 represent 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, in turn, 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 factors with the most significant impact on prepayments are market interest rates and the availability of refinancing opportunities.

In 2015, we managed our interest rate risk by taking the following actions: (1) We continued to emphasize the origination and retention of intermediate-term assets, primarily in the form of multi-family and CRE loans; (2) We increased our portfolio of C&I loans, which feature floating rates; and (3) We replaced \$10.4 billion of wholesale borrowings with an average cost of 3.16% and primarily callable features with a like amount of wholesale borrowings with an average cost of 1.58% and fixed maturities.

In connection with the activities of our mortgage banking operations, 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 IRLCs, are considered to be financial derivatives and, as such, are carried at fair value.

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To mitigate the interest rate risk associated with 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 make whole fee to the counterparty.

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

Interest Rate Sensitivity Analysis

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

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

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

At December 31, 2015, our one-year gap was a negative 17.77%, as compared to a negative 15.92% at December 31, 2014. The 185-basis point change was primarily due to an increase in deposits repricing in one year, which was partially offset by an increase in loans repricing within the same time frame, coupled with an increase in securities expected to be called.

The table on the following page sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at December 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 December 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 20% per annum; for multi-family and CRE loans, prepayment rates are forecasted at weighted average CPRs of 23% and 18% 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 57% for the first five years and 43% for years six through ten. NOW accounts were assumed to decay at a rate of 75% for the first five years and 25% for years six through ten. The decay assumptions reflect 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 81% for the first five years and 19% for years six through ten.

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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 noted above 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 tend to 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 December 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 2.34% 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 2.18% per annum.

Table of Contents**Interest Rate Sensitivity Analysis**

	At December 31, 2015						Total
	Three Months or Less	Four to Twelve Months	More Than One Year to Three Years	More Than Three Years to Five Years	More Than Five Years to 10 Years	More Than 10 Years	
<i>(dollars in thousands)</i>							
INTEREST-EARNING ASSETS:							
Mortgage and other loans ⁽¹⁾	\$ 4,111,964	\$ 5,688,829	\$ 13,082,198	\$ 10,408,084	\$ 4,607,002	\$ 245,612	\$ 38,143,689
Mortgage-related securities ⁽²⁾⁽³⁾	46,234	104,995	203,660	404,761	2,804,259	84,804	3,648,713
Other securities and money market investments ⁽²⁾	1,137,076	1,162	64,118	1,997	1,856,774	133,038	3,194,165
Total interest-earning assets	5,295,274	5,794,986	13,349,976	10,814,842	9,268,035	463,454	44,986,567
INTEREST-BEARING LIABILITIES:							
NOW and money market accounts	6,920,987	637,296	806,488	1,802,944	2,901,304		13,069,019
Savings accounts	2,575,002	1,262,773	254,883	206,772	3,242,136		7,541,566
Certificates of deposit	369,667	4,337,085	529,846	54,015	21,568	306	5,312,487
Borrowed funds	3,930,226		7,473,500	4,200,000		144,679	15,748,405
Total interest-bearing liabilities	13,795,882	6,237,154	9,064,717	6,263,731	6,165,008	144,985	41,671,477
Interest rate sensitivity gap per period ⁽⁴⁾	\$ (8,500,608)	\$ (442,168)	\$ 4,285,259	\$ 4,551,111	\$ 3,103,027	\$ 318,469	\$ 3,315,090
Cumulative interest rate sensitivity gap	\$ (8,500,608)	\$ (8,942,776)	\$(4,657,517)	\$ (106,406)	\$2,996,621	\$ 3,315,090	
Cumulative interest rate sensitivity gap as a percentage of total assets	(16.89)%	(17.77)%	(9.26)%	(0.21)%	5.96%	6.59%	
Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities	38.38%	55.36%	83.99%	99.70%	107.22%	107.96%	

- (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.

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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.

The following table sets forth our NPV at December 31, 2015, based on the information and assumptions in effect at that date, and assuming the changes in interest rates noted:

(dollars in thousands)

Change in Interest Rates (in basis points) ⁽¹⁾	Market Value of Assets	Market Value of Liabilities	Net Portfolio Value	Net Change	Portfolio Market Value Projected % Change to Base %
	\$ 51,190,211	\$ 44,302,467	\$ 6,887,744	\$	
+100	50,468,980	43,920,151	6,548,829	(338,915)	(4.92)
+200	49,696,500	43,552,938	6,143,562	(744,182)	(10.80)

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

The net changes in NPV presented in the preceding table are within the limits 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 December 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 over one year	(4.55)%
+200 over one year	(7.98)

(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 federal funds rate and other short-term interest rates.*

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

In the event that our net interest income and NPV sensitivities were to breach our internal policy limits, we would undertake the following actions to ensure that appropriate remedial measures were put in place:

Our Management Asset/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 interest rate 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 are altered or wholesale borrowings are 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 December 31, 2015, our analysis indicated that an immediate inversion of the yield curve would be expected to result in a 6.27% decrease in net interest income; conversely, an immediate steepening of the yield curve would be expected to result in a 4.03% increase.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements and Notes thereto and other supplementary data begin on the following page.

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Table of Contents**NEW YORK COMMUNITY BANCORP, INC.****CONSOLIDATED STATEMENTS OF CONDITION**

	December 31,	
	2015	2014
<i>(in thousands, except share data)</i>		
ASSETS:		
Cash and cash equivalents	\$ 537,674	\$ 564,150
Securities:		
Available for sale (\$0 and \$11,436 pledged, respectively)	204,255	173,783
Held-to-maturity (\$2,152,939 and \$4,584,886 pledged, respectively) (fair value of \$6,108,529 and \$7,085,971, respectively)	5,969,390	6,922,667
Total securities	6,173,645	7,096,450
Non-covered loans held for sale	367,221	379,399
Non-covered loans held for investment, net of deferred loan fees and costs	35,763,204	33,024,956
Less: Allowance for losses on non-covered loans	(147,124)	(139,857)
Non-covered loans held for investment, net	35,616,080	32,885,099
Covered loans	2,060,089	2,428,622
Less: Allowance for losses on covered loans	(31,395)	(45,481)
Covered loans, net	2,028,694	2,383,141
Total loans, net	38,011,995	35,647,639
Federal Home Loan Bank stock, at cost	663,971	515,327
Premises and equipment, net	322,307	319,002
FDIC loss share receivable	314,915	397,811
Goodwill	2,436,131	2,436,131
Core deposit intangibles	2,599	7,943
Mortgage servicing rights	247,734	227,297
Bank-owned life insurance	931,627	915,156
Other real estate owned (includes \$25,817 and \$32,048, respectively, covered by loss sharing agreements)	39,882	94,004
Other assets	635,316	338,307
Total assets	\$ 50,317,796	\$ 48,559,217
LIABILITIES AND STOCKHOLDERS EQUITY:		
Deposits:		
NOW and money market accounts	\$ 13,069,019	\$ 12,549,600
Savings accounts	7,541,566	7,051,622
Certificates of deposit	5,312,487	6,420,598
Non-interest-bearing accounts	2,503,686	2,306,914
Total deposits	28,426,758	28,328,734
Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	13,463,800	10,183,132
Repurchase agreements	1,500,000	3,425,000
Federal funds purchased	426,000	260,000
Total wholesale borrowings	15,389,800	13,868,132
Junior subordinated debentures	358,605	358,355

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Total borrowed funds	15,748,405	14,226,487
Other liabilities	207,937	222,181
Total liabilities	44,383,100	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; 484,968,024 and 442,659,460 shares issued, and 484,943,308 and 442,587,190 shares outstanding, respectively)	4,850	4,427
Paid-in capital in excess of par	6,023,882	5,369,623
(Accumulated deficit) retained earnings	(36,568)	464,569
Treasury stock, at cost (24,716 and 72,270 shares, respectively)	(447)	(1,118)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain on securities available for sale, net of tax of \$2,153 and \$2,022, respectively	3,031	2,990
Net unrealized loss on the non-credit portion of other-than-temporary impairment (OTTI) losses on securities, net of tax of \$3,400 and \$3,444, respectively	(5,318)	(5,387)
Net unrealized loss on pension and post-retirement obligations, net of tax of \$37,279 and \$36,118, respectively	(54,734)	(53,289)
Total accumulated other comprehensive loss, net of tax	(57,021)	(55,686)
Total stockholders' equity	5,934,696	5,781,815
Total liabilities and stockholders' equity	\$ 50,317,796	\$ 48,559,217

See accompanying notes to the consolidated financial statements.

Table of Contents**NEW YORK COMMUNITY BANCORP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**

<i>(in thousands, except per share data)</i>	Years Ended December 31,		
	2015	2014	2013
INTEREST INCOME:			
Mortgage and other loans	\$ 1,441,462	\$ 1,414,884	\$ 1,487,662
Securities and money market investments	250,122	268,183	220,436
Total interest income	1,691,584	1,683,067	1,708,098
INTEREST EXPENSE:			
NOW and money market accounts	46,467	39,508	35,884
Savings accounts	50,776	35,727	21,950
Certificates of deposit	62,906	74,511	83,805
Borrowed funds	1,123,360	392,968	399,843
Total interest expense	1,283,509	542,714	541,482
Net interest income	408,075	1,140,353	1,166,616
(Recovery of) provision for losses on non-covered loans	(3,334)		18,000
(Recovery of) provision for losses on covered loans	(11,670)	(18,587)	12,758
Net interest income after (recoveries of) provisions for loan losses	423,079	1,158,940	1,135,858
NON-INTEREST INCOME:			
Total loss on OTTI of securities			(612)
Less: Non-credit portion of OTTI recorded in other comprehensive (loss) income (before taxes)			
Net loss on OTTI recognized in earnings			(612)
Mortgage banking income	54,113	62,953	78,283
Fee income	34,058	36,585	38,179
Bank-owned life insurance	27,541	27,150	29,938
Net gain on sales of securities	4,054	14,029	21,036
FDIC indemnification (expense) income	(9,336)	(14,870)	10,206
Other	100,333	75,746	41,800
Total non-interest income	210,763	201,593	218,830
NON-INTEREST EXPENSE:			
Operating expenses:			
Compensation and benefits	342,624	306,848	313,196
Occupancy and equipment	102,435	99,016	97,252
General and administrative	170,541	173,306	181,330
Total operating expenses	615,600	579,170	591,778
Amortization of core deposit intangibles	5,344	8,297	15,784
Debt repositioning charge	141,209		
Merger-related expenses	3,702		
Total non-interest expense	765,855	587,467	607,562

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(Loss) income before income taxes	(132,013)	773,066	747,126
Income tax (benefit) expense	(84,857)	287,669	271,579
Net (loss) income	\$ (47,156)	\$ 485,397	\$ 475,547
Other comprehensive (loss) income, net of tax:			
Change in net unrealized gain (loss) on securities available for sale, net of tax of \$437; \$4,343; and \$4,765, respectively	475	6,407	(7,043)
Change in the non-credit portion of OTTI losses recognized in other comprehensive (loss) income, net of tax of \$44; \$142; and \$5,028, respectively	69	217	7,921
Change in pension and post-retirement obligations, net of tax of \$1,161; \$14,992; and \$20,116, respectively	(1,445)	(22,123)	29,628
Less: Reclassification adjustment for sales of available-for-sale securities and loss on OTTI of securities, net of tax of \$306; \$2,492; and \$3,578, respectively	(434)	(3,694)	(5,294)
Total other comprehensive (loss) income, net of tax	(1,335)	(19,193)	25,212
Total comprehensive (loss) income, net of tax	\$ (48,491)	\$ 466,204	\$ 500,759
Basic (loss) earnings per share	\$ (0.11)	\$ 1.09	\$ 1.08
Diluted (loss) earnings per share	\$ (0.11)	\$ 1.09	\$ 1.08

See accompanying notes to the consolidated financial statements.

Table of Contents**NEW YORK COMMUNITY BANCORP, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

<i>(in thousands, except share data)</i>	Years Ended December 31,		
	2015	2014	2013
COMMON STOCK (Par Value: \$0.01):			
Balance at beginning of year	\$ 4,427	\$ 4,409	\$ 4,391
Shares issued for restricted stock awards (1,683,564; 1,782,601; and 1,729,950, respectively)	17	18	18
Shares issued in follow-on common stock offering (40,625,000 shares)	406		
Balance at end of year	4,850	4,427	4,409
PAID-IN CAPITAL IN EXCESS OF PAR:			
Balance at beginning of year	5,369,623	5,346,017	5,327,111
Shares issued for restricted stock awards, net of forfeitures	(7,708)	(7,073)	(5,093)
Compensation expense related to restricted stock awards	30,205	27,454	22,247
Proceeds from follow-on common stock offering, net	629,276		
Stock options exercised			60
Tax effect of stock plans	2,486	3,225	1,692
Balance at end of year	6,023,882	5,369,623	5,346,017
(ACCUMULATED DEFICIT) RETAINED EARNINGS:			
Balance at beginning of year	464,569	422,761	387,534
Net (loss) income	(47,156)	485,397	475,547
Dividends paid on common stock (\$1.00 per share in each year)	(453,981)	(442,204)	(440,308)
Stock options exercised		(82)	(12)
Effect of adopting Accounting Standards Update No. 2014-01		(1,303)	
Balance at end of year	(36,568)	464,569	422,761
TREASURY STOCK:			
Balance at beginning of year	(1,118)	(1,032)	(1,067)
Purchase of common stock (448,223; 439,437; and 383,640 shares, respectively)	(7,020)	(7,283)	(5,319)
Exercise of stock options (8,990 and 20,234 shares, respectively)		142	279
Shares issued for restricted stock awards (495,777; 422,097; and 382,471 shares, respectively)	7,691	7,055	5,075
Balance at end of year	(447)	(1,118)	(1,032)
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX:			
Balance at beginning of year	(55,686)	(36,493)	(61,705)
Other comprehensive (loss) income, net of tax	(1,335)	(19,193)	25,212
Balance at end of year	(57,021)	(55,686)	(36,493)
Total stockholders equity	\$ 5,934,696	\$ 5,781,815	\$ 5,735,662

See accompanying notes to the consolidated financial statements.

Table of Contents**NEW YORK COMMUNITY BANCORP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(in thousands)</i>	Years Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	\$ (47,156)	\$ 485,397	\$ 475,547
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
(Recoveries of) provisions for loan losses	(15,004)	(18,587)	30,758
Depreciation and amortization	31,497	27,792	28,092
Amortization of discounts and premiums, net	(8,069)	(8,293)	(3,600)
Amortization of core deposit intangibles	5,344	8,297	15,784
Net gain on sales of securities	(4,054)	(14,029)	(21,036)
Gain on sales of loans	(65,649)	(24,066)	(50,885)
Gain on Visa shares sold		(3,856)	
Stock plan-related compensation	30,205	27,454	22,247
Deferred tax (benefit) expense	(31,289)	26,151	25,177
Loss on OTTI of securities recognized in earnings			612
Changes in operating assets and liabilities:			
(Increase) decrease in other assets	(196,899)	105,575	(92,089)
Increase (decrease) in other liabilities	15,425	(16,020)	49,442
Origination of loans held for sale	(4,680,243)	(3,189,694)	(6,213,592)
Proceeds from sales of loans originated for sale	4,545,466	3,316,296	7,109,473
Net cash (used in) provided by operating activities	(420,426)	722,417	1,375,930
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from repayment of securities held to maturity	940,580	775,347	680,715
Proceeds from repayment of securities available for sale	9,889	9,787	59,362
Proceeds from sales of securities held to maturity	44,104	139,294	191,142
Proceeds from sales of securities available for sale	278,689	333,725	631,802
Purchase of securities held to maturity	(20,021)	(150,338)	(4,029,981)
Purchase of securities available for sale	(318,027)	(226,000)	(554,239)
Proceeds from sale of Visa shares		3,856	
Net (purchase) redemption of Federal Home Loan Bank stock	(148,644)	46,063	(92,245)
Net increase in loans	(4,072,135)	(3,482,686)	(2,022,625)
Proceeds from sales of loans	1,923,208	478,605	
Purchase of premises and equipment, net	(34,802)	(73,495)	(37,242)
Net cash used in investing activities	(1,397,159)	(2,145,842)	(5,173,311)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	98,024	2,667,742	783,471
Net increase (decrease) in short-term borrowed funds	768,100	(767,900)	2,466,100
Proceeds from long-term borrowed funds	11,243,500	50,000	2,460,312
Repayments of long-term borrowed funds	(10,489,682)	(160,615)	(3,251,601)
Tax effect of stock plans	2,486	3,225	1,692
Proceeds received from follow-on common stock offering, net	629,682		
Cash dividends paid on common stock	(453,981)	(442,204)	(440,308)
Treasury stock purchases	(7,020)	(7,283)	(5,319)
Net cash received from stock option exercises		60	326

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Net cash provided by financing activities	1,791,109	1,343,025	2,014,673
Net decrease in cash and cash equivalents	(26,476)	(80,400)	(1,782,708)
Cash and cash equivalents at beginning of year	564,150	644,550	2,427,258
Cash and cash equivalents at end of year	\$ 537,674	\$ 564,150	\$ 644,550
Supplemental information:			
Cash paid for interest	\$540,818	\$553,811	\$552,501
Cash paid for income taxes	187,608	247,589	212,181
Cash paid for prepayment penalties on borrowings	914,965		
Non-cash investing and financing activities:			
Transfers to other real estate owned from loans	\$ 47,096	\$ 86,545	\$115,215
Transfer of loans from held for investment to held for sale	1,897,075	654,758	
Transfer of loans from held for sale to held for investment	153,578		
Shares issued for restricted stock awards	7,708	7,073	5,093

See accompanying notes to the consolidated financial statements.

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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 seven 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. On October 29, 2015, the Company announced the signing of a definitive merger agreement with Astoria Financial Corporation (Astoria Financial); pending receipt of the necessary shareholder and regulatory approvals, Astoria Financial will merge with and into the Company, and Astoria Bank will merge with and into the Community Bank.

Reflecting its growth through acquisitions, the Community Bank currently operates 227 branches, two of which operate directly under the Community Bank name. The remaining 225 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.

On September 17, 2015, the Company submitted an application to the FDIC and the New York State Department of Financial Services (the NYSDFS) requesting approval to merge the Commercial Bank with and into the Community Bank. The merger of the Company's two bank subsidiaries is not expected to impact either bank's customers or employees.

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 (MSR); 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.

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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 8, Borrowed Funds, for additional information regarding these trusts.

When necessary, certain reclassifications are made to prior-year amounts to conform to the current-year presentation. The presentation of long-term borrowings in the Consolidated Statements of Cash Flows for the years ended December 31, 2014 and 2013 are presented on a gross basis to conform to the presentation of long-term borrowings in the year ended December 31, 2015.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For cash flow reporting purposes, cash and cash equivalents include cash on hand, amounts due from banks, and money market investments, which include federal funds sold and reverse repurchase agreements. At December 31, 2015 and 2014, the Company's cash and cash equivalents totaled \$537.7 million and \$564.2 million, respectively. Included in cash and cash equivalents at those dates were \$119.2 million and \$135.2 million of interest-bearing deposits in other financial institutions, primarily consisting of balances due from the Federal Reserve Bank of New York. Also included in cash and cash equivalents at December 31, 2015 and 2014 were federal funds sold of \$4.6 million and \$6.8 million, respectively. In addition, the Company had \$250.0 million in pledged reverse repurchase agreements outstanding at December 31, 2015 and 2014.

In accordance with the monetary policy of the Board of Governors of the Federal Reserve System (the FRB), the Company was required to maintain total reserves with the Federal Reserve Bank of New York of \$158.3 million and \$129.5 million, respectively, at December 31, 2015 and 2014, in the form of deposits and vault cash. The Company was in compliance with this requirement at both dates.

Securities Held to Maturity and Available for Sale

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 the Company has the intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost, less the non-credit portion of OTTI recorded in accumulated other comprehensive loss, net of tax (AOCL).

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 such 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 requires 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.

Premiums and discounts on securities are amortized to expense and accreted to income over the remaining period to contractual maturity using a method that approximates the interest method, and are adjusted for anticipated prepayments. Dividend and interest income are recognized when earned. The cost of securities sold is based on the specific identification method.

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Federal Home Loan Bank Stock

As a member of the Federal Home Loan Bank (the "FHLB") of New York (the "FHLB-NY"), the Company is required to hold shares of FHLB stock, which is carried at cost. The Company's holding requirement varies based on certain factors, including its outstanding borrowings from the FHLB-NY. In connection with the FDIC-assisted acquisitions of AmTrust and Desert Hills, the Company acquired stock in the FHLBs of Cincinnati and San Francisco, all of which was redeemed in the fourth quarter of 2015.

The Company conducts a periodic review and evaluation of its FHLB stock to determine if any impairment exists. The factors considered in this process include, among others, significant deterioration in FHLB earnings performance, credit rating, or asset quality; significant adverse changes in the regulatory or economic environment; and other factors that could raise significant concerns about the creditworthiness and the ability of the applicable FHLB to continue as a going concern.

Loans

Loans, net, are carried at unpaid principal balances, including unearned discounts, purchase accounting (i.e., acquisition-date fair value) adjustments, net deferred loan origination costs or fees, and the allowances for loan losses.

Loans held for sale are originated by the Community Bank through its mortgage banking operation, and primarily are sold to government-sponsored enterprises ("GSEs"), with the servicing typically retained. The loans originated for sale by the mortgage banking operation are carried at fair value. The fair value of held-for-sale loans is primarily based on quoted market prices for securities backed by similar types of loans. The changes in fair value of these assets are largely driven by changes in mortgage interest rates subsequent to loan funding, and changes in the fair value of the servicing rights associated with the mortgage loans held for sale. In addition, loans originated as "held for investment" and subsequently designated as "held for sale" are transferred to held for sale at fair value.

The Company recognizes interest income on non-covered loans held for investment and held for sale using the interest method over the life of the loan. Accordingly, the Company defers certain loan origination and commitment fees, and certain loan origination costs, and amortizes the net fee or cost as an adjustment to the loan yield over the term of the related loan. When a loan is sold or repaid, the remaining net unamortized fee or cost is recognized in interest income.

Prepayment penalty income is recorded in interest income and only when cash is received. Accordingly, there are no assumptions involved in the recognition of prepayment penalty income.

Two factors are considered in determining the amount of prepayment penalty income: the prepayment penalty percentage set forth in the loan documents, and the principal balance of the loan at the time of prepayment. The volume of loans prepaying may vary from one period to another, often in connection with actual or perceived changes in the direction of market interest rates. In a low interest rate environment, or when interest rates are declining, prepayment penalties may increase as more borrowers opt to refinance. In a rising interest rate environment, or when rates are perceived to be rising, prepayment penalties may increase as borrowers seek to lock in current rates prior to further increases.

A loan generally is classified as a "non-accrual" loan when it is 90 days or more past due or when the Company no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is current and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash.

Allowances for Loan Losses

Allowance for Losses on Non-Covered Loans

The allowance for losses on non-covered loans represents the Company's estimate of probable and estimable losses inherent in the non-covered loan portfolio as of the date of the balance sheet. Losses on non-covered loans are charged against, and recoveries of losses on non-covered loans are credited back to, the allowance for losses on non-covered loans.

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Although non-covered loans are held by either the Community Bank or the Commercial Bank, and a separate loan loss allowance is established for each, the total of the two allowances is available to cover all losses incurred. In addition, except as otherwise noted in the following discussion, the process for establishing the allowance for losses on non-covered loans is largely the same for each of the Community Bank and the Commercial Bank.

The methodology used for the allocation of the allowance for non-covered loan losses at December 31, 2015 and 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 are 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 management's evaluation of incurred losses in the 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 the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. The Company applies this classification as necessary to non-covered loans individually evaluated for impairment in its portfolios. Smaller-balance homogenous loans and loans carried at the lower of cost or fair value are evaluated for impairment on a collective, rather than individual, basis. Loans to certain borrowers who have experienced financial difficulty and for which the terms have been modified, resulting in a concession, are considered troubled debt restructurings (TDRs) and are classified as impaired.

Management generally measures impairment on an individual loan and determines 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.

Management also follows a process to assign general valuation allowances to non-covered loan categories. General valuation allowances are established by applying management's 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. Management also takes into account an estimated historical loss emergence period (which is the period of time between the event that triggers a loss and the confirmation and/or charge-off of that loss) for each loan portfolio segment. During 2015, this methodology was enhanced by estimating the loss emergence period using a more granular segmentation approach.

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

Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices;

Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;

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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 the Company's 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, management determines an allowance for non-covered loan loss that is applied to each significant loan portfolio segment to determine the total allowance for losses on non-covered loans.

In the first quarter of 2015, the Company changed the historical loss period it uses 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 it believes that this produces a more appropriate reflection of its historical loss experience. This change has not had a significant effect on the current allowance for losses on non-covered loans, nor is it expected to do so for the foreseeable future.

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.

Loans, or portions of loans, are charged off 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 the Company received notification that the borrower has filed for bankruptcy.

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

The Company has elected to account for the loans acquired in the AmTrust and Desert Hills acquisitions (the covered loans) based on expected cash flows. This election is in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality (ASC 310-30). In accordance with ASC 310-30, the Company maintains 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 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

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estimate the expected cash flows for each of the loan pools. A provision for losses on covered loans is recorded to the extent that the expected cash flows from a loan pool have decreased for credit-related items since the acquisition date. Accordingly, during the loss share recovery period, if there is a decrease in expected cash flows due to an increase in estimated credit losses compared to the estimates made at the respective acquisition dates, the decrease in the present value of expected cash flows will be recorded as a provision for covered loan losses charged to earnings, and the allowance for covered loan losses will be increased. During the loss share recovery period, a related credit to non-interest income and an increase in the FDIC loss share receivable will be recognized at the same time, and will be measured based on the applicable loss sharing agreement percentage.

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

FDIC Loss Share Receivable

The FDIC loss share receivable is initially recorded at fair value and is measured separately from the covered loans acquired in the AmTrust and Desert Hills acquisitions as it is not contractually embedded in any of the covered loans. The loss share receivable related to estimated future loan losses is not transferable should the Company sell a covered loan prior to foreclosure or maturity. The loss share receivable represents the present value of the estimated cash payments expected to be received from the FDIC for future losses on covered assets, based on the credit adjustment estimated for each covered asset and the loss sharing percentages. These cash flows are then discounted at a market-based rate to reflect the uncertainty of the timing and receipt of the loss sharing reimbursements from the FDIC. The amount ultimately collected for this asset is dependent upon the performance of the underlying covered assets, the passage of time, and claims submitted to the FDIC.

The FDIC loss share receivable is reduced as losses are recognized on covered loans and loss sharing payments are received from the FDIC. Realized losses in excess of acquisition-date estimates will 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 will be reduced.

Decreases in estimated reimbursements from the FDIC, if any, are recognized in income prospectively over the life of the related covered loans (or, if shorter, over the remaining term of the related loss sharing agreement). Related additions to the accretible yield on the covered loans are recognized in income prospectively over the lives of the loans. Increases in estimated reimbursements will be recognized in interest income in the same period that they are identified, and an allowance for loan losses for the related loans recorded.

The Company's FDIC loss sharing agreements pertaining to the covered loans acquired in connection with the AmTrust and Desert Hills acquisitions are scheduled to expire in December 2019 and March 2020, respectively.

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, 2015 and found no indication of goodwill impairment at that date. In addition to being tested annually, goodwill would be tested in less than one year's time if there were a triggering event. During the year ended December 31, 2015, no triggering events were identified.

The goodwill impairment analysis is a two-step test. However, a company can, under 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 update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The Company did not elect to perform a qualitative assessment of its goodwill in 2015. 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 method for determining 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.

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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.

Core Deposit Intangibles

Core deposit intangible (CDI) is a measure of the value of checking and savings deposits acquired in a business combination. The fair value of the CDI stemming from any given business combination is based on the present value of the expected cost savings attributable to the core deposit funding, relative to an alternative funding source. CDI is amortized over the estimated useful lives of the existing deposit relationships acquired, but does not exceed 10 years. The Company evaluates such identifiable intangibles for impairment when an indication of impairment exists. No impairment charges were required to be recorded in 2015, 2014, or 2013. If an impairment loss is determined to exist in the future, the loss will be reflected as an expense in the Consolidated Statement of Operations and Comprehensive (Loss) Income for the period in which such impairment is identified.

Premises and Equipment, Net

Premises, furniture, fixtures, and equipment are carried at cost, less the accumulated depreciation computed on a straight-line basis over the estimated useful lives of the respective assets (generally 20 years for premises and three to ten years for furniture, fixtures, and equipment). Leasehold improvements are carried at cost less the accumulated amortization computed on a straight-line basis over the shorter of the related lease term or the estimated useful life of the improvement.

Depreciation and amortization are included in Occupancy and equipment expense in the Consolidated Statements of Operations and Comprehensive (Loss) Income, and amounted to \$31.5 million, \$27.8 million, and \$28.1 million, respectively, in the years ended December 31, 2015, 2014, and 2013.

Mortgage Servicing Rights

The Company recognizes the right to service mortgage loans for others as a separate asset referred to as mortgage servicing rights, or MSR. MSRs are generally recognized when loans are sold whole or in part (i.e., as a participation), servicing retained. Both of the Company's two classes of MSRs, residential and participation, are initially recorded at fair value. While residential MSRs continue to be carried at fair value, participation MSRs are subsequently amortized and carried at the lower of their fair value or amortized amount on a quarterly basis. The amortization is recorded in proportion to, and over the period of, estimated net servicing income.

The Company bases the fair value of its MSRs on a valuation performed by a third-party valuation specialist. This specialist determines fair value based on the present value of estimated future net servicing income cash flows, and incorporates 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 specialist and the Company evaluate, and periodically adjust, as necessary, 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 residential MSRs are reported in Mortgage banking income and changes in the value of participation MSRs are reported in Other income in the period during which such changes occur.

Please see Note 11, Intangible Assets, for additional information regarding residential and participation MSRs.

Table of Contents**Offsetting Derivative Positions**

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 Consolidated Statements of Condition 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, on a net basis.

Bank-Owned Life Insurance

The Company has purchased life insurance policies on certain employees. These bank-owned life insurance (BOLI) policies are recorded in the Consolidated Statements of Condition at their cash surrender value. Income from these policies and changes in the cash surrender value are recorded in Non-interest income in the Consolidated Statements of Operations and Comprehensive (Loss) Income. At December 31, 2015 and 2014, the Company's investment in BOLI was \$931.6 million and \$915.2 million, respectively. There were no additional purchases of BOLI during the years ended December 31, 2015 or 2014. The Company's investment in BOLI generated income of \$27.5 million, \$27.2 million, and \$29.9 million, respectively, during the years ended December 31, 2015, 2014, and 2013.

Other Real Estate Owned

Real estate properties acquired through, or in lieu of, foreclosure are sold or rented, and are recorded at fair value, less the estimated selling costs, at the date of acquisition. Following foreclosure, management periodically performs a valuation of the property, and the real estate is carried at the lower of the carrying amount or fair value, less the estimated selling costs. Expenses and revenues from operations and changes in valuation, if any, are included in General and administrative expense in the Consolidated Statements of Operations and Comprehensive (Loss) Income. At December 31, 2015 and 2014, respectively, the Company had other real estate owned (OREO) of \$39.9 million and \$94.0 million, including OREO of \$25.8 million and \$32.0 million that is covered under the Company's FDIC loss sharing agreements.

Income Taxes

Income tax expense consists of income taxes that are currently payable and deferred income taxes. Deferred income tax expense is determined by recognizing deferred tax assets and liabilities for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that are expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The Company assesses the deferred tax assets and establishes a valuation allowance when realization of a deferred asset is not considered to be more likely than not. The Company considers its expectation of future taxable income in evaluating the need for a valuation allowance.

The Company estimates income taxes payable based on the amount it expects to owe the various tax authorities (i.e., federal, state, and local). Income taxes represent the net estimated amount due to, or to be received from, such tax authorities. In estimating income taxes, management assesses the relative merits and risks of the appropriate tax treatment of transactions, taking into account statutory, judicial, and regulatory guidance in the context of the Company's tax position. In this process, management also relies on tax opinions, recent audits, and historical experience. Although the Company uses 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 its overall tax position.

Stock Incentives

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, shares are available for grant as restricted stock or other forms of related rights. At December 31, 2015, the Company had 12,233,512 shares available for grant under the 2012 Stock Incentive Plan, including 1,030,673 shares that were transferred from the New York Community Bancorp, Inc. 2006 Stock Incentive Plan (the 2006 Stock Incentive Plan), which was approved by the Company's shareholders at its Annual Meeting on June 7, 2006 and reapproved at its Annual Meeting on June 2, 2011. Compensation cost related to restricted stock grants is recognized on a straight-line basis over the vesting period. For a more detailed discussion of the Company's stock-based compensation, please see Note 13, Stock-Related Benefit Plans.

Table of Contents**Retirement Plans**

The Company's pension benefit obligations and post-retirement health and welfare benefit obligations, and the related costs, are calculated using actuarial concepts in accordance with GAAP. The measurement of such obligations and expenses requires that certain assumptions be made regarding several factors, most notably including the discount rate and the expected return on plan assets. The Company evaluates these critical assumptions on an annual basis. Other factors considered by the Company in its evaluation include retirement patterns, mortality rates, turnover, and the rate of compensation increase.

Under GAAP, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized in AOCL until they are amortized as a component of net periodic benefit cost.

(Loss) Earnings per Share (Basic and Diluted)

Basic (loss) earnings per share (EPS) is computed by dividing net (loss) 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 (loss) earnings per share for the years ended December 31, 2015, 2014, and 2013:

<i>(in thousands, except share and per share amounts)</i>	Years Ended December 31,		
	2015	2014	2013
Net (loss) income	\$ (47,156)	\$ 485,397	\$ 475,547
Less: Dividends paid on and (loss)/earnings allocated to			
participating securities	(3,357)	(3,425)	(3,008)
(Loss) earnings applicable to common stock	\$ (50,513)	\$ 481,972	\$ 472,539
Weighted average common shares outstanding	448,982,223	440,988,102	439,251,238
Basic (loss) earnings per common share	\$ (0.11)	\$ 1.09	\$ 1.08
(Loss) earnings applicable to common stock	\$ (50,513)	\$ 481,972	\$ 472,539
Weighted average common shares outstanding	448,982,223	440,988,102	439,251,238
Potential dilutive common shares ⁽¹⁾			
Total shares for diluted (loss) earnings per share computation	448,982,223	440,988,102	439,251,238
Diluted (loss) earnings per common share and common share equivalents	\$ (0.11)	\$ 1.09	\$ 1.08

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(1) *Options to purchase 58,560 shares and 60,300 shares, respectively, of the Company's common stock that were outstanding as of December 31, 2014 and 2013, at respective weighted average exercise prices of \$18.04 and \$17.99, were excluded from the respective computations of diluted EPS because their inclusion would have had an antidilutive effect.*

Impact of Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU No. 2016-02 will require organizations that lease assets (hereinafter referred to as lessees) to recognize as assets and liabilities on the balance sheet the respective rights and obligations created by those leases. Under ASU No. 2016-02, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. ASU 2016-02 also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early application will be permitted. The Company is in the process of evaluating the effects the adoption of ASU No. 2016-02 may have on the Company's consolidated statements of condition or results of operations.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in ASU No. 2016-01 require all equity investments to be measured at fair value, with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those resulting in consolidation of the investee). The amendments in ASU No. 2016-01 also require an entity to present separately in Other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the

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liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in ASU No. 2016-01 eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. (ASU No. 2016-01 is the final version of Proposed ASU No. 2013-220 Financial Instruments Overall (Subtopic 825-10) and Proposed ASU No. 2013-221 Financial Instruments Overall (Subtopic 825-10).) ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of ASU No. 2016-01 is not expected to have a material effect on the Company's consolidated statements of condition or results of operations.

In June 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (Topic 860) Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The amendments in ASU No. 2014-11 require that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty (a repurchase financing), which will result in secured borrowing accounting for the repurchase agreement. ASU No. 2014-11 requires 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 statements of condition or results of operations.

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

In January 2014, the FASB issued ASU No. 2014-01, Investments Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects. The amendments in ASU No. 2014-01 provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for low-income housing tax credits. The amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method, if certain conditions are met. ASU No. 2014-01 is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014, with early adoption permitted; it should be applied retrospectively to all periods presented. The Company adopted ASU No. 2014-01 on January 1, 2014. ASU No. 2014-01 calls for additional disclosures that will enable the reader to understand the nature of the investment and the effect of its measurement and related tax credits on a company's financial condition and results of operations. Please see Note 9, Federal, State, and Local Taxes for the presentation of such disclosures.

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(in thousands)

Details about Accumulated Other Comprehensive Loss	Amount Reclassified from Accumulated Other Comprehensive Loss ⁽¹⁾	For the Twelve Months Ended December 31, 2015 Affected Line Item in the Consolidated Statement of Operations and Comprehensive (Loss) Income	
Unrealized gains on available-for-sale securities	\$ 740	Net gain on sales of securities	
	(306)	Tax expense	
	\$ 434	Net gain on sales of securities, net of tax	
Amortization of defined benefit pension plan items:			
Prior-service costs	\$ 249	Included in the computation of net periodic (credit) expense ⁽²⁾	
Actuarial losses	(8,591)	Included in the computation of net periodic (credit) expense ⁽²⁾	
	(8,342)	Total before tax	
	3,458	Tax benefit	
	\$ (4,884)	Amortization of defined benefit pension plan items, net of tax	
Total reclassifications for the period	\$ 4,450		

(1) Amounts in parentheses indicate expense items.

(2) Please see Note 12, Employee Benefits, for additional information.

NOTE 4: SECURITIES

The following tables summarize the Company's portfolio of securities available for sale at December 31, 2015 and 2014:

(in thousands)

	Amortized Cost	December 31, 2015		Fair Value
		Gross Unrealized Gain	Gross Unrealized Loss	
Mortgage-Related Securities:				
GSE ⁽¹⁾ certificates	\$ 53,820	\$ 33	\$ 1	\$ 53,852
Other Securities:				
Municipal bonds	\$ 725	\$ 70	\$	\$ 795
Capital trust notes	9,444		2,480	6,964
Preferred stock	118,205	7,415	248	125,372
Mutual funds and common stock ⁽²⁾	16,877	470	75	17,272
Total other securities	\$ 145,251	\$ 7,955	\$ 2,803	\$ 150,403

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Total securities available for sale	\$ 199,071	\$ 7,988	\$ 2,804	\$ 204,255
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- (1) *Government-sponsored enterprise.*
- (2) *Primarily consists of mutual funds that are Community Reinvestment Act-qualified investments.*

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(in thousands)	December 31, 2014			Fair Value
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	
Mortgage-Related Securities:				
GSE certificates	\$ 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
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 December 31, 2015 and 2014:

(in thousands)	December 31, 2015				Fair Value
	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	
Mortgage-Related Securities:					
GSE certificates	\$ 2,269,828	\$ 2,269,828	\$ 76,827	\$ 4,722	\$ 2,341,933
GSE CMOs ⁽¹⁾	1,325,033	1,325,033	53,236	57	1,378,212
Total mortgage-related securities	\$ 3,594,861	\$ 3,594,861	\$ 130,063	\$ 4,779	\$ 3,720,145
Other Securities:					
GSE debentures	\$ 2,159,856	\$ 2,159,856	\$ 23,892	\$ 7,568	\$ 2,176,180
Corporate bonds	73,756	73,756	10,503		84,259
Municipal bonds	75,317	75,317	262	1,084	74,495
Capital trust notes	74,317	65,600	3,750	15,900	53,450
Total other securities	\$ 2,383,246	\$ 2,374,529	\$ 38,407	\$ 24,552	\$ 2,388,384
Total securities held to maturity ⁽²⁾	\$ 5,978,107	\$ 5,969,390	\$ 168,470	\$ 29,331	\$ 6,108,529

(1) Collateralized mortgage obligations.

(2) 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, 2015, the non-credit portion of OTTI recorded in AOCL was \$8.7 million (before taxes).

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(in thousands)	December 31, 2014				
	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 taxes).

At December 31, 2015 and 2014, respectively, the Company had \$664.0 million and \$515.3 million of FHLB stock, at cost, with the year-end 2015 amount consisting entirely of stock in 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 years ended December 31, 2015, 2014 and 2013:

(in thousands)	December 31,		
	2015	2014	2013
Gross proceeds	\$ 278,689	\$ 333,725	\$ 631,802
Gross realized gains	1,159	6,186	9,529
Gross realized losses	4		45

In addition, during the twelve months ended December 31, 2015, the Company sold held-to-maturity securities with gross proceeds of \$44.1 million and realized gains of \$2.9 million. During the twelve months ended December 31, 2014, the Company sold held-to-maturity securities with gross proceeds of \$139.3 million and realized gains of \$7.8 million. All of the held-to-maturity securities sold in 2015 and 2014 were securities on which the Company had collected a substantial portion (at least 85%) of the initial principal balance.

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 Twelve Months Ended	
	December 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		

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Less: Realized losses for securities sold		
Securities intended or required to be sold		
Increase in expected cash flows on debt securities		242
Ending credit loss amount as of December 31, 2015	\$	198,766

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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 December 31, 2015, by contractual maturity.

(dollars in thousands)	At December 31, 2015									
	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	\$		% \$		% \$	435	2.96%	\$	% \$	436
Due from one to five years	307,108	3.71	59,860	4.17						389,464
Due from five to ten years	2,857,493	3.21	2,099,996	2.74			64,109	4.70		5,140,090
Due after ten years	430,260	2.97			74,882	2.90	75,247	5.07		578,539
Total securities held to maturity	\$ 3,594,861	3.22%	\$ 2,159,856	2.78%	\$ 75,317	2.90%	\$ 139,356	4.90%		\$ 6,108,529
Available-for-Sale Securities:⁽³⁾										
Due within one year	\$		% \$		% \$	149	6.39%	\$	% \$	154
Due from one to five years	1,860	7.45			576	6.56				2,533
Due from five to ten years										
Due after ten years	51,960	4.98					9,444	4.30		58,924
Total securities available for sale	\$ 53,820	5.06%	\$		% \$	725	6.52%	\$ 9,444	4.30%	\$ 61,611

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

(2) Includes corporate bonds and capital trust notes. Included in capital trust notes are \$62,000 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 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, 2015:

At December 31, 2015 (in thousands)	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Securities:						
GSE debentures	\$ 547,484	\$ 728	\$ 1,176,949	\$ 6,840	\$ 1,724,433	\$ 7,568
GSE certificates	299,019	4,608	3,899	114	302,918	4,722
GSE CMOs	9,943	57			9,943	57
Municipal bonds	42,083	1,084			42,083	1,084
Capital trust notes	24,601	399	20,710	15,501	45,311	15,900
Total temporarily impaired held-to-maturity securities	\$ 923,130	\$ 6,876	\$ 1,201,558	\$ 22,455	\$ 2,124,688	\$ 29,331
Temporarily Impaired Available-for-Sale Securities:						
GSE certificates	\$ 51,959	\$ 1	\$	\$	\$ 51,959	\$ 1
Capital trust notes	1,968	32	4,997	2,448	6,965	2,480
Equity securities	51,775	323			51,775	323
Total temporarily impaired available-for-sale securities	\$ 105,702	\$ 356	\$ 4,997	\$ 2,448	\$ 110,699	\$ 2,804

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The following table presents held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of December 31, 2014:

At December 31, 2014 (in thousands)	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity 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 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 of impairment relating to factors other than credit losses are recorded in AOCL.

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 the 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 December 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 December 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 Operations and Comprehensive (Loss) Income.

The unrealized losses on the Company's GSE mortgage-related securities, GSE municipal bonds, and GSE debentures at December 31, 2015 were primarily caused by movements in market interest rates and spread volatility, rather than credit risk. These securities are not expected to be settled at a price that is less than the amortized cost of the Company's investment.

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. 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. 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 December 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. The unrealized losses on the Company's equity securities at December 31, 2015, were primarily caused by market volatility. The Company evaluated the near-term prospects of recovering the fair value of these securities, together with the severity and duration of impairment to date, and determined that they were not other than temporarily impaired. Nonetheless, it is possible that these equity securities will perform worse than is currently expected, which could lead to adverse changes in their fair value, or the failure of the securities to fully recover in

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value as presently forecasted by management. Either event could cause the Company to record an OTTI loss in a future period. Events that could trigger a material decline in the fair value of these securities 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 December 31, 2015 consisted of seven agency debt securities, five capital trust notes, and two agency mortgage-backed securities. At December 31, 2014, the investment securities designated as having a continuous loss position for twelve months or more consisted of 16 agency mortgage-backed securities, 17 GSE debt securities, three GSE CMOs, five capital trust notes, two GSE municipal bonds, and one preferred stock security. At December 31, 2015 and 2014, the combined market value of the respective securities represented unrealized losses of \$24.9 million and \$51.6 million. At December 31, 2015, the fair value of securities having a continuous loss position for twelve months or more was 2.0% below the collective amortized cost of \$1.2 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 December 31, 2015 and 2014:

	December 31,		2014	
	2015	Percent of Non-Covered Loans Held for Investment	2014	Percent of Non-Covered Loans Held for Investment
(dollars in thousands)	Amount		Amount	
Non-Covered Loans Held for Investment:				
Mortgage Loans:				
Multi-family	\$ 25,971,629	72.67%	\$ 23,831,846	72.21%
Commercial real estate	7,857,204	21.98	7,634,320	23.13
Acquisition, development, and construction	311,676	0.87	258,116	0.78
One-to-four family	116,841	0.33	138,915	0.42
Total mortgage loans held for investment	\$ 34,257,350	95.85	\$ 31,863,197	96.54
Other Loans:				
Commercial and industrial	1,085,529	3.04	900,551	2.73
Lease financing, net of unearned income of \$43,553 and \$18,913, respectively	365,027	1.02	208,670	0.63
Total commercial and industrial loans	1,450,556	4.06	1,109,221	3.36
Purchased credit-impaired loans ⁽¹⁾	8,344	0.02		
Other	24,239	0.07	31,943	0.10
Total other loans held for investment	1,483,139	4.15	1,141,164	3.46
Total non-covered loans held for investment	\$ 35,740,489	100.00%	\$ 33,004,361	100.00%
Net deferred loan origination costs	22,715		20,595	
Allowance for losses on non-covered loans	(147,124)		(139,857)	
Non-covered loans held for investment, net	\$ 35,616,080		\$ 32,885,099	
Covered loans	2,060,089		2,428,622	
Allowance for losses on covered loans	(31,395)		(45,481)	

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Covered loans, net	\$ 2,028,694	\$ 2,383,141
Loans held for sale	367,221	379,399
Total loans, net	\$ 38,011,995	\$ 35,647,639

(1) Includes \$941,000 of multi-family loans; \$6.0 million of commercial real estate loans; \$835,000 of acquisition, development, and construction loans; \$436,000 of commercial and industrial loans; and \$162,000 of other loans that were included in Covered loans at December 31, 2014.

Non-Covered Loans

Non-Covered Loans Held for Investment

The 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 income-producing properties such as office buildings, retail centers, mixed-use buildings, and multi-tenanted light industrial properties that are located in New York City and on Long Island.

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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 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; and other C&I loans 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.

The repayment of multi-family and CRE loans generally depends on the income produced by the underlying properties which, in turn, depends on their successful operation and management. To mitigate the potential for credit losses, the Company underwrites its loans in accordance with credit standards it considers to be prudent, looking first at the consistency of the cash flows being produced by the underlying property. In addition, multi-family buildings and CRE properties are inspected as a prerequisite to approval, and independent appraisers, whose appraisals are carefully reviewed by the Company's in-house appraisers, perform appraisals on the collateral properties. In many cases, a second independent appraisal review is performed. To further manage its credit risk, the Company's lending policies limit the amount of credit granted to any one borrower and typically require conservative debt coverage service ratios and loan-to-value ratios. Nonetheless, 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. Accordingly, 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 Company seeks to minimize the credit risk on ADC loans 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, the property could have a value upon completion that is insufficient to assure full repayment of the loan. This could have a material adverse effect on the quality of the ADC loan portfolio, and could result in losses or delinquencies.

To minimize the risk involved in specialty finance lending and leasing, the Company participates in syndicated loans that are brought to it, and equipment loans and leases that are assigned to it, by a select group of nationally recognized sources who have had long-term relationships with its experienced lending officers. 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. To further minimize the risk involved in specialty finance lending and leasing, each transaction is re-underwritten. In addition, outside counsel is retained 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 the 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 December 31, 2015 and 2014 were loans to executive officers, directors, and their related interests and parties of \$105.6 million and \$129.5 million, respectively. There were no loans to principal shareholders at either of those dates.

Non-covered purchased credit-impaired (PCI) loans, which had a carrying value of \$8.3 million and an unpaid principal balance of \$10.2 million at December 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 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.

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The Community Bank's mortgage banking operation originates, aggregates, and services 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.

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 December 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	\$ 4,818	\$ 13,904	\$	\$	\$ 18,722	\$ 25,952,907	\$ 25,971,629
Commercial real estate	178	14,920			15,098	7,842,106	7,857,204
One-to-four family	1,117	12,259			13,376	103,465	116,841
Acquisition, development, and construction		27			27	311,649	311,676
Commercial and industrial ⁽²⁾		4,473			4,473	1,446,083	1,450,556
Other	492	1,242			1,734	22,505	24,239
Total	\$ 6,605	\$ 46,825	\$	\$	\$ 53,430	\$ 35,678,715	\$ 35,732,145

(1) Excludes \$969,000 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 Past Due	Non- Accrual Loans	Loans 90 Days or More Delinquent and Still Accruing Interest		Total Past Due Loans	Current Loans	Total Loans Receivable
Multi-family	\$ 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 December 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	\$ 25,936,423	\$ 7,839,127	\$ 104,582	\$ 309,039	\$ 34,189,171	\$ 1,433,778	\$ 22,996	\$ 1,456,774
Special mention	6,305	3,883			10,188	11,771		11,771
Substandard	28,901	14,194	12,259	2,637	57,991	5,007	1,243	6,250
Doubtful								
Total	\$ 25,971,629	\$ 7,857,204	\$ 116,841	\$ 311,676	\$ 34,257,350	\$ 1,450,556	\$ 24,239	\$ 1,474,795

(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 are the most current ones available and generally have been updated within the last twelve months. In addition, they 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 based on the duration of the delinquency.

The interest income that would have been recorded under the original terms of non-accrual loans at the respective year-ends, and the interest income actually recorded on these loans in the respective years, is summarized below:

(in thousands)	2015	December 31, 2014	2013
Interest income that would have been recorded	\$ 2,288	\$ 3,997	\$ 5,156

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Interest income actually recorded	(1,574)	(3,017)	(2,721)
Interest income foregone	\$ 714	\$ 980	\$ 2,435

Troubled Debt Restructurings

The Company is required to account for certain held-for-investment loan modifications and restructurings as 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, among other things, 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 December 31, 2015, loans on which concessions were made with respect to rate reductions and/or extension of maturity dates amounted to \$9.3 million; loans on which forbearance agreements were reached amounted to \$2.9 million.

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

<i>(in thousands)</i>	December 31,					
	Accruing	2015 Non-Accrual	Total	Accruing	2014 Non-Accrual	Total
Loan Category:						
Multi-family	\$ 2,017	\$ 635	\$ 2,652	\$ 7,697	\$ 17,879	\$ 25,576
Commercial real estate	115	6,255	6,370	8,139	9,939	18,078
One-to-four family		987	987		260	260
Acquisition, development, and construction		27	27		654	654
Commercial and industrial	627	1,279	1,906		1,195	1,195
Other		213	213			
Total	\$ 2,759	\$ 9,396	\$ 12,155	\$ 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.

The financial effects of the Company's TDRs for the twelve months ended December 31, 2015 and 2014 are summarized as follows:

<i>(dollars in thousands)</i>	For the Twelve Months Ended December 31, 2015				
	Number of Loans	Pre-Modification	Post- Modification	Charge- off Amount	Capitalized Interest
Loan Category:					
One-to-four family	4	4.02%	2.72%	\$	\$ 6
Commercial and industrial	2	3.40	3.52	33	
Other	2	4.58	2.00		2
Total	8			\$ 33	\$ 8

<i>(dollars in thousands)</i>	For the Twelve Months Ended December 31, 2014				
	Number of Loans	Pre-Modification	Post- Modification	Charge-off Amount	Capitalized Interest
Loan Category:					
Multi-family	2	5.61%	5.61%	\$	\$
Commercial real estate	2	6.71	5.54	334	
One-to-four family	1	5.75	4.27	18	22
Acquisition, development, and construction	2	7.00	7.00		
Commercial and industrial	1	5.00	5.00		
Total	8			\$ 352	\$ 22

At December 31, 2015, one home equity loan in the amount of \$143,000 that had been modified as a TDR during the twelve months ended at that date was in payment default. At December 31, 2014, none of the loans that had been modified as a TDR during the twelve months ended at that date were in payment default. A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

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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.

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The following table presents the carrying value of covered loans acquired in the AmTrust and Desert Hills acquisitions as of December 31, 2015:

<i>(dollars in thousands)</i>	Amount	Percent of Covered Loans
Loan Category:		
One-to-four family	\$ 1,916,509	93.0%
Other loans	143,580	7.0
 Total covered loans	 \$ 2,060,089	 100.0%

The Company refers to certain 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 December 31, 2015 and 2014, the unpaid principal balance of covered loans was \$2.5 billion and \$2.9 billion, respectively. The carrying value of such loans was \$2.1 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.

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 twelve months ended December 31, 2015, changes in the accretable yield for covered loans were as follows:

<i>(in thousands)</i>	Accretable Yield
Balance at beginning of period	\$ 1,037,023
Reclassification to non-accretable difference	(96,788)
Accretion	(137,090)
 Balance at end of period	 \$ 803,145

In the preceding table, the line item "Reclassification to non-accretable difference" includes changes in cash flows that the Company does not expect 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, prepayment assumptions increased, which resulted in a decrease in future expected interest cash flows and, consequently, a decrease in the accretable yield. The effect of this decrease was partially offset by a slight improvement in the underlying credit assumptions coupled with coupon rates on variable rate loans resetting slightly higher, which resulted in an increase in future expected interest cash flows and, consequently, an increase in the accretable yield.

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Reflecting the foreclosure of certain loans acquired in the AmTrust and Desert Hills acquisitions, the Company owns certain OREO that is covered under the Company's loss sharing agreements with the FDIC (covered OREO). Covered OREO was initially recorded at its estimated fair value on the respective dates of acquisition, 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 December 31, 2015 and 2014:

<i>(in thousands)</i>	December 31,	
	2015	2014
Covered Loans 90 Days or More Past Due:		
One-to-four family	\$ 130,626	\$ 148,967
Other loans	6,556	8,922
Total covered loans 90 days or more past due	\$ 137,182	\$ 157,889

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

<i>(in thousands)</i>	December 31,	
	2015	2014
Covered Loans 30-89 Days Past Due:		
One-to-four family	\$ 30,455	\$ 37,680
Other loans	2,369	4,016
Total covered loans 30-89 days past due	\$ 32,824	\$ 41,696

At December 31, 2015, the Company had \$32.8 million of covered loans that were 30 to 89 days past due, and covered loans of \$137.2 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 \$1.9 billion at December 31, 2015 and was considered current at that date.

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. In the twelve months ended December 31, 2015 and 2014, the Company recorded recoveries of losses on covered loans of \$11.7 million and \$18.6 million, respectively. The respective recoveries were largely due to an increase in expected cash flows in the acquired portfolios of one-to-four family and home equity loans, and were partly offset by FDIC indemnification expense of \$9.3 million and \$14.9 million, respectively, that was recorded in Non-interest income in the respective periods.

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

<i>(in thousands)</i>	Mortgage	Other	Total
Allowances for Loan Losses at December 31, 2015:			
Loans individually evaluated for impairment	\$	\$	\$
Loans collectively evaluated for impairment	122,712	22,484	145,196
Acquired loans with deteriorated credit quality	14,583	18,740	33,323
Total	\$ 137,295	\$ 41,224	\$ 178,519

<i>(in thousands)</i>	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:

<i>(in thousands)</i>	Mortgage	Other	Total
Loans Receivable at December 31, 2015:			
Loans individually evaluated for impairment	\$ 47,480	\$ 4,474	\$ 51,954
Loans collectively evaluated for impairment	34,209,870	1,470,321	35,680,191
Acquired loans with deteriorated credit quality	1,924,255	144,178	2,068,433
Total	\$ 36,181,605	\$ 1,618,973	\$ 37,800,578

<i>(in thousands)</i>	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 twelve months ended December 31, 2015 and 2014:

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<i>(in thousands)</i>	December 31,					
	2015			2014		
	Mortgage	Other	Total	Mortgage	Other	Total
Balance, beginning of period	\$ 122,616	\$ 17,241	\$ 139,857	\$ 123,991	\$ 17,955	\$ 141,946
Charge-offs	(1,315)	(1,273)	(2,588)	(2,780)	(5,296)	(8,076)
Recoveries	5,765	5,008	10,773	1,405	4,582	