NEW YORK COMMUNITY BANCORP INC
Form 10-Q
May 10, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018

Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**06-1377322**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

615 Merrick Avenue, Westbury, New York 11590

(Address of principal executive offices)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definition of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer	Accelerated filer
Non-Accelerated filer (Do not check if a smaller reporting company)	Smaller Reporting Company
	Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

490,393,912

Number of shares of common stock outstanding at

May 1, 2018

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NEW YORK COMMUNITY BANCORP, INC.

FORM 10-Q

Quarter Ended March 31, 2018

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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 COMMON SHARE

Book value per common share refers to the amount of common stockholders equity attributable to each outstanding share of common stock, and is calculated by dividing total stockholders equity less preferred stock 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 loan losses.

COMMERCIAL REAL ESTATE 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 commercial real estate loans in our portfolio are typically secured by office buildings, retail shopping centers, and 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

Refers to the loans and other real estate owned we acquired in our AmTrust Bank and Desert Hills Bank acquisitions, which are covered by loss sharing agreements with the FDIC. See the definition of Loss Sharing Agreements that appears later in this glossary.

CRE CONCENTRATION RATIO

Refers to the sum of multi-family, non-owner occupied commercial real estate, and acquisition, development, and construction loans divided by total risk-based capital.

DEBT SERVICE COVERAGE RATIO

An indication of a borrower s ability to repay a loan, the debt service coverage ratio 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.

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GOODWILL

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

GOVERNMENT-SPONSORED ENTERPRISES

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, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Banks.

GSE OBLIGATIONS

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

INTEREST RATE LOCK COMMITMENTS

Refers to commitments we had made to originate new one-to-four family loans at specific (i.e., locked-in) interest rates.

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

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 called 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 extended for a period of ten years from the respective dates of acquisition. Such loans are referred to as covered loans. As of September 30, 2017, the loss sharing agreements are no longer in effect.

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

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

The difference between the interest income generated by loans, securities and money market instruments, 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 it is deemed to be impaired because 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.

OREO AND OTHER REPOSSESSED ASSETS

Includes assets owned by the Company which are acquired either through foreclosure or default.

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

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 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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LIST OF ABBREVIATIONS AND ACRONYMS

ADC - Acquisition, development, and construction loan

ALCO - Asset and Liability Management Committee

AMT - Alternative minimum tax

AmTrust - AmTrust Bank

AOCL - Accumulated other comprehensive loss

ASC - Accounting Standards Codification

ASU - Accounting Standards Update

BOLI - Bank-owned life insurance

BP - Basis point(s)

C&I - Commercial and industrial loan

CCAR - Comprehensive Capital Analysis and Review

CDs - Certificates of deposit

CFPB - Consumer Financial Protection Bureau

CMOs - Collateralized mortgage obligations

CMT - Constant maturity treasury rate

CPI - Consumer Price Index

CPR - Constant prepayment rate

CRA - Community Reinvestment Act

CRE - Commercial real estate loan

Desert Hills - Desert Hills Bank

DIF - Deposit Insurance Fund

Dodd-Frank Act - Dodd-Frank Wall Street Reform and Consumer Protection Act

DSCR - Debt service coverage ratio

EPS - Earnings per common share

ERM - Enterprise Risk Management

ESOP - Employee Stock Ownership Plan

FHLB - Federal Home Loan Bank

FHLB-NY - Federal Home Loan Bank of New York

FOMC - Federal Open Market Committee

FRB - Federal Reserve Board

FRB-NY - Federal Reserve Bank of New York

Freddie Mac - Federal Home Loan Mortgage Corporation

FTEs - Full-time equivalent employees

GAAP - U.S. generally accepted accounting principles

GNMA - Government National Mortgage Association

GSEs - Government-sponsored enterprises

HQLAs - High-quality liquid assets

IRLCs - Interest rate lock commitments

LCR - Liquidity coverage ratio

LSA - Loss Share Agreements

LTV - Loan-to-value ratio

MBS Mortgage-backed securities

MSRs - Mortgage servicing rights

NIM - Net interest margin

NOL - Net operating loss

NPAs - Non-performing assets

NPLs - Non-performing loans

NPV - Net Portfolio Value

NYSDFS - New York State Department of Financial Services

NYSE - New York Stock Exchange

OCC - Office of the Comptroller of the Currency

OFAC - Office of Foreign Assets Control

OREO - Other real estate owned

OTTI - Other-than-temporary impairment

Fannie Mae - Federal National Mortgage Association

FASB - Financial Accounting Standards Board

FDI Act - Federal Deposit Insurance Act

FDIC - Federal Deposit Insurance Corporation

PCI - Purchased credit-impaired loans

SEC - U.S. Securities and Exchange Commission

SIFI - Systemically Important Financial Institution

TDRs - Troubled debt restructurings

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)

	March 31, 2018 (unaudited)	December 31, 2017
Assets:		
Cash and cash equivalents	$ 2,680,772	$ 2,528,169
Securities:		
Available-for-sale ($1,232,077 and $1,263,227 pledged, respectively)	3,391,952	3,531,427
Equity investments with readily determinable fair values, at fair value	32,069	
Total securities	3,424,021	3,531,427
Loans held for sale	31,402	35,258
Loans held for investment, net of deferred loan fees and costs	38,889,423	38,387,971
Less: Allowance for loan losses	(161,140)	(158,046)
Loans held for investment, net	38,728,283	38,229,925
Total loans, net	38,759,685	38,265,183
Federal Home Loan Bank stock, at cost	622,989	603,819
Premises and equipment, net	364,312	368,655
Goodwill	2,436,131	2,436,131
Mortgage servicing rights ($2,575 and $2,729 measured at fair value, respectively)	5,187	6,100
Bank-owned life insurance	965,655	967,173
Other real estate owned and other repossessed assets	15,458	16,400
Other assets	380,664	401,138
Total assets	$ 49,654,874	$ 49,124,195
Liabilities and Stockholders Equity:		
Deposits:		
Interest-bearing checking and money market accounts	$ 12,633,937	$ 12,936,301
Savings accounts	5,019,698	5,210,001
Certificates of deposit	9,063,320	8,643,646
Non-interest-bearing accounts	2,518,479	2,312,215
Total deposits	29,235,434	29,102,163
Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	12,534,500	12,104,500

Repurchase agreements	450,000	450,000
Total wholesale borrowings	12,984,500	12,554,500
Junior subordinated debentures	359,259	359,179
Total borrowed funds	13,343,759	12,913,679
Other liabilities	294,964	312,977
Total liabilities	42,874,157	42,328,819
Stockholders equity:		
Preferred stock at par $0.01 (5,000,000 shares authorized): Series A (515,000 shares issued and outstanding)	502,840	502,840
Common stock at par $0.01 (900,000,000 shares authorized; 490,439,070 and 489,072,101 shares issued; and 490,379,532 and 488,490,352 shares outstanding, respectively)	4,904	4,891
Paid-in capital in excess of par	6,073,755	6,072,559
Retained earnings	255,777	237,868
Treasury stock, at cost (59,538 and 581,749 shares, respectively)	(777)	(7,615)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain on securities available for sale, net of tax of $(3,354) and $(27,961), respectively	8,050	39,188
Net unrealized loss on the non-credit portion of OTTI losses on securities, net of tax of $2,517 and $3,338, respectively	(6,042)	(5,221)
Net unrealized loss on pension and post-retirement obligations, net of tax of $21,604 and $32,121, respectively	(57,790)	(49,134)
Total accumulated other comprehensive loss, net of tax	(55,782)	(15,167)
Total stockholders equity	6,780,717	6,795,376
Total liabilities and stockholders equity	$ 49,654,874	$ 49,124,195

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended March 31,	
	2018	**2017**
Interest Income:		
Mortgage and other loans	$ 355,917	$ 358,402
Securities and money market investments	48,408	40,717
Total interest income	404,325	399,119
Interest Expense:		
Interest-bearing checking and money market accounts	34,369	19,709
Savings accounts	7,221	6,810
Certificates of deposit	30,515	22,131
Borrowed funds	61,922	55,552
Total interest expense	134,027	104,202
Net interest income	270,298	294,917
Provision for losses on non-covered loans	9,571	1,787
Recovery of losses on covered loans		(5,795)
Net interest income after provision for (recovery of) loan losses	260,727	298,925
Non-Interest Income:		
Fee income	7,327	7,860
Bank-owned life insurance	6,804	6,337
Mortgage banking income		9,764
Net (loss) gain on securities	(466)	1,979
FDIC indemnification expense		(4,636)
Other	9,192	10,868
Total non-interest income	22,857	32,172
Non-Interest Expense:		
Operating expenses:		
Compensation and benefits	83,975	96,206
Occupancy and equipment	24,884	25,059

General and administrative	30,248	45,524
Total operating expenses	139,107	166,789
Amortization of core deposit intangibles		154
Total non-interest expense	139,107	166,943
Income before income taxes	144,477	164,154
Income tax expense	37,925	60,197
Net income	$ 106,552	$ 103,957
Preferred stock dividends	8,207	
Net income available to common shareholders	$ 98,345	$ 103,957
Basic earnings per common share	$ 0.20	$ 0.21
Diluted earnings per common share	$ 0.20	$ 0.21
Net income	$ 106,552	$ 103,957
Other comprehensive (loss) income, net of tax:		
Change in net unrealized gain/loss on securities available for sale, net of tax of $24,607 and $(353), respectively	(31,138)	495
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of $(821) and $(13), respectively	(821)	19
Change in pension and post-retirement obligations, net of tax of $(10,517) and $(872), respectively	(8,656)	1,218
Less: Reclassification adjustment for sales of available-for-sale securities, net of tax of $770		(1,078)
Total other comprehensive (loss) income, net of tax	(40,615)	654
Total comprehensive income, net of tax	$ 65,937	$ 104,611

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share data)

(unaudited)

	For the Three Months Ended March 31, 2018
Preferred Stock (Par Value: $0.01):	
Balance at beginning of year	$ 502,840
Issuance of preferred stock (515,000 shares)	
Balance at end of period	502,840
Common Stock (Par Value: $0.01):	
Balance at beginning of year	4,891
Shares issued for restricted stock awards (1,366,969 shares)	13
Balance at end of period	4,904
Paid-in Capital in Excess of Par:	
Balance at beginning of year	6,072,559
Shares issued for restricted stock awards, net of forfeitures	(8,566)
Compensation expense related to restricted stock awards	9,762
Balance at end of period	6,073,755
Retained Earnings:	
Balance at beginning of year	237,868
Net income	106,552
Dividends paid on common stock ($0.17 per share)	(83,242)
Dividends paid on preferred stock ($15.94 per share)	(8,207)
Effect of adopting ASU No. 2016-01	260
Effect of adopting ASU No. 2018-02	2,546
Balance at end of period	255,777
Treasury Stock:	
Balance at beginning of year	(7,615)
Purchase of common stock (126,483 shares)	(1,715)
Shares issued for restricted stock awards (648,694 shares)	8,553
Balance at end of period	(777)

Accumulated Other Comprehensive Loss, Net of Tax:		
Balance at beginning of year		(15,167)
Other comprehensive income, net of tax		(40,615)
Balance at end of period		(55,782)
Total stockholders equity	$	6,780,717

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Three Months Ended March 31, 2018	For the Three Months Ended March 31, 2017
Cash Flows from Operating Activities:		
Net income	$ 106,552	$ 103,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	9,571	(4,008)
Depreciation	8,382	8,043
Amortization of discounts and premiums, net	(2,044)	(1,216)
Amortization of core deposit intangibles		154
Net gain on sales of securities		(1,979)
Gain on trading securities activity	(172)	
Net gain on sales of loans	(37)	(4,709)
Stock-based compensation	9,762	8,732
Deferred tax expense	3,175	23,693
Changes in operating assets and liabilities:		
Decrease in other assets	18,868	61,391
Decrease in other liabilities	(5,960)	(26,138)
Purchases of securities held for trading	(110,000)	
Proceeds from sales of securities held for trading	110,172	
Origination of loans held for sale		(560,186)
Proceeds from sales of loans originated for sale		762,365
Net cash provided by operating activities	148,269	370,099
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity		85,024
Proceeds from repayment of securities available for sale	346,614	33
Proceeds from sales of securities available for sale		139,002
Purchase of securities held to maturity		(13,030)
Purchase of securities available for sale	(292,927)	(84,000)
Redemption of Federal Home Loan Bank stock	12,330	34,641
Purchases of Federal Home Loan Bank stock	(31,500)	(21,651)
Proceeds from bank-owned life insurance	7,785	
Proceeds from sales of loans	31,528	214,596
Other changes in loans, net	(535,564)	(73,257)
Purchase of premises and equipment, net	(4,039)	(13,671)

Net cash (used in) provided by investing activities	(465,773)	267,687
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	133,271	(161,357)
Net increase (decrease) in short-term borrowed funds		(460,000)
Proceeds from long-term borrowed funds	1,950,000	
Repayments of long-term borrowed funds	(1,520,000)	
Net proceeds from issuance of preferred stock		503,116
Cash dividends paid on common stock	(83,242)	(82,967)
Cash dividends paid on preferred stock	(8,207)	
Payments relating to treasury shares received for restricted stock award tax payments	(1,715)	(10,132)
Net cash provided by (used in) financing activities	470,107	(211,340)
Net increase in cash and cash equivalents	152,603	426,446
Cash and cash equivalents at beginning of period	2,528,169	557,850
Cash and cash equivalents at end of period	$ 2,680,772	$ 984,296
Supplemental information:		
Cash paid for interest	$ 131,160	$ 102,821
Cash paid for income taxes	5,236	1
Non-cash investing and financing activities:		
Transfers to repossessed assets from loans	$ 800	$ 5,911
Transfer of loans from held for investment to held for sale	31,491	214,862
Shares issued for restricted stock awards	8,566	10,311

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

Organization

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). 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, which was formerly known as Queens County Bancorp, Inc. 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 ($0.93 per share on a split-adjusted basis, reflecting the impact of nine stock splits between 1994 and 2004). The Commercial Bank was established on December 30, 2005.

Reflecting its growth through acquisitions, the Community Bank currently operates 225 branches, two of which operate directly under the Community Bank name. The remaining 223 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 Atlantic Bank name.

Basis of Presentation

The following is a description of the significant accounting and reporting policies that the Company and its subsidiaries follow in preparing and presenting their consolidated financial statements, which conform to 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 evaluation of goodwill for impairment; and the evaluation of the need for a valuation allowance on the Company s deferred tax assets.

The accompanying consolidated financial statements include the accounts of the Company and other entities in which the Company has a controlling financial interest. All inter-company accounts and transactions are eliminated in consolidation. The Company currently has certain unconsolidated subsidiaries in the form of wholly-owned statutory business trusts, which were formed to issue guaranteed capital securities. See Note 7, Borrowed Funds, for additional information regarding these trusts.

Note 2. Computation of Earnings per Common Share

Basic EPS is computed by dividing the net income (loss) available to common shareholders 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 paid on the Company s common stock 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 on the common stock. The Company grants restricted stock to certain employees under its stock-based compensation plan. 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.

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

(in thousands, except share and per share amounts)	Three Months Ended March 31, 2018	2017
Net income available to common shareholders	$ 98,345	$ 103,957
Less: Dividends paid on and earnings allocated to participating securities	(900)	(819)
Earnings applicable to common stock	$ 97,445	$ 103,138
Weighted average common shares outstanding	488,140,102	486,511,756
Basic earnings per common share	$ 0.20	$ 0.21
Earnings applicable to common stock	$ 97,445	$ 103,138
Weighted average common shares outstanding	488,140,102	486,511,756
Potential dilutive common shares		
Total shares for diluted earnings per common share computation	488,140,102	486,511,756
Diluted earnings per common share and common share equivalents	$ 0.20	$ 0.21

Note 3. Reclassifications Out of Accumulated Other Comprehensive Loss

(in thousands)	For the Three Months Ended March 31, 2018	
Details about Accumulated Other Comprehensive Loss	Amount Reclassified from Accumulated Other Comprehensive Loss (1)	Affected Line Item in the Consolidated Statements of Operations and Comprehensive Income (Loss)
Unrealized gains (losses) on debt securities available-for-sale	$	Net gain on securities
		Income tax expense
	$	Net gain on sales of securities, net of tax

Amortization of defined benefit pension plan items:		
Past service liability	$ 62	Included in the computation of net periodic (credit) expense (2)
Actuarial losses	(1,871)	Included in the computation of net periodic (credit) expense (2)
	(1,809)	Total before tax
	532	Tax benefit
	$ (1,277)	Amortization of defined benefit pension plan items, net of tax
Total reclassifications for the period	$ (1,277)	

(1) Amounts in parentheses indicate expense items.

(2) See Note 8, Pension and Other Post-Retirement Benefits, for additional information.

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Note 4. Securities

The following tables summarize the Company s portfolio of securities available for sale and equity investments with readily determinable fair values at March 31, 2018 and December 31, 2017:

	March 31, 2018			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates	$ 1,966,476	$ 20,565	$ 15,864	$ 1,971,177
GSE CMOs	537,621	7,425	3,459	541,587
Total mortgage-related securities	$ 2,504,097	$ 27,990	$ 19,323	$ 2,512,764
Other Securities:				
U. S. Treasury obligations	$ 199,678	$	$ 248	$ 199,430
GSE debentures	478,588	1,213	6,732	473,069
Corporate bonds	79,828	9,890		89,718
Municipal bonds	70,117	201	1,711	68,607
Capital trust notes	48,242	6,485	6,363	48,364
Total other securities	$ 876,453	$ 17,789	$ 15,054	$ 879,188
Total securities available for sale (1)	$ 3,380,550	$ 45,779	$ 34,377	$ 3,391,952
Equity securities:				
Preferred stock	$ 15,292	$	$ 49	$ 15,243
Mutual funds and common stock (2)	16,874	402	450	16,826
Total equity securities	$ 32,166	$ 402	$ 499	$ 32,069
Total securities	$ 3,412,716	$ 46,181	$ 34,876	$ 3,424,021

(1) The amortized cost includes the non-credit portion of OTTI recorded in AOCL. At March 31, 2018, the non-credit portion of OTTI recorded in AOCL was $8.6 million before taxes.
(2) Primarily consists of mutual funds that are CRA-qualified investments.

	December 31, 2017			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				

GSE certificates	$ 2,023,677	$ 46,364	$ 1,199	$ 2,068,842
GSE CMOs	536,284	14,446	826	549,904
Total mortgage-related securities	$ 2,559,961	$ 60,810	$ 2,025	$ 2,618,746
Other Securities:				
U. S. Treasury obligations	$ 199,960	$	$ 62	$ 199,898
GSE debentures	473,879	2,044	2,665	473,258
Corporate bonds	79,702	11,073		90,775
Municipal bonds	70,381	540	801	70,120
Capital trust notes	48,230	6,498	8,632	46,096
Preferred stock	15,292	142		15,434
Mutual funds and common stock (1)	16,874	487	261	17,100
Total other securities	$ 904,318	$ 20,784	$ 12,421	$ 912,681
Total securities available for sale (2)	$ 3,464,279	$ 81,594	$ 14,446	$ 3,531,427

(1) Primarily consists of mutual funds that are CRA-qualified investments.

(2) The amortized cost includes the non-credit portion of OTTI recorded in AOCL. At December 31, 2017, the non-credit portion of OTTI recorded in AOCL was $8.6 million before taxes.

At March 31, 2018 and December 31, 2017, respectively, the Company had $623.0 million and $603.8 million of FHLB-NY stock, at cost. The Company maintains an investment in FHLB-NY stock partly in conjunction with its membership in the FHLB and partly related to its access to the FHLB funding it utilizes.

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The following table summarizes the gross proceeds and gross realized gains from the sale of available-for-sale securities during the three months ended March 31, 2018 and 2017:

	For the Three Months Ended March 31,		
(in thousands)	2018	2017	
Gross proceeds		$	139,002
Gross realized gains			1,979

In the following table, the beginning balance represents the credit loss component for debt securities on which OTTI occurred prior to January 1, 2018. For credit-impaired debt securities, OTTI recognized in earnings after that date is presented as an addition in two components, based upon whether the current period is the first time a debt security was credit-impaired (initial credit impairment) or is not the first time a debt security was credit-impaired (subsequent credit impairment).

(in thousands)		For the Three Months Ended March 31, 2018	
Beginning credit loss amount as of December 31, 2017		$	196,333
Add:	Initial other-than-temporary credit losses		
	Subsequent other-than-temporary credit losses		
	Amount previously recognized in AOCL		
Less:	Realized losses for securities sold		
	Securities intended or required to be sold		
	Increase in cash flows on debt securities		
Ending credit loss amount as of March 31, 2018		$	196,333

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The following table summarizes, by contractual maturity, the amortized cost of securities at March 31, 2018:

(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations	Average Yield	State, County, and Municipal	Average Yield [1]	Other Debt Securities [2]	Average Yield	Fair Value
Available-for-Sale Securities: [3]									
Due within one year	$	%	$ 199,678	1.70%	$ 149	6.51%	$	%	$ 199,581
Due from one to five years	950,910	3.37	6,950	3.84	292	6.63	48,548	3.74	1,019,714
Due from five to ten years	864,803	3.35	347,888	3.16			31,280	8.37	1,257,619
Due after ten years	688,384	3.09	123,750	3.23	69,676	2.88	48,242	4.02	915,038
Total securities available for sale	$ 2,504,097	3.29%	$ 678,266	2.75%	$ 70,117	2.90%	$ 128,070	4.98%	$ 3,391,952

(1) Not presented on a tax-equivalent basis.
(2) Includes corporate bonds and capital trust notes.
(3) As equity securities have no contractual maturity, they have been excluded from this table.

The following table presents securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of March 31, 2018:

	Less than Twelve Months		Twelve Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Securities:						
GSE certificates	$ 876,096	$ 14,756	$ 19,848	$ 1,108	$ 895,944	$ 15,864
GSE debentures	378,983	6,732			378,983	6,732
GSE CMOs	199,397	3,459			199,397	3,459
U. S. Treasury obligations	199,430	248			199,430	248
Municipal bonds	10,901	469	40,156	1,242	51,057	1,711
Capital trust notes			37,385	6,363	37,385	6,363
Equity securities	16,676	52	11,359	447	28,035	499
Total temporarily impaired securities	$ 1,681,483	$ 25,716	$ 108,748	$ 9,160	$ 1,790,231	$ 34,876

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The following table presents securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of December 31, 2017:

	Less than Twelve Months		Twelve Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Available-for-Sale Securities:						
GSE certificates	$ 232,546	$ 535	$ 20,440	$ 664	$ 252,986	$ 1,199
GSE debentures	333,045	2,665			333,045	2,665
GSE CMOs	118,694	826			118,694	826
U. S. Treasury obligations	199,898	62			199,898	62
Municipal bonds	11,169	259	41,054	542	52,223	801
Capital trust notes			35,105	8,632	35,105	8,632
Equity securities			11,545	261	11,545	261
Total temporarily impaired available-for-sale securities	$ 895,352	$ 4,347	$ 108,144	$ 10,099	$ 1,003,496	$ 14,446

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An OTTI loss on impaired debt 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.

At March 31, 2018, the Company had unrealized losses on certain GSE obligations, U.S. Treasury obligations, municipal bonds, capital trust notes, and equity securities. The unrealized losses on the Company s GSE obligations, U.S. Treasury obligations, municipal bonds, and capital trust notes at March 31, 2018 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 capital trust notes, as well as other information that is released by each of the issuers of such notes, to determine their continued creditworthiness. 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; net operating losses; and illiquidity in the financial markets.

The Company considers a decline in the fair value of 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 March 31, 2018 were 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 to the failure of the securities to fully recover in value as currently anticipated 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 both March 31, 2018 and December 31, 2017 consisted of six agency mortgage-related securities, five capital trust notes, two municipal bonds, and one mutual fund. At March 31, 2018, the fair value of securities having a continuous loss position for twelve months or more was 7.8% below the collective amortized cost of $117.9 million. At December 31, 2017, the fair value of such securities was 8.5% below the collective amortized cost of $118.2 million. At March 31, 2018 and December 31, 2017, the combined market value of the respective securities represented unrealized losses of $9.2 million and $10.1 million, respectively.

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Note 5: Loans

The following table sets forth the composition of the loan portfolio at the dates indicated:

(dollars in thousands)	March 31, 2018 Amount	March 31, 2018 Percent of Loans Held for Investment	December 31, 2017 Amount	December 31, 2017 Percent of Loans Held for Investment
Loans Held for Investment:				
Mortgage Loans:				
Multi-family	$ 28,656,234	73.74%	$ 28,074,709	73.19%
Commercial real estate	7,252,889	18.66	7,322,226	19.09
One-to-four family	465,704	1.20	477,228	1.24
Acquisition, development, and construction	441,767	1.14	435,825	1.14
Total mortgage loans held for investment	$ 36,816,594	94.74	$ 36,309,988	94.66
Other Loans:				
Commercial and industrial	1,377,766	3.55	1,377,964	3.59
Lease financing, net of unearned income of $61,251 and $65,041, respectively	657,264	1.69	662,610	1.73
Total commercial and industrial loans (1)	2,035,030	5.24	2,040,574	5.32
Other	8,230	0.02	8,460	0.02
Total other loans held for investment	2,043,260	5.26	2,049,034	5.34
Total loans held for investment	$ 38,859,854	100.00%	$ 38,359,022	100.00%
Net deferred loan origination costs	29,569		28,949	
Allowance for losses on non-covered loans	(161,140)		(158,046)	
Loans held for investment, net	$ 38,728,283		$ 38,229,925	
Loans held for sale	31,402		35,258	
Total loans, net	$ 38,759,685		$ 38,265,183	

(1) Includes specialty finance loans of $1.5 billion at March 31, 2018 and December 31, 2017, and other C&I loans of $522.0 million and $500.8 million, respectively, at March 31, 2018 and December 31, 2017.

Loans

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 with rent-regulated units and below-market rents. In addition, the Company originates 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.

To a lesser extent, the Company also originates one-to-four family loans, ADC loans, and C&I loans, for investment. One-to-four family loans held for investment were originated through the Company s mortgage banking operation and primarily consisted of jumbo prime adjustable rate mortgages made to borrowers with a solid credit history.

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, CRE properties, and ADC projects 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 service coverage 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 inspectors 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. In addition, the Company utilizes the same stringent appraisal process for ADC loans as it does for its multi-family and CRE loans.

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 typically 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 March 31, 2018 were loans of $56.8 million to officers, directors, and their related interests and parties. There were no loans to principal shareholders at that date.

Loans Held for Sale

At March 31, 2018 the Company had loans held for sale of $31.4 million as compared to $35.3 million at December 31, 2017. At March 31, 2018, loans held for sale consisted of $21.9 million of one-to-four family loans and a $9.5 million CRE loan. At December 31, 2017, all loans held for sale were one-to-four family loans.

Asset Quality

The following table presents information regarding the quality of the Company s loans held for investment at March 31, 2018:

(in thousands)	Loans 30-89 Days Past Due[1]	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	$	$ 11,881	$	$ 11,881	$ 28,644,353	$ 28,656,234
Commercial real estate	3,191	13,611		16,802	7,236,087	7,252,889
One-to-four family	397	1,949		2,346	463,358	465,704
Acquisition, development, and construction					441,767	441,767
Commercial and industrial[1] [2]						