NEW YORK COMMUNITY BANCORP INC
Form 10-K
March 02, 2018
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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, 2017	**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	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

615 Merrick Avenue, Westbury, New York 11590

(Address of principal executive offices) (Zip code)

(516) 683-4100

(Registrant s telephone number, including area code)

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

Common Stock, $0.01 par value,	
Bifurcated Option Note Unit SecuritiES SM, and Fixed-to-	
Floating Rate Series A Noncumulative Perpetual	
Preferred Stock, $0.01 par value	**New York Stock Exchange**
(Title of Class)	**(Name of exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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, a smaller reporting company, or an emerging growth company. See the definitions of accelerated filer, large accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	Accelerated Filer
Non-Accelerated Filer	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 Act). Yes No

As of June 30, 2017, the aggregate market value of the shares of common stock outstanding of the registrant was $6.2 billion, excluding 13,307,950 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, 2017, $13.13 per share, as reported by the New York Stock Exchange.

The number of shares of the registrant s common stock outstanding as of February 21, 2018 was 490,214,307 shares.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 5, 2018 are incorporated by reference into Part III.

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CROSS REFERENCE INDEX

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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, int plan, project, seek, strive, try, or future or conditional verbs such as will, would, should, could, ma 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, 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;

potential increases in costs if the Company is designated a Systemically Important Financial Institution under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act);

heightened regulatory focus on CRE concentration and related limits that have been, or may in the future be, imposed by regulators;

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 obtain timely shareholder and regulatory approvals of any merger transactions or corporate restructurings we may propose;

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

potential exposure to unknown or contingent liabilities of companies we have acquired, may acquire, or target for acquisition;

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

the ability to pay future dividends at currently expected rates;

the ability to hire and retain key personnel;

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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 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;

changes in our estimates of future reserves based upon the periodic review thereof under relevant regulatory and accounting requirements;

changes in regulatory expectations relating to predictive models we use in connection with stress testing and other forecasting or in the assumptions on which such modeling and forecasting are predicated;

- 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.

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.

Readers 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.

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 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. 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 CRE, and acquisition, development, and construction (ADC) loans divided by total risk-based capital.

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.

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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 (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 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 (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 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 (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

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

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NET INTEREST MARGIN

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

NON-ACCRUAL LOAN

A loan generally is classified as a non-accrual loan when it is 90 days or more past due or when 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 real estate owned by the Company which was acquired either through foreclosure or default. Repossessed assets are similar, except they are not real estate-related assets.

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 225 branches in Metro New York, New Jersey, Ohio, Florida, and Arizona, and the Commercial Bank currently has 30 branches in Metro New York.

Customers of the Commercial Bank may transact their business at any of our Community Bank branches, and Community Bank customers may transact their business at any of the 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 Federal Deposit Insurance Corporation (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 was approved by the NYSDFS on September 16, 2016 and, as of the date of this filing, was pending the approval of the FDIC. Upon completion of the pending merger, the 30 Commercial Bank branches will continue operations as branches of the Community Bank.

On March 17, 2017, we issued 515,000 shares of preferred stock. The offering generated capital of $502.8 million, net of underwriting and other issuance costs, for general corporate purposes, with the bulk of the proceeds being distributed to the Community Bank.

On July 28, 2017, the Company completed the previously announced sale of its one-to-four family residential mortgage-backed assets covered under its Loss Share Agreements (LSA) with the FDIC, to FirstKey Mortgage, LLC, an affiliate of Cerberus Capital Management, L.P. Additionally, on September 29, 2017, the Company completed the previously announced sale of its mortgage banking business, which was acquired as part of its 2009 FDIC assisted acquisition of AmTrust Bank (AmTrust) to Freedom Mortgage Corporation. The sale of the mortgage banking business effectively takes us out of the one-to-four family residential wholesale lending business.

New York Community Bank

Established in 1859, the Community Bank is a New York State-chartered savings bank with 225 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 seven 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 45 branches that operate under the name Garden State Community Bank. In Florida and Arizona, where we have 27 and 14 branches, respectively, we serve our customers through the AmTrust Bank division of the Community Bank. In Ohio, we serve our Community Bank customers through 28 branches of Ohio Savings Bank.

We also are a leading producer of multi-family loans in New York City, with an emphasis on non-luxury residential apartment buildings with rent-regulated units that 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.

New York Commercial Bank

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

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

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. 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, our specialty finance loans and leases are generally made to large corporate obligors that participate in stable industries nationwide.

Competition for Deposits

The combined population of the 26 counties where our branches are located is approximately 31.5 million, and the number of banks and thrifts we compete with currently exceeds 300. With total deposits of $29.1 billion at December 31, 2017, we ranked fourteenth among all bank and thrift depositories serving these 26 counties. We also ranked third among all banks and thrifts in Union County, New Jersey, and third among all banks and thrifts in Richmond, Queens, and Nassau Counties in New York. (Market share information was provided by S&P Global Market Intelligence.) 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.

We compete 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 225 Community Bank branches and 30 Commercial Bank branches, we have 271 ATM locations, including 247 that operate 24 hours a day. Our customers also have 24-hour access to their accounts through our bank-by-phone service, through mobile banking, and online through our three websites, www.myNYCB.com, www.NewYorkCommercialBank.com, and www.NYCBfamily.com. We also offer certain money market accounts, certificates of deposit (CDs), and checking accounts through a dedicated website: www.myBankingDirect.com.

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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 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, 2017 having marked the 158th 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 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.

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 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, 25 active subsidiary corporations. Of these, 18 are direct subsidiaries of the Community Bank and 7 are subsidiaries of Community Bank-owned entities.

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The 18 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
NYCB Mortgage Company, LLC	Delaware	Holding company for Walnut Realty Holding Company, LLC
NYCB Specialty Finance Company, LLC	Delaware	Originates asset-based, equipment financing, and dealer-floor plan loans
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
NYCB Insurance Agency, Inc.	New York	Receives revenues from third parties on the sale of non-deposit insurance products
Main Omni Realty Corp.	New York	Organized to own interests in real estate
NYB Realty Holding Company, LLC	New York	Holding company for subsidiaries owning an interest in real estate
RCBK Mortgage Corp.	New York	Organized to own interests in loans
RSB Agency, Inc.	New York	Sells non-deposit investment products
Richmond Enterprises, Inc.	New York	Holding company for Peter B. Cannell & Co., Inc.
Roslyn National Mortgage Corporation	New York	Formerly operated as a mortgage loan originator and servicer and currently holds an interest in its former office space
100 Duffy Realty, LLC	New York	Owns a back-office building

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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	Owns two back-office buildings
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
1400 Corp.	New York	Holding company for Roslyn Real Estate Asset Corp.
Prospect Realty Holding Company, LLC	New York	Owns a back-office building

There are 34 additional entities that are subsidiaries of a Community Bank-owned entity organized to own interests in real estate.

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

The one direct subsidiary of the Commercial Bank is:

Name	Jurisdiction of Organization	Purpose
Beta Investments, Inc.	Delaware	Holding company for Omega Commercial Mortgage Corp. and Long Island Commercial Capital Corp.

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

The Company owns special business trusts that were formed for the purpose of issuing capital and common securities and investing the proceeds thereof in the junior subordinated debentures issued by the Company. 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.

Personnel

At December 31, 2017, the number of full-time equivalent employees (FTEs) was 3,096, including 1,556 branch-related FTEs. 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. 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 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. The merger was approved by the NYSDFS on September 16, 2016 and is currently pending the approval of the FDIC.

For the fiscal year ended December 31, 2017, 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 to 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 the 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%.

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 non-accrual 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, subject to limitation, to be deducted from capital. 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 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 phase-in of the new capital conservation buffer requirement began 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.

In September 2017, the Federal Reserve Board, the FDIC, and the Office of the Comptroller of the Currency (OCC) proposed a rule intended to reduce regulatory burden by simplifying several requirements in the agencies regulatory capital rule. Most aspects of the proposed rule would apply only to banking organizations that are not subject to the advanced approaches in the capital rule, which are generally firms with less than $250 billion in total consolidated assets and less than $10 billion in total foreign exposure. The proposal would simplify and clarify a number of the more complex aspects of the existing capital rule. Specifically, the proposed rule simplifies the capital treatment for certain ADC loans, mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interest. A final rule has not yet been issued.

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 tier 1 leverage 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 a tier 1 leverage 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 a tier 1 leverage 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 tier 1 leverage ratio of less than 3%. An institution is deemed to be critically undercapitalized if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%.

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

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

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 state non-member banks and bank holding companies with total consolidated assets of more than $10 billion (covered institutions).

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 total consolidated assets average in excess of $50 billion over four consecutive quarters. At December 31, 2017, the four-quarter average of our total consolidated assets was $48.7 billion.

Stress Testing for Systemically Important Financial Institutions

Should the four-quarter average of our total consolidated assets exceed $50 billion (the current threshold for a Systemically Important Financial Institution, or SIFI), we would 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 SIFI s own capital stress testing, the FRB uses its own models to evaluate whether each SIFI 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 includes 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 SIFI, and uses such analytical techniques that the FRB determines to be appropriate to identify, measure, and monitor any risks of the SIFI that may affect the financial stability of the United States.

Boards of directors of SIFIs are required to review and approve capital plans before they are submitted to the FRB.

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).

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 as long as such exceptions are reviewed and justified appropriately. The FDIC Guidelines also list a number of lending situations in which exceptions to the loan-to-value standards are justified.

The FDIC, the OCC, 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. Specifically, the CRE Guidance provides that a bank has a concentration in CRE lending if (1) total reported loans for construction, land development, and other land represent 100% or more of total risk-based capital; or (2) total reported loans secured by multi-family properties, non-farm non-residential properties (excluding those that are owner-occupied), and loans for construction, land development, and other land represent 300% or more of total risk-based capital and the bank s CRE loan portfolio has increased 50% or more during the prior 36 months. If a concentration is present, management must employ heightened risk management practices that address key elements, including board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of CRE lending.

Throughout this report and others filed by the Company to disclose its consolidated financial condition and results of operations, the Company refers to its loans secured by non-farm non-residential properties as commercial real estate or CRE loans. In addition, it refers to its loans for construction, land development, and other land as acquisition, development, and construction or ADC loans.

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.

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 1.5 to 40 basis points of the institution s assessment base, which is calculated as average total assets minus average tangible equity.

In March 2016, the FDIC adopted final rules to impose a surcharge on the quarterly deposit insurance assessments of insured depository institutions with total consolidated assets of $10 billion or more, in order to fund the Dodd-Frank Act-mandated increase in the DIF s designated reserve ratio from 1.15% to 1.35%. The final rules became effective on July 1, 2016. The surcharge, which equals 4.5 basis points of the institution s deposit insurance assessment base, is in effect for assessments billed after the designated reserve ratio reaches 1.15%, and will continue until the reserve ratio reaches or exceeds 1.35%, but no later than December 31, 2018.

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 Regulations

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 required 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.

On January 30, 2017, the FRB issued a final rule that modified the CCAR capital plan and stress testing rules applicable to bank holding companies with $50 billion or more in total consolidated assets. The new rule excludes the capital plans of large and noncomplex CCAR firms from CCAR s qualitative review and provides that the capital plans of large and noncomplex CCAR firms will no longer be subject to potential objection on qualitative grounds.

The new rule also expands the transition period for new CCAR bank holding companies by (i) moving from December 31 to September 30 the cutoff date after which a new CCAR bank holding company must submit a capital plan by April 5 of the second year after it crosses the asset threshold (i.e., April 5, 2020 if it crosses the asset threshold after September 30, 2018) and (ii) providing that a new CCAR bank holding company will become subject to the CCAR stress testing rules in the year following the first year in which it submits a capital plan (i.e., 2021 if it crosses the asset threshold after September 30, 2018). As a result of the new rule, the Company may be required to expand its current capital planning beginning in 2020 and will be required to expand its current stress testing in 2021.

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 Superintendent prior to the acquisition of 10% or more of the voting stock of another banking institution, or to otherwise acquire a banking institution by merger or purchase.

Transactions with Affiliates

Under current federal law, transactions between depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act and the FRB s Regulation W promulgated thereunder. 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 New York State CRA ratings received by the Community Bank and the Commercial Bank were Outstanding and Satisfactory, respectively.

Bank Secrecy and Anti-Money Laundering

Federal laws and regulations impose obligations on U.S. financial institutions, including banks and broker/dealer subsidiaries, to implement and maintain appropriate policies, procedures, and controls that are reasonably designed to prevent, detect, and report instances of money laundering and the financing of terrorism, and to verify the identity of their customers. In addition, these provisions require the federal financial institution regulatory agencies to consider the effectiveness of a financial institution s anti-money laundering activities when reviewing bank mergers and bank holding company acquisitions. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals, and others. These are typically known as the OFAC rules, based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (OFAC). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with, or investment in, a sanctioned country, including prohibitions against direct or indirect imports from, and exports to, a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off, or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

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 2018, the Banks are required to maintain average daily reserves equal to 3% on aggregate transaction accounts of up to $122.3 million, plus 10% on the remainder, and the first $16.0 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, 2017, the Community Bank held $588.7 million of FHLB-NY stock and the Commercial Bank held $15.1 million of FHLB-NY stock.

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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.

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. 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 45 branches in New Jersey, 27 branches in Florida, 28 branches in Ohio, and 14 branches in Arizona, in addition to its 111 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, the ability to control in any manner the election of a majority of the Company s directors, or the power to exercise a controlling influence over the management or policies of the Company. Under the BHCA, 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. 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.

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 and enforce 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 the efforts made by the Enterprise Risk Management (ERM) department to identify, measure, monitor, mitigate and report risk. The Company has established an ERM program that reinforces a strong risk culture to support sound risk management practices. The Board is responsible for the approval and oversight of the ERM program and framework. Our risk management framework is designed to conform with the principles set forth in the Internal Control-Integrated Framework (2013) established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

ERM is responsible for setting and aligning the Company s Risk Appetite Statement with the goals and objectives set forth in the Strategic and Capital Plans. Internal controls and ongoing monitoring processes capture and address heightened risks that threaten the Company s ability to achieve our goals and objectives, including the recognition of safety and soundness concerns and consumer protection. Additionally, ERM monitors and reports on key risk indicators against the established risk warning levels and limits, as well as elevated risks identified 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 business decisions; (7) operational risk, which arises from problems with service or product delivery; and (8) reputational risk, which arises from negative public opinion.

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. The failure to properly identify, monitor, and mitigate any of the below referenced risks, could result in increased regulatory risk and could potentially have an adverse impact on the Company. 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 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 income we receive on our multi-family and CRE loans. Because prepayment income is recorded as interest income, the extent to which it increases or decreases during any given period could have a significant impact on the level of net interest income and net income we generate during that time.

Also, 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.

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 loan losses, and therefore reduce our earnings.

The 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 other loans we produce for investment. Our credit risk would ordinarily be expected to increase with the growth of our multi-family and CRE 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 other C&I 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 held-for-investment 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 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, CRE, and ADC loans, and the majority of the businesses collateralizing our other C&I loans, are located could have an adverse impact on our financial condition and results of operations.

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

Accordingly, the ability of our borrowers to repay their loans, and the value of the collateral securing such loans, may be significantly affected by economic conditions in this region, 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.

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Our allowance for losses on 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 loans. The process of determining whether or not this allowance is sufficient to cover potential 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 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 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 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 loan loss allowance or in loan charge-offs as required by such regulatory authorities could have a material adverse effect on our financial condition and results of operations.

Liquidity Risks

Failure to maintain an adequate level of liquidity could result in an inability to fulfill our financial obligations and also could subject us to material reputational and 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-NY 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 would also lower our net interest income and results of operations.

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-NY 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.

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).

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. The proposed rule was finalized on December 19, 2016.

The modified LCR is a minimum requirement, and the FRB can impose additional liquidity requirements as a supervisory matter.

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.

Dividends on the Series A Preferred Stock are discretionary and noncumulative, and may not be paid if such payment will result in our failure to comply with all applicable laws and regulations, or if we fail to obtain the non-objection of the FRB with respect to the declaration of dividends.

Dividends on the Series A Preferred Stock are discretionary and noncumulative. If our Board of Directors (or any duly authorized committee of the Board) does not authorize and declare a dividend on the Series A Preferred Stock for any dividend period, holders of the depositary shares will not be entitled to receive any dividend for that dividend period, and the unpaid dividend will cease to accrue and be payable. We have no obligation to pay dividends accrued for a dividend period after the dividend payment date for that period if our Board of Directors (or any duly authorized committee thereof) has not declared a dividend before the related dividend payment date, whether or not dividends on the Series A Preferred Stock or any other series of our preferred stock or our common stock are declared for any future dividend period. Additionally, under the FRB s capital rules, dividends on the Series A Preferred Stock may only be paid out of our net income, retained earnings, or surplus related to other additional tier 1 capital instruments.

In addition, throughout 2017, the Company was required to receive a non-objection from the FRB to pay cash dividends on its outstanding common stock, and the FRB has advised the Company to continue the exchange of written documentation to obtain their non-objection to the declaration of any dividends, including any dividends on the Series A Preferred Stock. There can be no guarantee that the FRB will approve any requested dividends on the Series A Preferred Stock. Further, if payment of dividends on Series A Preferred Stock for any dividend period would cause the Company to fail to comply with any applicable law or regulation, or any agreement we may enter into with our regulators from time to time, we will not declare or pay a dividend for such dividend period. In such a case, holders of the depositary shares will not be entitled to receive any dividend for that dividend period, and the unpaid dividend will cease to accrue and be payable.

In addition, if the Company were to become a SIFI, as defined in the current regulations, we would become subject to regulations under the Dodd-Frank Act that may limit the amount of capital that can be distributed by the Company from time to time. These would include a requirement to submit an annual capital plan to the FRB describing proposed capital distributions and obtaining a non-objection from the FRB. At December 31, 2017, the four-quarter average of our total consolidated assets was $48.7 billion. Based on the current regulations, the Company will become a SIFI if our total consolidated assets average, meets or exceeds $50 billion over four consecutive quarters.

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 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.

Should the average of our total consolidated assets over four consecutive quarters pass the current SIFI threshold of $50 billion, we would expect to be subject to stricter prudential standards required by the Dodd-Frank Act for large bank holding companies.

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

On December 18, 2017, the Senate Banking Committee passed a bipartisan regulatory reform bill, the Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155). Among many other provisions, the bill would raise the designation as a SIFI to $250 billion in assets from $50 billion, end company run stress tests for banks under

$250 billion in assets, and simplify capital calculations for community banks. There is no guarantee that the bill will pass or that it will pass in its current form.

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

Such regulation and supervision governs the activities in which a bank holding company and its banking subsidiaries may engage, and are intended primarily for the protection of the Deposit Insurance Fund (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.

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

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 interest rate, credit, 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 loan portfolios.

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 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.

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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 investor sentiment 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.

Limitations on our ability to grow our portfolios of multi-family and CRE loans could adversely affect our ability to generate interest income, as well our financial condition and results of operations, perhaps materially.

Although we also originate ADC and C&I loans, and invest in securities, our portfolios of multi-family and CRE loans represent the largest portion of our asset mix (92.2% of total loans as of December 31, 2017). Our position in these markets has been instrumental to our production of solid earnings and our consistent record of exceptional asset quality. In view of the heightened regulatory focus on CRE concentration, we monitor the ratio of our multi-family, CRE, and ADC loans (as defined in the CRE Guidance) to our total risk-based capital to ensure that it remains within the 850% limit we have agreed to with our regulators. Were the ratio to exceed that limit, we would act to rectify it, either by reducing our multi-family, CRE, and ADC loan production and/or by raising additional capital. Either of these actions could have an adverse impact on our net interest income and our earnings capacity, as would any further regulatory limitations on our CRE lending. (See the discussion on CRE Guidance that appears in FDIC Regulations Real Estate Lending Standards under Regulation and Supervision earlier in this report.)

The inability to engage in merger transactions, or to realize the anticipated benefits of acquisitions in which we might engage, 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 it is possible that we will look to acquire other financial institutions, financial service providers, or branches of banks in the future.

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Our ability to engage in future mergers and acquisitions would depend on our ability to identify suitable merger partners and acquisition opportunities, our ability to finance and complete negotiated transactions at acceptable prices and on acceptable terms, and our ability to obtain the necessary shareholder and regulatory approvals.

If we are unable to engage in or complete a desired acquisition or merger transaction, 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

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.

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. 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

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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. Throughout 2017, the Company was required to receive a non-objection from the FRB to pay cash dividends on its outstanding common stock, and the FRB has advised the Company to continue the exchange of written documentation to obtain their non-objection to the declaration of dividends. While we pay our quarterly cash dividend in compliance with current regulations, such regulations could change in the future. In addition, if the Company were to become a SIFI institution, as defined in the current regulations, we would become 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, and those maintained and provided to us by third party service providers, 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. With the rise and permeation of online and mobile banking, the financial services industry in particular faces substantial cybersecurity risk due to the type of sensitive information provided by customers. Our systems and those of our third-party service providers and customers are under constant threat, and it is possible that we or they could experience a significant event in the future that could adversely affect our business or operations.

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.

While we diligently assess applicable regulatory and legislative developments affecting our business, laws and regulations relating to cybersecurity have been frequently changing, imposing new requirements on us, such as the recently adopted New York State Department of Financial Services Cybersecurity Requirements for Financial Services Companies regulation. In light of these conditions, we face the potential for additional regulatory scrutiny that will lead to increasing compliance and technology expenses and, in some cases, possible limitations on the achievement of our plans for growth and other strategic objectives.

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. Additional expenditures may be required for third-party expert consultants or outside counsel.

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. We maintain disclosure controls and procedures to ensure we will timely and sufficiently notify our investors of material cybersecurity risks and incidents, including the associated financial, legal, or reputational consequence of such an event, as well as reviewing and updating any prior disclosures relating to the risk or event.

While we have established information security policies and procedures, including an Incident Response Plan, to prevent or limit the impact of systems failures and interruptions, we may not be able to anticipate all possible security breaches that could affect our systems or information and there can be no assurance that such events will not occur or will be adequately prevented or mitigated if they do.

We maintain policies and procedures to prevent directors, certain officers, and corporate insiders from trading stock after being made aware of a material cybersecurity incident and to control the distribution of information about cybersecurity events that could constitute material information to the Company; however, we cannot be certain that a corporate insider who becomes aware of a Company material cybersecurity incident does not undertake to buy or sell Company stock before information about the incident becomes publicly available.

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.

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.

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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.

ITEM 2. PROPERTIES

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. We also utilize other branch and back-office locations in those states, and in New Jersey and Arizona, under various lease and license agreements that expire at various times. (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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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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, 2017, the number of outstanding shares was 488,490,352 and the number of registered owners was approximately 11,868. 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 2017 and 2016:

	Dividends Declared per Common Share	Market Price High	Market Price Low	Market Price Close
2017				
1st Quarter	$0.17	$ 16.26	$ 13.67	$ 13.97
2nd Quarter	0.17	14.12	12.61	13.13
3rd Quarter	0.17	13.48	11.67	12.89
4th Quarter	0.17	13.76	11.94	13.02
2016				
1st Quarter	$0.17	$ 16.17	$ 14.32	$ 15.90
2nd Quarter	0.17	15.97	14.25	14.99
3rd Quarter	0.17	15.49	14.05	14.23
4th Quarter	0.17	17.67	13.74	15.91

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

On June 16, 2017, 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, 2017 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 395 bank and thrift institutions, including the Company. S&P Global Market Intelligence 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, 2012 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, 2012

ASSUMES DIVIDEND REINVESTED

FISCAL YEAR ENDING DECEMBER 31, 2017

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
New York Community Bancorp, Inc.	$ 100.00	$ 137.85	$ 139.58	$ 151.05	$ 154.30	$ 132.87
S&P Mid-Cap 400 Index	$ 100.00	$ 133.50	$ 146.54	$ 143.35	$ 173.08	$ 201.20
SNL U.S. Bank and Thrift Index	$ 100.00	$ 136.92	$ 152.85	$ 155.94	$ 196.86	$ 231.49

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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, 2017, the Company allocated $18.5 million toward the repurchase of shares of its common stock, including $7.5 million 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 2017	648,793	$15.62	$ 10,132
Second Quarter 2017	37,414	13.43	502
Third Quarter 2017	26,670	12.89	344
Fourth Quarter 2017:			
October	7,399	12.88	95
November	2,686	12.86	35
December	561,411	13.10	7,355
Total Fourth Quarter 2017	571,496	13.10	7,485
2017 Total	1,284,373	$14.37	$ 18,463

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, 2017. 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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ITEM 6. SELECTED FINANCIAL DATA

	At or For the Years Ended December 31,				
(dollars in thousands, except share data)	2017	2016	2015	2014	2013
EARNINGS SUMMARY:					
Net interest income [1]	$ 1,130,003	$ 1,287,382	$ 408,075	$ 1,140,353	$ 1,166,616
Provision for (recovery of) losses on non-covered loans	60,943	11,874	(3,334)		18,000
(Recovery of) provision for losses on covered loans	(23,701)	(7,694)	(11,670)	(18,587)	12,758
Non-interest income	216,880	145,572	210,763	201,593	218,830
Non-interest expense:					
Operating expenses [2]	641,218	638,109	615,600	579,170	591,778
Amortization of core deposit intangibles	208	2,391	5,344	8,297	15,784
Debt repositioning charge			141,209		
Merger-related expenses		11,146	3,702		
Total non-interest expense	641,426	651,646	765,855	587,467	607,562
Income tax expense (benefit)	202,014	281,727	(84,857)	287,669	271,579
Net income (loss) [3]	466,201	495,401	(47,156)	485,397	475,547
Preferred stock dividends	24,621				
Net income available to common shareholders	441,580	495,401	(47,156)	485,397	475,547
Basic earnings (loss) per common share [3]	$0.90	$1.01	$(0.11)	$1.09	$1.08
Diluted earnings (loss) per common share [3]	0.90	1.01	(0.11)	1.09	1.08
Dividends paid per common share	0.68	0.68	1.00	1.00	1.00
SELECTED RATIOS:					
Return on average assets [3]	0.96%	1.00%	(0.10)%	1.01%	1.07%
Return on average common stockholders equity [3]	7.12	8.19	(0.81)	8.41	8.46
	12.76	12.28	11.90	12.01	12.66

Average common stockholders equity to average assets					
Operating expenses to average assets (2)	1.32	1.29	1.26	1.21	1.33
Efficiency ratio (1)(2)	47.61	44.53	99.48	43.16	42.71
Net interest rate spread (1)	2.47	2.85	0.69	2.57	2.90
Net interest margin (1)	2.59	2.93	0.94	2.67	3.01
Common dividend payout ratio	75.56	67.33		91.74	92.59
BALANCE SHEET SUMMARY:					
Total assets	$ 49,124,195	$ 48,926,555	$ 50,317,796	$ 48,559,217	$ 46,688,287
Loans, net of allowances for loan losses	38,265,183	39,308,016	38,011,995	35,647,639	32,727,507
Allowance for losses on non-covered loans	158,046	158,290	147,124	139,857	141,946
Allowance for losses on covered loans		23,701	31,395	45,481	64,069
Securities	3,531,427	3,817,057	6,173,645	7,096,450	7,951,020
Deposits	29,102,163	28,887,903	28,426,758	28,328,734	25,660,992
Borrowed funds	12,913,679	13,673,379	15,748,405	14,226,487	15,105,002
Common stockholders equity	6,292,536	6,123,991	5,934,696	5,781,815	5,735,662
Common shares outstanding	488,490,352	487,056,676	484,943,308	442,587,190	440,809,365
Book value per common share	$12.88	$12.57	$12.24	$13.06	$13.01
Common stockholders equity to total assets	12.81%	12.52%	11.79%	11.91%	12.29%
ASSET QUALITY RATIOS (excluding covered assets and non-covered purchased credit-impaired loans):					
Non-performing non-covered loans to total non-covered loans	0.19%	0.15%	0.13%	0.23%	0.35%
Non-performing non-covered assets to total non-covered assets	0.18	0.14	0.13	0.30	0.40
Allowance for losses on non-covered loans to non-performing non-covered loans	214.50	277.19	310.08	181.75	137.10
Allowance for losses on non-covered loans	0.41	0.42	0.41	0.42	0.48

to total non-covered loans					
Net charge-offs (recoveries) to average loans (4)	0.16	0.00	(0.02)	0.01	0.05
ASSET QUALITY RATIOS (including covered assets and non-covered purchased credit-impaired loans): (5)					
Total non-performing loans to total loans	0.19%	0.48%	0.49%	0.66%	0.97%
Total non-performing assets to total assets	0.18	0.44	0.45	0.68	0.91
Allowances for loan losses to total non-performing loans	214.50	96.39	96.51	78.92	65.40
Allowances for loan losses to total loans	0.41	0.47	0.47	0.52	0.63

(1) The 2015 amount reflects the impact of a $773.8 million debt repositioning charge recorded as 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 as interest expense and non-interest expense, combined.

(4) Average loans include covered loans.

(5) At December 31, 2017, the Company had no covered assets.

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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 Y 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 225 branches in Metro New York, New Jersey, Ohio, Florida, and Arizona, and New York Commercial Bank, with 30 branches in Metro New York. At December 31, 2017, we had total assets of $49.1 billion, including total loans of $38.4 billion, total deposits of $29.1 billion, and total stockholders equity of $6.8 billion.

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. For the twelve months ended December 31, 2017, the Company reported net income of $466.2 million compared to $495.4 million for the twelve months ended December 31, 2016, down 6%. Net income available to common shareholders totaled $441.6 million, down 11% from the $495.4 million reported for the twelve months ended December 31, 2016. Diluted earnings per common share were $0.90 for the twelve months ended December 31, 2017, as compared to $1.01 per diluted common share for the twelve months ended December 31, 2016, down 11%.

Additionally, we maintained our status as a well-capitalized institution with regulatory capital ratios that rose year-over-year. We also engaged in strategies that were consistent with our business model, as further described below:

We Resumed Our Balance Sheet Growth

After not growing our balance sheet over the past three years, the Company resumed its organic balance sheet strategy in the fourth quarter of 2017. Compared to the third quarter of 2017, total assets grew at an annualized rate of 5.5% to $49.1 billion. This growth was achieved through a combination of securities and loan growth. Total securities increased by $500.4 million or 16.5% (not annualized) to $3.5 billion, while total non-covered loans held for investment increased by $881.8 million, or 9.4% annualized. At the same time, we significantly curtailed the practice of selling loans to other financial institutions. While we recorded strong growth to end the year, we still managed to stay below the Systemically Important Financial Institution (SIFI) threshold of $50 billion. For the four quarters ended December 31, 2017, the Company s total consolidated assets averaged $48.7 billion.

We Maintained a Strong Presence in our Multi-Family Lending Niche

In 2017, we originated $8.9 billion of loans for investment, including $5.4 billion of our core multi-family product, $1.0 billion of commercial real estate (CRE) loans, and $1.8 billion of specialty finance loans. The increase occurred in the latter half of the year, with most of it arising in the fourth quarter of 2017, as total originations of held-for-investment loans increased 52% as compared to the fourth quarter of 2016. This includes origination growth of 76% for our multi-family loans, 21% for our CRE loans, and 53% for our specialty finance loans.

Strategic Asset Sale

On June 27, 2017, the Company announced that it had entered into an agreement to sell its mortgage banking business, which was acquired as part of its 2009 FDIC-assisted acquisition of AmTrust Bank (AmTrust), to Freedom Mortgage Corporation. This sale included both our origination and servicing platforms, as well as our mortgage servicing rights portfolio. Additionally, the Company received approval from the FDIC to sell the assets covered under our Loss Share Agreements (LSA) and entered into an agreement to sell the majority of our one-to-four family residential mortgage-related assets, including those covered under the LSA, to an affiliate of Cerberus Capital Management, L.P. (Cerberus). Both transactions were completed during the third quarter.

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We Maintained our Record of Exceptional Asset Quality

Non-performing non-covered assets represented $90.1 million, or 0.18%, of total non-covered assets at the end of this December, and non-performing non-covered loans represented $73.7 million, or 0.19%, of total non-covered loans. While our level of non-performing assets was modestly higher than the year-earlier level, the increase stemmed from the transfer to non-accrual status of certain taxi medallion-related loans. The performance of our multi-family and CRE loans, which are our principal assets, continued to be exceptional over the course of the year.

Also reflecting the quality of our assets was the level of net charge-offs we recorded in the twelve months ended December 31, 2017. Net charge-offs represented $61.2 million, or 0.16% of average loans, and largely consisted of taxi medallion-related loans.

External Factors

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

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 CMT). The following table summarizes the high, low, and average five- and ten-year CMT rates in 2017 and 2016:

	Constant Maturity Treasury Rates			
	Five-Year		Ten-Year	
	2017	2016	2017	2016
High	2.26%	2.10%	2.62%	2.60%
Low	1.63	0.94	2.05	1.37
Average	1.91	1.33	2.33	1.84

Because the multi-family and CRE loans we produce generate income when they prepay (which is recorded as interest income), the impact of repayment activity can be especially meaningful. In 2017, prepayment income from loans contributed $47.0 million to interest income; in the prior year, the contribution was $60.9 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 generally 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	
	2017	2016
Unemployment rate:		
United States	3.9%	4.5%
New York City	3.9	4.4
Arizona	4.6	4.7
Florida	3.7	4.7
New Jersey	4.1	4.2
New York	4.4	4.5
Ohio	4.5	4.8

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

	For the Twelve Months Ended December	
	2017	2016
Change in prices:	2.1%	2.1%

Economic activity also is indicated by the Consumer Confidence Index®, which moved up to 122.1 in December 2017 from 113.7 in December 2016. An index level of 90 or more is considered indicative of a strong economy.

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), are important in view of the fact that 63.6% of our multi-family loans and 69.3% of our CRE loans are secured by properties in New York City, with Manhattan accounting for 26.4% and 50.7% of our multi-family and CRE loans, respectively.

As reflected in the following table, the residential rental vacancy rate in New York and the office vacancy rate in Manhattan were both lower in the three months ended December 31, 2017 than they were in the three months ended December 31, 2016:

	For the Three Months Ended December 31,	
	2017	2016
Residential rental vacancy rate in New York	4.9%	5.4%
Manhattan office vacancy rate	10.1	10.4

Recent Events

Dividend Declaration

On January 30, 2018, the Board of Directors declared a quarterly cash dividend on the Company s common stock of $0.17 per share, payable on February 27, 2018 to common shareholders of record at the close of business on February 13, 2018.

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 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.

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, 2017 and December 31, 2016 was 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 cost 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.

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;

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

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

The historical loss period we use to determine the allowance for loan losses on non-covered loans is a rolling 28-quarter look-back period, as we believe this produces an appropriate reflection of our historical loss experience.

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.

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.

Goodwill Impairment

We have significant intangible assets related to goodwill. In connection with our acquisitions, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill represents the excess of the purchase price of our acquisitions over the fair value of identifiable net assets acquired, including other identified intangible assets. Our goodwill is evaluated for impairment annually as of year-end or more frequently if conditions exist that indicate that the value may be impaired. Our determination of whether or not goodwill is impaired requires us to make significant judgments and requires us to use significant estimates and assumptions regarding estimated future cash flows. If we change our strategy or if market conditions shift, our judgments may change, which may result in adjustments to the recorded goodwill balance.

We test our goodwill for impairment at the reporting unit level. These impairment evaluations are performed by comparing the carrying value of the goodwill of a reporting unit to its estimated fair value. We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. We had previously identified two reporting units: our Banking Operations reporting unit, and our Residential Mortgage Banking reporting unit. On September 29, 2017, the Company sold the Residential Mortgage Banking reporting unit. Our reporting units are the same as our operating segments and reportable segments.

For annual goodwill impairment testing, we have the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill and other intangible assets. If we conclude that this is the case, we must perform the two-step test described below. If we conclude based on the qualitative assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we have completed our goodwill impairment test and do not need to perform the two-step test.

Step one requires the fair value of each reporting unit is compared to its carrying value in order to identify potential impairment. If the fair value of a reporting unit exceeds the carrying value of its net assets, goodwill is not considered impaired and no further testing is required. If the carrying value of the net assets exceeds the fair value of a reporting unit, potential impairment is indicated at the reporting unit level and step two of the impairment test is performed.

Step two requires that when potential impairment is indicated in step one, we compare the implied fair value of goodwill with the carrying amount of that goodwill. Determining the implied fair value of goodwill requires a valuation of the reporting unit s tangible and (non-goodwill) intangible assets and liabilities in a manner similar to the allocation of the purchase price in a business combination. Any excess in the value of a reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

As of December 31, 2017, we had goodwill of $2.4 billion. During the year ended December 31, 2017, no triggering events were identified that indicated that the value of goodwill may be impaired. The Company performed its annual goodwill impairment assessment as of December 31, 2017 using step one of the quantitative test and found no indication of goodwill impairment at that date.

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.

On December 22, 2017 the federal Tax Cuts and Jobs Act, (the Tax Reform Act) was enacted into law. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things, lowering of the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. U.S. GAAP requires that the impact of tax legislation be recognized in the period in which the law was enacted. As a result of the Tax Reform Act, the Company recorded a tax benefit of $42 million due to the net impact of remeasurement of tax attributes affected by the Tax Reform Act.

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.

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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.

FINANCIAL CONDITION

Balance Sheet Summary

At December 31, 2017, we recorded total assets of $49.1 billion, a $197.6 million increase from the balance at December 31, 2016. Loans, net, and securities represented $38.3 billion and $3.5 billion, respectively, of the December 31st balance and were down $1.0 billion and $285.6 million, respectively, from the prior year-end balances. The main reason for the decline in loan balances was due to the sale, during the year, of our covered loan portfolio, which totaled $1.7 billion at December 31, 2016. Excluding this sale, total non-covered loans, net, were $38.3 billion at the current year-end, up $631.6 million or 1.7% from the prior year-end.

Total deposits and borrowed funds were $29.1 billion and $12.9 billion, respectively, at December 31, 2017. Deposits increased $214.3 million, or 0.7%, as compared to the prior year-end, while wholesale borrowings declined 5.7% or $760.0 million versus the balance at December 31, 2016.

Total stockholders equity rose $671.4 million from the year-end 2016 balance, due primarily to a $502.8 million preferred stock offering in March of 2017. Common stockholders equity represented 12.81% of total assets at December 31, 2017 compared to 12.52% at December 31, 2016. Book value per common share was $12.88 at December 31, 2017 compared to $12.57 at December 31, 2016.

Loans

Total loans declined $1.0 billion year-over-year to $38.4 billion, representing 78.2% of total assets at December 31, 2017. Included in the 2016 year-end amount were covered loans of $1.7 billion. Given the sale of those loans during 2017, the Company did not have any covered loans as of December 31, 2017 and only $35.3 million of non-covered loans held for sale compared to non-covered loans held for sale of $409.2 million at December 31, 2016.

Covered Loans

As previously discussed, the Company sold its covered loan portfolio during the third quarter of 2017; therefore, the Company does not have any covered loans outstanding as of December 31, 2017. Covered loans at December 31, 2016 were $1.7 billion.

Non-Covered Loans Held for Investment

The majority of the loans we produce are loans held for investment and most of the held-for-investment loans we produce are multi-family loans. Our production of multi-family loans began several decades ago in the five boroughs of New York City, where the majority of the rental units currently consist of rent-regulated apartments featuring below-market rents.

In addition to multi-family loans, our portfolio of loans held for investment contains a large number of CRE credits, most of which are secured by income-producing properties located in New York City and on Long Island.

In addition to multi-family loans and CRE loans, our portfolio includes substantially smaller balances of one-to-four family loans, ADC loans, and other loans held for investment, with commercial and industrial (C&I) loans comprising the bulk of the other loan portfolio. Specialty finance loans and leases account for most of our C&I credits, with the remainder consisting primarily of loans to small and mid-size businesses, referred to as other C&I loans.

At December 31, 2017, loans secured by multi-family, non-owner occupied CRE, and ADC properties represented 742.1% of the consolidated Banks total risk-based capital, within our limit of 850%.

In 2017, we originated $8.9 billion of held-for-investment loans, a $264.0 million decrease from the prior year. A major reason for this decline was related to a drop in one-to-four family originations, as we exited that business in the third quarter of the year. During 2017, we sold $429.4 million of held-for-investment loans, largely through participations, as compared to $1.7 billion in 2016. The decline in loan sales is consistent with the Company s strategy of resuming growth in the second half of 2017. In 2017, sales of such loans produced net gains of $1.2 million as compared to $15.8 million in 2016.

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 feature rent-regulated units and below-market rents a market we refer to as our primary lending niche. Consistent with our emphasis on multi-family lending, multi-family loan originations represented $5.4 billion, or 60.3%, of the loans we produced for investment in 2017. The latter amount was $307.2 million, or 5%, lower than the prior year s volume.

At December 31, 2017, multi-family loans represented $28.1 billion, or 73.2%, of total non-covered loans held for investment, reflecting a year-over-year increase of $1.1 billion, or 4.2%.

At December 31, 2017 and 2016, respectively, the average multi-family loan had a principal balance of $5.8 million and $5.5 million; the expected weighted average life of the portfolio was 2.6 years and 2.9 years at the respective dates.

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

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

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

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 net 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 income, as such income is only recorded when cash is received.

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

At December 31, 2017, the majority of our multi-family loans were secured by rental apartment buildings. In addition, 63.6% of our multi-family loans were secured by buildings in New York City and 5.3% 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 (i.e., the LTV) of the property.

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. Our multi-family loans generally represent no more than 75% of the lower of the appraised value or the sales price of the underlying property, and typically feature an amortization period of 30 years. In addition, our multi-family loans may contain an initial interest-only period which typically does not exceed two years; however, these loans are underwritten on a fully amortizing basis.

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, 2017, CRE loans represented $7.3 billion, or 19.1%, of total loans held for investment, as compared to $7.7 billion, or 20.7%, at December 31, 2016. The growth of the portfolio was tempered by prepayment activity during the year. The average CRE loan had a principal balance of $5.7 million at the end of this December, as compared to $5.6 million at the prior year-end. In addition, the portfolio had an expected weighted average life of 3.0 years and 3.4 years at the corresponding dates.

CRE loans represented $1.0 billion, or 11.7%, of the loans we produced in 2017 for investment, as compared to $1.2 billion, or 12.9%, 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, 2017, 69.3% of our CRE loans were secured by properties in New York City, while properties on Long Island accounted for 11.8%. Other parts of New York State accounted for 2.6% of the properties securing our CRE credits, while all other states accounted for 16.3%, combined.

The terms of our CRE loans are similar to the terms of our multi-family credits. While a small percentage of our CRE loans feature ten-year fixed-rate terms, they primarily feature a fixed rate of interest for the first five or seven years of the loan that is generally based on intermediate-term interest rates plus a spread. During years six through ten or eight through twelve, the loan resets to an annually adjustable rate that is tied to the prime rate of interest, plus a spread. Alternately, the borrower may opt for a fixed rate that is tied to the five-year fixed advance rate of the FHLB-NY plus a spread. The fixed-rate option also requires the payment of an amount equal to one percentage point of the then-outstanding loan balance. In either case, the minimum rate at repricing is equivalent to the rate in the initial five- or seven-year term.

Prepayment penalties apply to our CRE loans, as they do our multi-family credits. Depending on the remaining term of the loan at the time of prepayment, the penalties normally range from five percentage points to one percentage point of the then-current loan balance. If a loan extends past the fifth or seventh year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of five points to one point over years six through ten or eight through twelve. Our CRE loans tend to refinance within three to four years of origination, 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. In addition, our CRE loans may contain an interest-only period which typically does not exceed three years; however, these loans are underwritten on a fully amortizing basis.

One-to-Four Family Loans

At December 31, 2017, one-to-four family loans represented $477.2 million, or 1.2%, of total loans held for investment, as compared to $381.1 million, or 1.0%, at the prior year-end. The year-over-year increase was due to certain mixed use CRE loans with less than five residential units being classified as one-to-four family loans. Other than these types of loans, we do not currently expect to originate one-to-four family loans.

The majority of the one-to-four family loans we produced for investment were prime jumbo adjustable-rate mortgage loans made at conservative LTVs to borrowers with high credit ratings. Originations of one-to-four family loans dropped $179.1 million year-over-year to $124.8 million, as we exited this line of business. Such loans continued to represent a small portion (1.4%) of the held-for-investment loans we produced in 2017.

Acquisition, Development, and Construction Loans

At December 31, 2017, ADC loans represented $435.8 million, or 1.1%, of total loans held for investment, as compared to $381.2 million, or 1.0%, at the prior year-end. Originations of ADC loans totaled $77.2 million in 2017, down $73.0 million from the year-earlier amount.

At December 31, 2017, 43.1% of the loans in our ADC portfolio were for land acquisition and development; the remaining 56.9% 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, 2017, 77.4% of our ADC loans were for properties in New York City.

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, 2017 and 2016, we recovered losses against guarantees of $601,000 and $337,000, respectively. 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 properties meet pre-sale or pre-lease requirements prior to funding.

C&I Loans

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

Specialty Finance Loans and Leases

At December 31, 2017 and 2016, specialty finance loans and leases represented $1.5 billion and $1.3 billion, respectively, of total loans held for investment, and $1.8 billion and $1.3 billion, respectively, of the C&I loans produced over the course of those years.

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. Asset-based and dealer floor-plan loans are priced at floating rates predominately tied to LIBOR, while our equipment financing credits are priced at fixed rates at a spread over Treasuries.

Since launching our specialty finance business in the third quarter of 2013, no losses have been recorded on any of the loans or leases in this portfolio.

Other C&I Loans

In the twelve months ended December 31, 2017, other C&I loans declined $132.1 million to $500.8 million, and represented $511.4 million of the held-for-investment loans we produced. Included in the balance at year-end 2017 were taxi medallion-related loans of $99.1 million. The portfolio of taxi medallion-related loans represented 0.26% of total held-for-investment loans at December 31, 2017.

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 much 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.

Other Loans

At December 31, 2017, other loans totaled $8.5 million and consisted primarily of a variety of consumer loans, most of which were overdraft loans, and loans to non-profit organizations. 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 approved by the Management Credit Committee, the Mortgage and Real Estate Committee of the Community Bank (the Mortgage Committee), the Credit Committee of the Commercial Bank (the Credit Committee), and the respective Boards of Directors of the Banks.

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Prior to 2017, all loans originated by the Banks were presented to the Mortgage Committee or the Credit Committee, as applicable. Furthermore, 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, were reported to the applicable Board of Directors.

Effective January 27, 2017, all loans other than C&I loans less than or equal to $3.0 million are required to be presented to the Management Credit Committee for approval. All multi-family, CRE, and other C&I loans in excess of $5.0 million, and specialty finance loans in excess of $15.0 million, are also required to be presented to the Mortgage Committee or the Credit Committee, as applicable, so that the Committees can review the loans associated risks. The Committees have authority to direct changes in lending practices as they deem necessary or appropriate in order to address individual or aggregate risks and credit exposures in accordance with the Bank s strategic objectives and risk appetites.

All mortgage loans in excess of $50.0 million and all other C&I loans in excess of $5.0 million require approval by the Mortgage Committee or the Credit Committee. Credit Committee approval also is required for specialty finance loans in excess of $15.0 million.

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, continue to be reported to the applicable Board of Directors, and all C&I loans less than or equal to $3.0 million continue to be approved by line-of-business personnel.

In 2017, 172 loans of $10.0 million or more were originated by the Banks, with an aggregate loan balance of $4.2 billion at origination. In 2016, by comparison, 176 loans of $10.0 million or more were originated, with an aggregate loan balance at origination of $5.1 billion.

At December 31, 2017 and 2016, 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 at both year-ends.

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, 2017:

	At December 31, 2017			
	Multi-Family Loans		Commercial Real Estate Loans	
(dollars in thousands)	Amount	Percent of Total	Amount	Percent of Total
New York City:				
Manhattan	$ 7,399,409	26.36%	$ 3,712,116	50.70%
Brooklyn	4,340,472	15.46	563,867	7.70
Bronx	3,783,194	13.48	95,758	1.31
Queens	2,252,315	8.02	647,774	8.84
Staten Island	78,513	0.28	55,721	0.76
Total New York City	$ 17,853,903	63.60%	$ 5,075,236	69.31%

Long Island	517,651	1.84	862,888	11.79
Other New York State	971,697	3.46	191,797	2.62
All other states	8,731,458	31.10	1,192,305	16.28
Total	$ 28,074,709	100.00%	$ 7,322,226	100.00%

At December 31, 2017, the largest concentration of ADC loans held for investment was in New York City, with a total of $337.4 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.

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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, 2017. Loans that have adjustable rates are shown as being due in the period during which their interest rates are next subject to change.

	Non-Covered Loans Held for Investment at December 31, 2017					
(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Other	Total Loans
Amount due:						
Within one year	$ 1,170,796	$ 858,534	$ 8,985	$ 374,369	$ 1,071,480	$ 3,484,164
After one year:						
One to five years	18,470,347	4,567,130	119,823	52,414	536,467	23,746,181
Over five years	8,433,566	1,896,562	348,420	9,042	441,087	11,128,677
Total due or repricing after one year	26,903,913	6,463,692	468,243	61,456	977,554	34,874,858
Total amounts due or repricing, gross	$ 28,074,709	$ 7,322,226	$ 477,228	$ 435,825	$ 2,049,034	$ 38,359,022

The following table sets forth, as of December 31, 2017, the dollar amount of all non-covered loans held for investment that are due after December 31, 2018, and indicates whether such loans have fixed or adjustable rates of interest:

	Due after December 31, 2018		
(in thousands)	Fixed	Adjustable	Total
Mortgage Loans:			
Multi-family	$ 2,817,144	$ 24,086,769	$ 26,903,913
Commercial real estate	506,207	5,957,485	6,463,692
One-to-four family	20,337	447,906	468,243
Acquisition, development, and construction	666	60,790	61,456
Total mortgage loans	3,344,354	30,552,950	33,897,304
Other loans	26,788	950,766	977,554
Total loans	$ 3,371,142	$ 31,503,716	$ 34,874,858

Non-Covered Loans Held for Sale

At December 31, 2017, non-covered loans held for sale were $35.3 million, down $373.9 million from the amounts at December 31, 2016. The decline is largely attributable to our exit from the residential mortgage banking business, earlier in the year.

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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, 2017 and 2016:

	For the Years Ended December 31,			
	2017		2016	
(dollars in thousands)	Amount	Percent of Total	Amount	Percent of Total
Mortgage Loans Originated for Investment:				
Multi-family	$ 5,377,600	50.77%	$ 5,684,838	41.10%
Commercial real estate	1,039,105	9.81	1,180,430	8.54
One-to-four family residential	124,763	1.18	303,877	2.20
Acquisition, development, and construction	77,153	0.73	150,177	1.09
Total mortgage loans originated for investment	6,618,621	62.49	7,319,322	52.93
Other Loans Originated for Investment:				
Specialty finance	1,784,549	16.85	1,266,362	9.16
Other commercial and industrial	511,416	4.83	592,250	4.28
Other	3,159	0.03	3,856	0.03
Total other loans originated for investment	2,299,124	21.71	1,862,468	13.47
Total loans originated for investment	$ 8,917,745	84.20%	$ 9,181,790	66.40%
Loans originated for sale	1,674,123	15.80	4,646,773	33.60
Total loans originated	$ 10,591,868	100.00%	$ 13,828,563	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, 2017:

					At December 31,					
17			2016			2015			2014	
ercent of Total oans	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
73.12%	73.12%	$ 26,945,052	68.28%	71.35%	$ 25,971,629	68.04%	71.93%	$ 23,831,846	66.54%	71.39%
19.07	19.07	7,724,362	19.57	20.45	7,857,204	20.58	21.76	7,634,320	21.32	22.87
1.24	1.24	381,081	0.97	1.01	116,841	0.31	0.32	138,915	0.39	0.41
1.14	1.14	381,194	0.97	1.01	311,676	0.82	0.86	258,116	0.72	0.77
94.57	94.57	35,431,689	89.79	93.82	34,257,350	89.75	94.87	31,863,197	88.97	95.44
4.01	4.01	1,267,530	3.21	3.36	880,673	2.31	2.44	632,827	1.77	1.89
1.31	1.31	632,915	1.60	1.68	569,883	1.49	1.58	476,394	1.33	1.43
0.02	0.02	24,067	0.06	0.06	32,583	0.09	0.09	31,943	0.09	0.10
5.34	5.34	1,924,512	4.87	5.10	1,483,139	3.89	4.11	1,141,164	3.19	3.42
99.91	99.91	$ 37,356,201	94.66	98.92	$ 35,740,489	93.64	98.98	$ 33,004,361	92.16	98.86
0.09	0.09	409,152	1.04	1.08	367,221	0.96	1.02	379,399	1.06	1.14
00.00	100.00%	$ 37,765,353	95.70	100.00%	$ 36,107,710	94.60	100.00%	$ 33,383,760	93.22	100.00%
		1,698,133	4.30		2,060,089	5.40		2,428,622	6.78	
00.00%		$ 39,463,486	100.00%		$ 38,167,799	100.00%		$ 35,812,382	100.00%	

26,521	22,715	20,595
(158,290)	(147,124)	(139,857)
(23,701)	(31,395)	(45,481)
$ 39,308,016	$ 38,011,995	$ 35,647,639

Outstanding Loan Commitments

At December 31, 2017 and 2016, we had outstanding loan commitments of $1.9 billion and $2.1 billion, respectively. Loans held for investment represented $1.9 billion of the year-end 2017 amount and $1.8 billion of the year-end 2016 amount. We had no commitments for loans held for sale at the end of this December, as compared to $242.5 million at the prior year-end.

We also had commitments to issue letters of credit totaling $339.4 million and $324.3 million at December 31, 2017 and 2016, respectively. The fees we collect in connection with the issuance of letters of credit are included in Fee income in the Consolidated Statements of Operations and Comprehensive Income (Loss).

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, municipalities, or landlords 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, see the discussion of Liquidity later in this discussion and analysis of our financial condition and results of operations.

<u>Asset Quality</u>

Non-Covered Loans Held for Investment and Non-Covered Repossessed Assets

Non-performing non-covered assets represented $90.1 million, or 0.18%, of total non-covered assets at the end of this December, as compared to $68.1 million, representing 0.14% of total non-covered assets, at December 31, 2016. Total non-accrual non-covered loans increased $17.2 million driven by a $30.0 million increase in non-accrual non-covered other loans due to a $31.5 million increase in non-accrual taxi medallion-related loans. This was partially offset by a $12.8 million decline in non-accrual non-covered mortgage loans.

Non-covered repossessed assets increased $4.8 million to $16.4 million at year-end 2017. This increase was also largely driven by an increase in taxi medallion-related loans.

The following table presents our non-performing non-covered loans by loan type and the changes in the respective balances from December 31, 2016 to December 31, 2017:

	December 31,	Change from December 31, 2016 to

			December 31, 2017	
(dollars in thousands)	2017	2016	Amount	Percent
Non-Performing Non-Covered Loans:				
Non-accrual non-covered mortgage loans:				
Multi-family	$ 11,078	$ 13,558	$ (2,480)	(18.29)%
Commercial real estate	6,659	9,297	(2,638)	(28.37)
One-to-four family residential	1,966	9,679	(7,713)	(79.69)
Acquisition, development, and construction	6,200	6,200		
Total non-accrual non-covered mortgage loans	25,903	38,734	(12,831)	(33.13)
Non-accrual non-covered other loans (1)	47,779	17,735	30,044	169.41
Total non-performing non-covered loans	$ 73,682	$ 56,469	$ 17,213	30.48

(1) Includes $46.7 million and $15.2 million of non-accrual taxi medallion-related loans at December 31, 2017 and 2016, respectively.

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At the end of this December, taxi medallion-related loans totaled $99.1 million, representing 0.26% of our total held-for-investment loan portfolio. Last December, taxi medallion-related loans totaled $150.7 million, representing 0.40% of our total held-for-investment loan portfolio

The following table sets forth the changes in non-performing non-covered loans over the twelve months ended December 31, 2017:

(in thousands)	
Balance at December 31, 2016	$ 56,469
New non-accrual	78,743
Charge-offs	(24,971)
Transferred to other real estate owned	(8,233)
Loan payoffs, including dispositions and principal pay-downs	(28,236)
Restored to performing status	(90)
Balance at December 31, 2017	$ 73,682

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. At December 31, 2017 and 2016, 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 discussed on a monthly basis with the Mortgage Committee, the Credit Committee, and the Boards of Directors of the respective Banks, as applicable. In accordance with our charge-off policy, collateral-dependent non-performing loans are written down to their current appraised values, less certain transaction costs. Workout specialists from our Loan Workout Unit actively pursue borrowers who are delinquent in repaying their loans in an effort to collect payment. In addition, outside counsel with experience in foreclosure proceedings are retained to institute such action with regard to such borrowers.

Properties and other assets that are acquired through foreclosure are classified as repossessed assets, 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 the assets 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, 2017. Exceptions to these LTV limitations are minimal and 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 our 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.

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, 2017, one-to-four family loans, ADC loans, and other loans represented 1.2%, 1.1%, and 5.3%, of total non-covered loans held for investment, as compared to 1.0%, 1.0%, and 5.1%, respectively, at December 31, 2016. Furthermore, while 2.3% of our other loans were non-performing at the end of this December, 1.4% of our ADC loans and 0.41% of our one-to-four family loans were non-performing at that date.

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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.

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, 2016 to December 31, 2017:

(dollars in thousands)	December 31, 2017	December 31, 2016	Change from December 31, 2016 to December 31, 2017 Amount	Percent
Non-Covered Loans 30-89 Days Past Due:				
Multi-family	$ 1,258	$ 28	$ 1,230	4,392.86%
Commercial real estate	13,227		13,227	
One-to-four family residential	585	2,844	(2,259)	(79.43)
Other loans[1]	2,719	7,511	(4,792)	(63.80)
Total non-covered loans 30-89 days past due	$ 17,789	$ 10,383	$ 7,406	71.33

(1) Includes $2.7 million and $6.8 million of non-accrual taxi medallion-related loans at December 31, 2017 and 2016, respectively.

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 negatively impact a borrower s ability to repay. Historically, our level of charge-offs has been relatively low in downward credit cycles, even when the volume of non-performing loans has increased. In 2017, we recorded net charge-offs of $61.2 million, as compared to net charge-offs of $708,000 in the prior year. Taxi medallion-related net charge-offs accounted for $59.6 million of this year s amount and $2.5 million of last year s amount.

Partially reflecting the net charge-offs noted above, and the provision of $60.9 million for the allowance for non-covered loan losses, the allowance for losses on non-covered loans remained relatively unchanged, equaling $158.0 million at the end of this December from $158.3 million at December 31, 2016. Reflecting the increase in non-performing non-covered loans cited earlier in this discussion, the allowance for losses on non-covered loans represented 214.50% of non-performing non-covered loans at December 31, 2017, as compared to 277.19% 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.

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The following table presents information about our five largest non-performing loans at December 31, 2017, all of which are non-covered held-for-investment loans:

	Loan No. 1[(2)]	**Loan No. 2**	**Loan No. 3**	**Loan No. 4**	**Loan No. 5**
Type of Loan	C&I	Multi-Family	ADC	CRE	Multi-Family
Origination date	4/29/14	1/05/06	7/07/04	1/19/07	4/24/07
Origination balance	$13,325,000	$12,640,000	$6,200,000	$3,000,000	$2,000,000
Full commitment balance [(1)]	$13,325,000	$12,640,000	$6,200,000	$3,000,000	$2,000,000
Balance at December 31, 2017	$7,677,946	$7,434,196	$6,200,000	$2,513,830	$1,780,488
Associated allowance	None	None	None	None	None
Non-accrual date	June 2017	March 2014	October 2016	December 2017	July 2017
Origination LTV	N/A	79%	57%	63%	54%
Current LTV	N/A	57%	67%	50%	68%
Last appraisal	N/A	February 2017	April 2017	December 2017	September 2017

(1) *There are no funds available for further advances on the five largest non-performing loans.*
(2) *As of June 30, 2017, this loan has been restructured as a TDR.*

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 a finance company based in Delaware. The loan is collateralized by various taxi medallion-related loans, which in turn, are collateralized by taxi medallions in New York City and Chicago.

No. 2 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. 3 The borrower is an owner of real estate and is based in Maryland. The loan is collateralized by 1,031 acres of vacant land in La Plata, Maryland.

No. 4 The borrower is an owner of real estate and is based in New York. The loan is collateralized by a retail building containing 22,120 square feet of rental area in Nanuet, New York.

No. 5 The borrower is an owner of real estate and is based in Connecticut. The loan is collateralized by a multi-family building with 80 residential units in Waterbury, Connecticut.

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.

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At December 31, 2017, loans modified as TDRs totaled $45.6 million, including accruing loans of $9.7 million and non-accrual loans of $35.9 million. At the prior year-end, loans modified as TDRs totaled $19.9 million, including accruing loans of $3.5 million and non-accrual loans of $16.5 million.

Analysis of Troubled Debt Restructurings

The following table sets forth the changes in our TDRs over the twelve months ended December 31, 2017:

(in thousands)	Accruing	Non-Accrual	Total
Balance at December 31, 2016	$ 3,466	$ 16,454	$ 19,920
New TDRs	8,960	38,433	47,393
Transferred to other real estate owned		(877)	(877)
Charge-offs		(11,956)	(11,956)
Transferred from accruing to non-accrual	(1,881)	1,881	
Loan payoffs, including dispositions and principal pay-downs	(892)	(8,032)	(8,924)
Balance at December 31, 2017	$ 9,653	$ 35,903	$ 45,556

Loans on which concessions were made with respect to rate reductions and/or extensions of maturity dates totaled $44.6 million and $17.1 million, respectively, at December 31, 2017 and 2016; loans in connection with which forbearance agreements were reached amounted to $1.0 million and $2.8 million at the respective dates.

Multi-family and CRE loans accounted for $8.9 million and $368,000 of TDRs at the end of this December, as compared to $10.7 million and $1.9 million, respectively, at the prior year-end. Based on the number of loans performing in accordance with their revised terms, our success rate for restructured multi-family loans was 67%; for CRE and ADC loans it was100%, and for one-to-four loans it was 50% at the end of this December; our success rate for other loans was 87%, at that date.

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 2017, 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, 2017 and 2016, 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, 2017 that would have caused management to have serious doubts as to the ability of a borrower to comply with present loan repayment terms and that would have resulted in such disclosure if that were the case.

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Asset Quality Analysis (Excluding Covered Loans, Covered OREO, Non-Covered 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, 2017. 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.

	At or for the Years Ended December 31,				
(dollars in thousands)	2017	2016	2015	2014	2013
Allowance for Losses on Non-Covered Loans:					
Balance at beginning of year	$ 156,524	$ 145,196	$ 139,857	$ 141,946	$ 140,948
Provision for (recovery of) losses on non-covered loans	60,943	12,036	(2,846)		18,000
Recovery from allowance on PCI loans	1,766				
Charge-offs:					
Multi-family	(279)		(167)	(755)	(12,922)
Commercial real estate			(273)	(1,615)	(3,489)
One-to-four family residential	(96)	(170)	(875)	(410)	(351)
Acquisition, development, and construction					(1,503)
Other loans	(62,975)	(3,413)	(1,273)	(5,296)	(7,092)
Total charge-offs	(63,350)	(3,583)	(2,588)	(8,076)	(25,357)
Recoveries	2,163	2,875	10,773	5,987	8,355
Net (charge-offs) recoveries	(61,187)	(708)	8,185	(2,089)	(17,002)
Balance at end of year	$ 158,046	$ 156,524	$ 145,196	$ 139,857	$ 141,946
Non-Performing Non-Covered Assets:					
Non-accrual non-covered mortgage loans:					
Multi-family	$ 11,078	$ 13,558	$ 13,904	$ 31,089	$ 58,395
Commercial real estate	6,659	9,297	14,920	24,824	24,550
One-to-four family residential	1,966	9,679	12,259	11,032	10,937
Acquisition, development, and construction	6,200	6,200	27	654	2,571
Total non-accrual non-covered mortgage loans	25,903	38,734	41,110	67,599	96,453
Non-accrual non-covered other loans	47,779	17,735	5,715	9,351	7,084
Loans 90 days or more past due and still accruing interest					
Total non-performing non-covered loans (1)	$ 73,682	$ 56,469	$ 46,825	$ 76,950	$ 103,537
Non-covered repossessed assets (2)	16,400	11,607	14,065	61,956	71,392

Total non-performing non-covered assets	$ 90,082	$ 68,076	$ 60,890	$ 138,906	$ 174,929
Asset Quality Measures:					
Non-performing non-covered loans to total non-covered loans	0.19%	0.15%	0.13%	0.23%	0.35%
Non-performing non-covered assets to total non-covered assets	0.18	0.14	0.13	0.30	0.40
Allowance for losses on non-covered loans to non-performing non-covered loans	214.50	277.19	310.08	181.75	137.10
Allowance for losses on non-covered loans to total non-covered loans	0.41	0.42	0.41	0.42	0.48
Net charge-offs (recoveries) during the period to average loans outstanding during the period (3)	0.16	0.00	(0.02)	0.01	0.05
Non-Covered Loans 30-89 Days Past Due:					
Multi-family	$ 1,258	$ 28	$ 4,818	$ 464	$ 33,678
Commercial real estate	13,227		178	1,464	1,854
One-to-four family residential	585	2,844	1,117	3,086	1,076
Acquisition, development, and construction					
Other loans	2,719	7,511	492	1,178	481
Total loans 30-89 days past due (4)	$ 17,789	$ 10,383	$ 6,605	$ 6,192	$ 37,089

(1) *The December 31, 2016, 2015, 2014, and 2013 amounts exclude loans 90 days or more past due of $131.5 million, $137.2 million, $157.9 million, and $211.5 million, respectively, that are covered by FDIC loss sharing agreements. The December 31, 2016 and 2015 amounts also exclude $869,000 and $969,000, respectively, of non-covered PCI loans.*

(2) *The December 31, 2016, 2015, 2014, and 2013 amounts exclude OREO of $17.0 million, $25.8 million, $32.0 million, and $37.5 million, respectively, that were covered by FDIC loss sharing agreements.*

(3) *Average loans include covered loans.*

(4) *The December 31, 2016, 2015, 2014, and 2013 amounts exclude loans 30 to 89 days past due of $22.6 million, $32.8 million, $41.7 million, and $57.9 million, respectively, that are covered by FDIC loss sharing agreements. The December 31, 2016 amount also excludes $6 thousand of non-covered PCI loans. There were no non-covered PCI loans 30 to 89 days past due at any of the prior year-ends.*

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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 losses on non-covered PCI loans, at each year-end for the five years ended December 31, 2017:

	2017		2016		2015		2014		2013	
(dollars in thousands)	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
Multi-family loans	$ 93,651	73.19%	$ 91,590	72.13%	$ 93,977	72.67%	$ 96,212	72.21%	$ 79,745	69.41%
Commercial real estate loans	20,572	19.09	20,943	20.68	19,721	21.98	19,546	23.13	34,702	24.70
One-to-four family loans	1,360	1.24	1,484	1.02	612	0.33	562	0.42	1,755	1.88
Acquisition, development, and construction loans	12,692	1.14	9,908	1.02	8,402	0.87	6,296	0.78	7,789	1.15
Other loans	29,771	5.34	32,599	5.15	22,484	4.15	17,241	3.46	17,955	2.86
Total loans	$ 158,046	100.00%	$ 156,524	100.00%	$ 145,196	100.00%	$ 139,857	100.00%	$ 141,946	100.00%

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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.

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

As previously discussed, we sold the covered loan portfolio during the third quarter of 2017, accordingly, the following table presents information regarding our non-performing assets and loans past due at December 31, 2016 only, including covered loans and covered OREO (collectively, covered assets), and non-covered PCI loans:

(dollars in thousands)	**At or For the Year Ended December 31, 2016**
Covered Loans and Non-Covered PCI Loans 90 Days or More Past Due:	
Multi-family	$
Commercial real estate	612
One-to-four family	125,076
Acquisition, development, and construction	
Other	6,646
Total covered loans and non-covered PCI loans 90 days or more past due	$ 132,334
Covered other real estate owned	16,990
Total covered assets and non-covered PCI loans	$ 149,324
Total Non-Performing Assets:	
Non-performing loans:	
Multi-family	$ 13,558
Commercial real estate	9,909
One-to-four family	134,755
Acquisition, development, and construction	6,200
Other non-performing loans	24,381
Total non-performing loans	$ 188,803
Other real estate owned	28,598
Total non-performing assets	$ 217,401
Asset Quality Ratios (including the allowance for losses on covered loans and non-covered PCI loans):	
Total non-performing loans to total loans	0.48%
Total non-performing assets to total assets	0.44
Allowance for loan losses to total non-performing loans	96.39
Allowance for loan losses to total loans	0.47
Covered Loans and Non-Covered PCI Loans 30-89 Days Past Due:	

Multi-family	$	
Commercial real estate		
One-to-four family		21,112
Acquisition, development, and construction		
Other loans		1,542
Total covered loans and non-covered PCI loans 30-89 days past due	$	22,654
Total Loans 30-89 Days Past Due:		
Multi-family	$	28
Commercial real estate		
One-to-four family		23,956
Acquisition, development, and construction		
Other loans		9,053
Total loans 30-89 days past due	$	33,037

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The following table presents a geographical analysis of our non-performing loans at December 31, 2017:

(in thousands)	
New York	$ 52,705
New Jersey	10,976
Maryland	6,200
Connecticut	1,781
Arizona	1,174
All other states	846
Total non-performing loans	$ 73,682

Securities

Securities represented $3.5 billion, or 7.2%, of total assets at the end of this December, as compared to $3.8 billion, or 7.8%, of total assets at December 31, 2016. During the second quarter of 2017, the Company repositioned its Held-to-Maturity securities portfolio by designating the entire portfolio as Available-for-Sale. In addition, it took advantage of favorable bond market conditions and sold approximately $521.0 million of securities, resulting in a pre-tax gain on sale of $26.9 million. We do not foresee designating securities purchases as Held-to-Maturity in the near future.

At December 31, 2017, available-for-sale securities represented $3.5 billion and had an estimated weighted average life of 5.2 years. Included in the year-end amount were mortgage-related securities of $2.6 billion and other securities of $912.7 million.

At the prior year-end, available-for-sale securities represented $104.3 million, or 2.7%, of total securities, and had an estimated weighted average life of 13.1 years. Mortgage-related securities accounted for $7.3 million of the year-end balance, with other securities accounting for the remaining $97.0 million.

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

Our general investment strategy is to purchase liquid investments with various maturities to ensure that our overall interest rate risk position stays within the required limits of our investment policies. We generally limit our investments to GSE obligations (defined as GSE certificates; GSE collateralized mortgage obligations, or CMOs ; and GSE debentures) and U.S. Treasury obligations. At December 31, 2017 and 2016, GSE obligations and U.S. Treasury obligations together represented 94.4% and 93.0% of total securities, respectively. The remainder of the portfolio at those dates was comprised of corporate bonds, trust preferred securities, 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. In addition to generating cash flows from repayments, securities held to maturity are a source of earnings and serve as collateral for our wholesale borrowings.

During the second quarter of 2017, the Company designated its entire securities portfolio as available-for-sale. Available-for-sale securities are securities that management intends to hold for an indefinite period of time. In addition to generating cash flows from sales and from repayments of principal and interest, such securities 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 available-for-sale securities is based on economic conditions, including changes in interest rates, liquidity, and our asset and liability management strategy.

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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, 2017, the Community Bank held FHLB-NY stock in the amount of $588.7 million; the Commercial Bank held FHLB-NY stock of $15.1 million at that date.

At December 31, 2016, the Community Bank and the Commercial Bank held FHLB-NY stock in the amount of $574.5 million and $16.4 million, respectively.

Dividends from the FHLB-NY to the Community Bank totaled $31.4 million and $26.2 million, respectively, in 2017 and 2016; dividends from the FHLB-NY to the Commercial Bank totaled $933,000 and $1.4 million in the corresponding years.

Bank-Owned Life Insurance

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

Reflecting an increase in the cash surrender value of the underlying policies, our investment in BOLI rose $18.1 million year-over-year to $967.2 million at December 31, 2017.

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, which is tested at least annually for impairment, refers to the difference between the purchase price and the fair value of an acquired company s assets, net of the liabilities assumed. CDI refers to the fair value of the core deposits acquired in a business combination, and is typically amortized over a period of ten years from the acquisition date.

While goodwill totaled $2.4 billion at both December 31, 2017 and 2016, the balance of CDI declined from $208,000 to zero as a result of amortization over the twelve-month period.

For more information about the Company s goodwill, see the discussion of Critical Accounting Policies earlier in this report.

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 securities; funding raised through the issuance of debt instruments; and repayments of, and income from, investment securities.

On a consolidated basis, our funding primarily stems from a combination of the following sources: retail, institutional, and brokered deposits; borrowed funds, primarily in the form of wholesale borrowings; cash flows generated through the repayment and sale of loans; and cash flows generated through the repayment and sale of securities.

In 2017, loan repayments and sales generated cash flows of $11.7 billion, as compared to $12.5 billion in 2016. Cash flows from repayments accounted for $7.8 billion and $6.4 billion of the respective totals and cash flows from sales accounted for $3.9 billion and $6.2 billion, of the respective totals.

In 2017, cash flows from the repayment and sale of securities respectively totaled $563.1 million and $1.0 billion, while the purchase of securities amounted to $1.2 billion for the year. By comparison, cash flows from the repayment and sale of securities totaled $2.5 billion and $323.3 million, respectively, in 2016, and were offset by the purchase of securities totaling $492.6 million.

In 2017, 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.

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Deposits

Deposits totaled $29.1 billion and $28.9 billion, and represented 59.2% and 59.0% of total assets, at December 31, 2017 and 2016, respectively. On a year-over-year basis, the deposit mix shifted as interest-bearing checking and money market accounts declined 3.4%, savings accounts declined 1.3%, and non-interest-bearing accounts dropped 12.3%. This was offset by growth in our certificates of deposit (CDs), which increased 14.1% from year-end 2016.

While the vast majority of our deposits are retail in nature (i.e., they are deposits we have gathered through our branches or through business combinations), institutional deposits and municipal deposits are also part of our deposit mix. Retail deposits rose $383.6 million year-over-year to $21.9 billion, while institutional deposits declined $567.2 million to $2.2 billion at year-end. Municipal deposits represented $999.4 million of total deposits at the end of this December, a $361.7 million increase from the balance at December 31, 2016.

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, as compared to $3.9 billion at December 31, 2016. Brokered money market accounts represented $2.6 billion of total brokered deposits at December 31, 2017 and $2.5 billion at December 31, 2016; brokered interest-bearing checking accounts represented $793.7 million and $1.4 billion, respectively, at the corresponding dates. At December 31, 2017, we had $567.8 million of brokered CDs. We had no brokered CDs at December 31, 2016.

Borrowed Funds

The majority of our borrowed funds are wholesale borrowings and consist of FHLB-NY advances, repurchase agreements, and federal funds purchased, and, to a far lesser extent, junior subordinated debentures. Reflecting a $760.0 million decline in wholesale borrowings to $12.6 billion, the total balance of borrowed funds were $12.9 billion at December 31, 2017.

Wholesale Borrowings

Wholesale borrowings totaled $12.6 billion and $13.3 billion, respectively, at December 31, 2017 and 2016, representing 25.6% and 27.2% of total assets at the respective dates. FHLB-NY advances accounted for $12.1 billion of the year-end 2017 balance, as compared to $11.7 billion at the prior year-end. Pursuant to blanket collateral agreements with the Banks, our FHLB-NY advances and overnight advances are secured by pledges of certain eligible collateral in the form of loans and securities. (For more information regarding our FHLB-NY advances, see the discussion that appears earlier in this report regarding our membership and our ownership of stock in the FHLB-NY.) None of our wholesale borrowings had callable features at December 31, 2017 or 2016.

Also included in wholesale borrowings were repurchase agreements of $450.0 million at December 31, 2017 compared to $1.5 billion at December 31, 2016. 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.

We had no federal funds purchased at December 31, 2017. Federal funds purchased represented $150.0 million of wholesale borrowings at December 31, 2016.

Junior Subordinated Debentures

Junior subordinated debentures totaled $359.2 million at December 31, 2017, slightly higher than the balance at the prior year-end.

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.

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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 $2.5 billion and $557.9 million, respectively, at December 31, 2017 and 2016. As in the past, our loan and securities portfolios provided meaningful liquidity in 2017, with cash flows from the repayment and sale of loans totaling $11.7 billion and cash flows from the repayment and sale of securities totaling $1.6 billion.

Additional liquidity stems from deposits 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, 2017, our available borrowing capacity with the FHLB-NY was $7.1 billion. In addition, the Community Bank and the Commercial Bank had available-for-sale securities of $3.5 billion, of which, $2.3 billion is unpledged.

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. In connection with these agreements, the Banks have pledged certain loans and securities to collateralize any funds they may borrow. At December 31, 2017, the maximum amount the Community Bank could borrow from the FRB-NY was $1.3 billion; the maximum amount the Commercial Bank could borrow at that date was $79.5 million. There were no borrowings against either line of credit at December 31, 2017.

Our primary investing activity is loan production, and the volume of loans we originated for sale and for investment totaled $10.6 billion in 2017. During this time, the net cash provided by investing activities totaled $1.1 billion; the net cash provided by our operating activities totaled $1.3 million. Our financing activities used net cash of $418.1 million.

CDs due to mature or reprice in one year or less from December 31, 2017 totaled $6.8 billion, representing 78.8% 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 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 each of the four quarters of 2017, the Company was required to receive a non-objection from the FRB to pay all dividends; non-objections were received from the FRB in all four quarters of the year. The Company expects to continue the exchange of written documentation to obtain the FRB s non-objection to the declaration of dividends in 2018. The Company has received all necessary non-objections from the FRB for the dividends declared as of the date of this report.

The Parent Company s ability to pay dividends may also 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.

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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 2017, the Banks paid dividends totaling $336.0 million to the Parent Company, leaving $379.5 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, 2017 included $90.5 million in cash and cash equivalents. 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-NY and various brokerage firms. These contractual obligations are reflected in the Consolidated Statements of Condition under Deposits and Borrowed funds, respectively. At December 31, 2017, we had CDs of $8.6 billion and long-term debt (defined as borrowed funds with an original maturity in excess of one year) of $12.9 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 $159.5 million at December 31, 2017.

Contractual Obligations

The following table sets forth the maturity profile of the aforementioned contractual obligations as of December 31, 2017:

(in thousands)	Certificates of Deposit	Long-Term Debt [1]	Operating Leases	Total
One year or less	$ 5,897,172	$ 4,173,500	$ 29,786	$ 10,100,458
One to three years	2,671,236	7,781,000	46,636	10,498,872
Three to five years	64,392	600,000	16,523	680,915
More than five years	10,846	359,179	66,555	436,580
Total	$ 8,643,646	$12,913,679	$ 159,500	$ 21,716,825

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

At December 31, 2017, 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 $2.3 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.

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The following table summarizes our off-balance sheet commitments to extend credit in the form of loans and letters of credit at December 31, 2017:

(in thousands)	
Mortgage Loan Commitments:	
Multi-family and commercial real estate	$ 377,782
One-to-four family	3,819
Acquisition, development, and construction	239,504
Total mortgage loan commitments	$ 621,105
Other loan commitments [1]	1,314,170
Total loan commitments	$ 1,935,275
Commercial, performance stand-by, and financial stand-by letters of credit	339,403
Total commitments	$ 2,274,678

(1) Includes unadvanced lines of credit.

Of the total loan commitments noted in the preceding table, all $1.9 billion were for loans held for investment.

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, 2017, we had commitments to purchase GNMA securities of $29.4 million.

Derivative Financial Instruments

We used 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 consisted of financial forward and futures contracts, interest rate lock commitments (IRLCs), swaps, and options, and related 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, 2017, we held no derivative financial instruments. (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.)

Capital Position

On March 17, 2017, we issued 515,000 shares of preferred stock. The offering generated capital of $502.8 million, net of underwriting and other issuance costs, for general corporate purposes, with the bulk of the proceeds being distributed to the Community Bank.

Total stockholders equity rose $671.4 million, or 11.0%, year-over-year to $6.8 billion; common stockholders equity represented 12.81% of total assets and a book value per common share of $12.88 at December 31, 2017. At the prior year-end, total stockholders equity totaled $6.1 billion, and common stockholders equity represented 12.52% of total assets and a book value per common share of $12.57.

Tangible common stockholders equity rose $168.8 million year-over-year to $3.9 billion, after the distribution of four quarterly cash dividends totaling $332.1 million. The year-end 2017 balance represented 8.26% of tangible common assets and a tangible common book value per common share of $7.89. At the prior year-end, tangible common stockholders equity totaled $3.7 billion, representing 7.93% of tangible common assets and a tangible common book value per common share of $7.57.

We calculate tangible common stockholders equity by subtracting the amount of goodwill, CDI, and preferred stock recorded at the end of a period from the amount of stockholders equity recorded at the same date. While goodwill totaled $2.4 billion at December 31, 2017 and 2016, CDI was zero and $208,000 at the corresponding dates. Preferred stock was $502.8 million at the end of 2017. The Company had no preferred stock in 2016. (See the discussion and reconciliations of stockholders equity and tangible common stockholders equity, total assets and tangible assets, and the related financial measures that appear on the last page of this discussion and analysis of our financial condition and results of operations.)

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Stockholders equity and tangible common stockholders equity both include accumulated other comprehensive loss (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, 2017 and 2016, AOCL totaled $15.2 million and $56.7 million, respectively. The decline in AOCL was largely the net effect of a $1.6 million decrease in net pension and post-retirement obligations to $49.1 million and the $39.9 million difference between the net unrealized loss on securities available for sale recorded at the end of this December and the net unrealized gain on securities available for sale recorded at December 31, 2016.

As reflected in the following table, our capital measures continued to exceed the minimum federal requirements for a bank holding company at December 31, 2017 and 2016:

At December 31, 2017	Actual		Minimum
(dollars in thousands)	Amount	Ratio	Required Ratio
Common equity tier 1 capital	$ 3,869,129	11.36%	4.50%
Tier 1 risk-based capital	4,371,969	12.84	6.00
Total risk-based capital	4,877,208	14.32	8.00
Leverage capital	4,371,969	9.58	4.00

At December 31, 2016	Actual		Minimum Required
(dollars in thousands)	Amount	Ratio	Ratio
Common equity tier 1 capital	$ 3,748,231	10.62%	4.50%
Tier 1 risk-based capital	3,748,231	10.62	6.00
Total risk-based capital	4,277,759	12.12	8.00
Leverage capital	3,748,231	8.00	4.00

At December 31, 2017, the capital ratios for the Company, the Community Bank, and the Commercial Bank continued to exceed the levels required for classification as well capitalized institutions, as defined under the Federal Deposit Insurance Corporation Improvement Act of 1991, and as further discussed in Note 18, Capital, in Item 8, Financial Statements and Supplementary Data.

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RESULTS OF OPERATIONS: 2017 AS COMPARED TO 2016

Earnings Summary

For the twelve months ended December 31, 2017, the Company reported diluted earnings per common share of $0.90, as compared to diluted earnings per common share of $1.01 for the twelve months ended December 31, 2016, a decrease of 11%. Net income available to common shareholders totaled $441.6 million in 2017 as compared to $495.4 million in 2016, also down 11%. Net income for 2017 was $466.2 million, down 6% from 2016.

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. In 2017, the FOMC increased the target federal funds rate three times for a total of 75 basis points, to a target range of 1.25% to 1.50%.

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 2017, the five-year CMT ranged from a low of 1.63% to a high of 2.26% with an average rate of 1.91% for the year. In 2016, the five-year CMT ranged from a low of 0.94% to a high of 2.40% with an average rate of 1.33% for the year.

Another factor that impacts the yields on our interest-earning assets and our net interest income is the income generated by our multi-family and CRE loans and securities when they prepay. Since prepayment income is recorded as interest income, an increase or decrease in its level will also be reflected in the average yields (as applicable) on our loans, securities, and interest-earning assets, and therefore in our net interest income, our net interest rate spread, and our net interest margin.

It should be noted that the level of prepayment income on loans 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 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.

In 2017, net interest income decreased 12% to $1.1 billion as compared to $1.3 billion in 2016. Similar to the fourth quarter 2017 trends, the decline in the full-year 2017 net interest income was driven by a 17% increase in interest expense due to higher funding costs.

Year-Over-Year Comparison

The following factors contributed to the year-over-year reduction in net interest income:

Interest income fell $92.6 million year-over-year as a $37.8 million decline in interest income from securities and money market investments was coupled with a $54.8 million decline in interest income from loans.

The decline in interest income from loans was largely due to a $676.3 million decline in the average balance and an eight-basis point decline in the average yield. In addition, prepayment income contributed $47.0 million to the interest income from loans and 12 basis points to the average yield on such assets compared to $60.9 million and 16 basis points in 2016.

The year-over-year reduction in interest income from securities was driven by a $936.0 million decrease in the average balance, coupled with a 40-basis point drop in the average yield.

As a result, the average balance of interest-earning assets declined $396.5 million from the year-earlier level and the average yield fell 18 basis points.

Interest expense rose $64.7 million year-over-year as interest expense on deposits rose $58.8 million and the interest expense on borrowed funds rose $6.0 million.

The year-over-year rise in interest expense stemming from deposits was due to a 23-basis point rise in the average cost of such funds due to higher short-term interest rates, offset by a $14.5 million decrease in the average balance. Additionally, the average balance of lower cost deposits such as savings accounts, interest-bearing checking and money market accounts declined, while the average balance of higher cost CDs increased by $1.3 billion.

The increase in the interest income from borrowed funds was driven by a 19-basis point rise in the average cost of such funding and mitigated by a $1.2 billion decline in the average balance from the year-earlier amount.

As a result, the average balance of interest-bearing liabilities fell $1.2 billion and the average cost of funds rose 20 basis points year-over-year.

Net Interest Margin

The direction of the Company s net interest margin was consistent with that of its net interest income, and generally was driven by the same factors as those described above. At 2.59%, the margin was 34-basis points narrower than the margin recorded for full-year 2016. The reduction was due, in part, to a decline in prepayment income from the levels recorded in the prior year, as reflected in the table below. Adjusted net interest margin is a non-GAAP financial measure, as more fully discussed below.

	For the Twelve Months Ended		
	Dec. 31, 2017	**Dec. 31, 2016**	**Change (%)**
(dollars in thousands)			
Total Interest Income	$ 1,582,239	$ 1,674,869	-6%
Prepayment Income:			
Loans	$ 47,004	$ 60,891	-23%
Securities	8,130	33,509	-76%
Total prepayment income	$ 55,134	$ 94,400	-42%
GAAP Net Interest Margin	2.59%	2.93%	-34 bp
Less:			
Prepayment income from loans	11 bp	14 bp	-3 bp

Prepayment income from securities	2	8	-6 bp
Total prepayment income contribution to net interest margin	13 bp	22 bp	-9 bp
Adjusted Net Interest Margin (non-GAAP)	2.46%	2.71%	-25 bp

RECONCILIATION OF NET INTEREST MARGIN AND ADJUSTED NET INTEREST MARGIN

While our net interest margin, including the contribution of prepayment income, is recorded in accordance with GAAP, adjusted net interest margin, which excludes the contribution of prepayment income, is not. Nevertheless, management uses this non-GAAP measure in its analysis of our performance, and believes that this non-GAAP measure should be disclosed in this report and other investor communications for the following reasons:

1. Adjusted net interest margin gives investors a better understanding of the effect of prepayment income on our net interest margin. Prepayment income in any given period depends on the volume of loans that

refinance or prepay, or securities that prepay, during that period. Such activity is largely dependent on external factors such as current market conditions, including real estate values, and the perceived or actual direction of market interest rates.

2. Adjusted net interest margin is among the measures considered by current and prospective investors, both independent of, and in comparison with, our peers.

Adjusted net interest margin should not be considered in isolation or as a substitute for net interest margin, which is calculated in accordance with GAAP. Moreover, the manner in which we calculate this non-GAAP measure may differ from that of other companies reporting a non-GAAP measure with a similar name.

The following table sets 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.

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Net Interest Income Analysis

	For the Years Ended December 31,								
	2017			2016			2015		
s in thousands)	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Avera Yiel Cos
S:									
-earning assets:									
ge and other loans,	$ 38,400,003	$ 1,417,237	3.69%	$ 39,076,298	$ 1,472,020	3.77%	$ 36,343,407	$ 1,441,462	3.9
es and money market ents (2)(3)	5,213,859	165,002	3.16	4,934,058	202,849	4.11	7,278,562	250,122	3.4
nterest-earning assets	43,613,862	1,582,239	3.63	44,010,356	1,674,869	3.81	43,621,969	1,691,584	3.8
terest-earning assets	5,011,020			5,289,245			5,248,236		
ssets	$ 48,624,882			$ 49,299,601			$ 48,870,205		
LITIES AND STOCKHOLDERS EQUITY:									
-bearing liabilities:									
-bearing checking ney market accounts	$ 12,787,703	$ 98,980	0.77%	$ 13,322,346	$ 62,166	0.47%	$ 12,674,236	$ 46,467	0.3
s accounts	5,170,342	28,447	0.55	5,915,020	31,982	0.54	7,546,417	50,776	0.6
ates of deposit	8,164,518	102,355	1.25	6,899,706	76,875	1.11	5,698,437	62,906	1.1
nterest-bearing s	26,122,563	229,782	0.88	26,137,072	171,023	0.65	25,919,090	160,149	0.6
ed funds	12,836,919	222,454	1.73	14,059,543	216,464	1.54	14,275,818	1,123,360(4)	7.8
nterest-bearing es	38,959,482	452,236	1.16	40,196,615	387,487	0.96	40,194,908	1,283,509(5)	3.1
terest-bearing s	2,782,155			2,860,532			2,660,220		
abilities	279,466			190,403			201,441		
abilities	42,021,103			43,247,550			43,056,569		
olders equity	6,603,779			6,052,051			5,813,636		
abilities and olders equity	$ 48,624,882			$ 49,299,601			$ 48,870,205		
erest income/interest ead		$ 1,130,003	2.47%		$ 1,287,382	2.85%		$ 408,075(6)	0.6

erest margin	2.59%	2.93%	0.9
f interest-earning o interest-bearing es	1.12 x	1.09x	1.09

(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.

(4) The debt repositioning charge accounted for $773.8 million of the interest expense on borrowed funds and for 542 basis points of the average cost in 2015.

(5) The debt repositioning charge accounted for $773.8 million of the interest expense on average interest-bearing liabilities and for 192 basis points of the average cost in 2015.

(6) The debt repositioning charge reduced our 2015 net interest income by $773.8 million and our net interest rate spread by 192 basis points.

(7) The debt repositioning charge reduced our 2015 net interest margin by 177 basis points.

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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.

Rate/Volume Analysis

	Year Ended December 31, 2017 Compared to Year Ended December 31, 2016 Increase/(Decrease)			Year Ended December 31, 2016 Compared to Year Ended December 31, 2015 Increase/(Decrease)		
	Due to			Due to		
(in thousands)	Volume	Rate	Net	Volume	Rate	Net
INTEREST-EARNING ASSETS:						
Mortgage and other loans, net	$ (25,239)	$ (29,544)	$ (54,783)	$ 92,003	$ (61,445)	$ 30,558
Securities and money market investments	12,369	(50,216)	(37,847)	(121,091)	73,818	(47,273)
Total	(12,870)	(79,760)	(92,630)	(29,088)	12,373	(16,715)
INTEREST-BEARING LIABILITIES:						
Interest-bearing checking and money market accounts	$ (2,388)	$ 39,202	$ 36,814	$ 2,478	$ 13,221	$ 15,699
Savings accounts	(4,109)	574	(3,535)	(9,847)	(8,947)	(18,794)
Certificates of deposit	15,141	10,339	25,480	13,379	590	13,969
Borrowed funds	(13,498)	19,488	5,990	(16,766)	(890,130)	(906,896)
Total	(4,854)	69,603	64,749	(10,756)	(885,266)	(896,022)
Change in net interest income	$ (8,016)	$ (149,363)	$ (157,379)	$ (18,332)	$ 897,639	$ 879,307

Provision for (Recoveries of) Loan Losses

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

The provision for losses on non-covered loans, like the recovery of non-covered loan 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. For the twelve months ended December 31, 2017, the Company reported a $60.9 million provision for losses on non-covered loans as compared to $11.9 million for the twelve months ended December 31, 2016. The year-over-year increase was related to the aforementioned taxi medallion-related charge-offs during the third quarter of 2017.

Reflecting the 2017 provision and twelve-month net charge-offs of $61.2 million, the allowance for losses on non-covered loans of $158.0 million was relatively unchanged at the end of this December compared to $158.3 million at the prior year-end.

Recovery of Losses on Covered Loans

For full-year 2017, the Company recovered $23.7 million on certain pools of acquired loans covered by FDIC loss-sharing agreements, as compared to $7.7 million for full-year 2016. The recoveries recorded in the respective years were largely offset by FDIC indemnification expense of $19.0 million and $6.2 million recorded in Non-interest income.

On July 28, 2017, the Company completed the sale of its covered loans to an affiliate of Cerberus. Accordingly, at December 31, 2017, the Company no longer had any covered loans and related FDIC loss share receivable on its balance sheet.

For additional information about our methodologies for recording recoveries of, and provisions for, loan losses, 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 fee income (in the form of retail deposit fees and charges on loans); income from our investment in BOLI; gains on sales of securities; and other sources, including the revenues produced through the sale of third-party investment products and those produced through our subsidiary, Peter B. Cannell & Co., Inc. (PBC), an investment advisory firm.

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Non-interest income increased $71.3 million year-over-year to $216.9 million in the twelve months ended December 31, 2017. The increase was primarily attributable to the following factors:

An $82.0 million gain on the sale of our covered loans and mortgage banking operations.

A $26.6 million increase in the net gain on sale of securities. This was due to the previously mentioned securities portfolio repositioning and subsequent sale of securities during the second quarter.

Mortgage banking income fell $7.9 million year-over-year to $19.3 million, as we exited this line of business in the third quarter of the year.

Other non-interest income increased to $44.5 million in the twelve months ended December 31, 2017 from $41.6 million in the twelve months ended December 31, 2016.

The net gain on sales of loans, primarily through participations, fell $14.7 million year-over-year to $1.2 million.

Non-Interest Income Analysis

The following table summarizes our sources of non-interest income in the twelve months ended December 31, 2017, 2016, and 2015:

	For the Years Ended December 31,		
(in thousands)	2017	2016	2015
Mortgage banking income	$ 19,337	$ 27,281	$ 54,113
Fee income	31,759	32,665	34,058
BOLI income	27,133	31,015	27,541
Net gain on sales of loans	1,156	15,806	26,133
Net gain on sales of securities	29,924	3,347	4,054
FDIC indemnification expense	(18,961)	(6,155)	(9,336)
Gain on sale of covered loans and mortgage banking operations	82,026		
Other income:			
Peter B. Cannell & Co., Inc.	22,026	22,537	26,771
Third-party investment product sales	12,771	11,658	13,292
Recovery of OTTI securities	1,120	1,214	242
Other	8,589	6,204	33,895
Total other income	44,506	41,613	74,200
Total non-interest income	$ 216,880	$ 145,572	$ 210,763

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.

Non-interest expense totaled $641.4 million in the twelve months ended December 31, 2017, as compared to $651.6 million in the year-earlier twelve-month period. While non-interest expense declined year-over-year, operating expenses increased modestly to $641.2 million from $638.1 million in 2016.

Compensation and benefits expense accounted for $9.5 million of the year-over-year increase, having grown to $361.0 million in 2017. The increase was driven by a combination of factors, including an increase in stock-based compensation expense, normal salary increases, and the addition of senior level staff in various departments. This was offset by a $6.9 million decline in G&A expense to $181.3 million, primarily reflecting a $3.8 million decrease in FDIC deposit insurance premiums to $57.3 million.

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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 operate our branches and/or conduct our mortgage banking business.

In the twelve months ended December 31, 2017, we recorded income tax expense of $202.0 million, reflecting pre-tax income of $668.2 million and an effective tax rate of 30.2%. The decrease in both the effective tax rate and income tax expense was due to the recently enacted Tax Cuts and Jobs Act. This resulted in the Company recording a one-time net benefit during the fourth quarter of the year, to income tax expense of $42 million, including that portion related to the re-measurement of our net deferred tax liabilities. Our effective income tax rate in 2018 is expected to be approximately 26.5%.

RESULTS OF OPERATIONS: 2016 AS COMPARED TO 2015

Earnings Summary

In the twelve months ended December 31, 2016, we generated earnings of $495.4 million, or $1.01 per diluted share, representing a 1.00% return on average assets and an 8.19% return on average stockholders equity.

In the twelve months ended December 31, 2015, we recorded a net loss of $47.2 million, or $0.11 per diluted share. The net loss was attributable to a debt repositioning charge incurred in the fourth quarter in connection with the prepayment of $10.4 billion of wholesale borrowings. On a pre-tax basis, the charge was $915.0 million; on an after-tax basis, the charge was $546.8 million, or $1.17 per diluted share. In accordance with ASC 470-50, $773.8 million of the pre-tax charge was recorded as interest expense and $141.2 million was recorded as non-interest expense.

The benefit of the debt repositioning is reflected in our 2016 Consolidated Results of Operations, including the interest expense on, and average cost of, borrowed funds; the interest expense on, and average cost of, interest-bearing liabilities; our net interest income; our net interest rate spread; and our net interest margin.

Our 2016 and 2015 results also reflect certain expenses incurred in connection with the Astoria Financial merger agreement, which was announced on October 29, 2015 and terminated effective January 1, 2017 by mutual agreement of the companies Boards. In 2016, merger-related expenses totaled $11.1 million, as compared to $3.7 million in the prior year.

Net Interest Income

As the debt repositioning charge had no impact on our interest income or the interest expense stemming from our interest-bearing deposits in 2015, a comparison of the 2016 and 2015 amounts and measures is provided below:

Interest Income

In 2016, interest income fell $16.7 million year-over-year to $1.7 billion, as the benefit of a $30.6 million increase in the interest income produced by loans was substantially exceeded by the impact of a $47.3 million decline in the interest income produced by securities and money market investments.

The increase in the interest income produced by loans was driven by a $2.7 billion rise in the average balance of such assets to $39.1 billion and tempered by a 20-basis point drop in the average yield to 3.77%. The increase in interest income on loans was also partly offset by a $36.4 million decline in the contribution of prepayment income to $60.9 million, and by an 11-basis point decrease in the contribution to the average yield to 16 basis points.

The decline in the interest income produced by securities and money market investments was driven by a $2.3 billion reduction in the average balance of such assets to $4.9 billion, primarily reflecting the aforementioned high volume of securities calls. As a result of such calls, prepayment income from securities rose $14.1 million year-over-year to $33.5 million and the contribution of prepayment income to the average yield on securities and money market investments rose 41 basis points to 68 basis points. Largely reflecting the increase in prepayment income, the average yield on securities and money market investments rose 67 basis points to 4.11% year-over-year.

Interest Expense

In 2016, the interest expense on interest-bearing deposits rose $10.9 million year-over-year to $171.0 million, as a $218.0 million rise in the average balance to $26.1 billion was accompanied by a three-basis point rise in the average cost to 0.65%. While the average balance of savings accounts fell $1.6 billion year-over-year to $5.9 billion, the decrease was exceeded by the combination of a $1.2 billion rise in CDs to $6.9 billion and a $648.1 million rise in NOW and money market accounts to $13.3 billion. Similarly, while the average cost of savings accounts fell 13 basis points year-over-year, the benefit was exceeded by the impact of a one-basis point rise in the average cost of CDs and a ten-basis point rise in the average cost of NOW and money market accounts.

(Recoveries of) Provision for Losses on Loans

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

The provision for losses on non-covered loans, like the recovery of non-covered loan 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, we recorded an $11.9 million provision for non-covered loan losses in the twelve months ended December 31, 2016 as compared to a $3.3 million recovery of non-covered loan losses in the twelve months ended December 31, 2015.

Reflecting the 2016 provision and twelve-month net charge-offs of $708,000, the allowance for losses on non-covered loans rose to $158.3 million at the end of this December from $147.1 million at the prior year-end.

Recovery of Losses on Covered Loans

When an improvement in the credit quality of certain loan portfolios acquired in our FDIC-assisted transactions leads us to believe that the cash flows from those portfolios will exceed our expectations, we reverse the previously established covered loan loss allowance by recording a recovery. In accordance with this methodology, we recovered $7.7 million and $11.7 million, respectively, from the covered loan loss allowance in the twelve months ended December 31, 2016 and 2015.

Reflecting the recoveries recorded in 2016, the allowance for losses on covered loans fell to $23.7 million from $31.4 million in the twelve months ended December 31, 2015.

Non-Interest Income

Non-interest income fell $65.2 million year-over-year to $145.6 million in the twelve months ended December 31, 2016. The reduction was primarily attributable to the following factors:

- Mortgage banking income fell $26.8 million year-over-year to $27.3 million, primarily due to a first-quarter change in the assumptions used to calculate the value of our MSRs, together with an increase in loan payments and curtailments.

Other non-interest income fell to $41.6 million in the twelve months ended December 31, 2016 from $74.2 million in the twelve months ended December 31, 2015. While certain components of other non-interest income declined year-over-year, including revenues from PBC and the sale of third-party investments, the bulk of the year-over-year reduction was due to certain gains recorded in the prior year. The amount of other non-interest income recorded in 2015 was boosted by the combination of a $13.3 million gain on the sale of a bank-owned property and a $7.8 million gain on the sale of a multi-family property that had been classified as OREO. As no comparable gains were recorded in 2016, these two factors accounted for $21.1 million of the $32.6 million decline in other non-interest income from the level recorded in 2015.

The net gain on sales of loans, primarily through participations, fell $10.3 million year-over-year to $15.8 million.

Non-Interest Expense

Non-interest expense totaled $651.6 million in the twelve months ended December 31, 2016, as compared to $765.9 million in the year-earlier twelve-month period. Included in the 2015 amount was $141.2 million of the debt repositioning charge recorded in the fourth quarter; no comparable charge was recorded in 2016.

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In addition, merger-related charges accounted for $11.1 million of non-interest expense in 2016, as compared to $3.7 million in the prior year.

While non-interest expense declined year-over-year, operating expenses rose $22.5 million to $638.1 million from the level recorded in 2015. Compensation and benefits expense accounted for $8.8 million of the year-over-year increase, having grown to $351.4 million in 2016. The increase was driven by a combination of factors, including an increase in medical benefits expense, back-office staff expansion, normal salary increases, and the granting of stock awards. In addition, G&A expense rose $17.6 million year-over-year to $188.1 million, primarily reflecting a $14.8 million increase in FDIC deposit insurance premiums to $61.1 million, as well as an increase in legal and professional fees. These increases, which included fees incurred in connection with our preparations for SIFI status, were only partly offset by a $3.9 million decrease in occupancy and equipment expense to $98.5 million, primarily representing an increase in rental income.

Income Tax Expense

In the twelve months ended December 31, 2016, we recorded income tax expense of $281.7 million, reflecting pre-tax income of $777.1 million and an effective tax rate of 36.25%. In the prior year, we recorded an income tax benefit of $84.9 million as a result of having recorded a $132.0 million pre-tax loss.

QUARTERLY FINANCIAL DATA

The following table sets forth selected unaudited quarterly financial data for the years ended December 31, 2017 and 2016:

	2017				2016			
(in thousands, except per share data)	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Net interest income	$ 270,974	$ 276,343	$ 287,769	$ 294,917	$ 315,520	$ 318,423	$ 325,573	$ 327,866
Provision for (recoveries of) loan losses	2,926	44,585	(6,261)	(4,008)	3,516	(55)	895	(176)
Non-interest income	25,343	108,928	50,437	32,172	32,374	40,595	37,366	35,237
Non-interest expense	148,484	162,234	163,765	166,943	170,602	161,685	160,911	158,448
Income before income taxes	144,907	178,452	180,702	164,154	173,776	197,388	201,133	204,831
Income tax expense	8,386	67,984	65,447	60,197	60,043	72,089	74,673	74,922
Net income	$ 136,521	$ 110,468	$ 115,255	$ 103,957	$ 113,733	$ 125,299	$ 126,460	$ 129,909
Preferred stock dividends	8,207	8,207	8,207					
Net income available to common shareholders	$ 128,314	$ 102,261	$ 107,048	$ 103,957	$ 113,733	$ 125,299	$ 126,460	$ 129,909
Basic earnings per common share	$0.26	$0.21	$0.22	$0.21	$0.23	$0.26	$0.26	$0.27
Diluted earnings per common share	$0.26	$0.21	$0.22	$0.21	$0.23	$0.26	$0.26	$0.27

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

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.

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RECONCILIATIONS OF STOCKHOLDERS EQUITY, COMMON STOCKHOLDERS EQUITY, AND TANGIBLE COMMON STOCKHOLDERS EQUITY; TOTAL ASSETS AND TANGIBLE ASSETS; AND THE RELATED MEASURES

While stockholders equity, common stockholders equity, total assets, and book value per common share are financial measures that are recorded in accordance with U.S. generally accepted accounting principles (GAAP), tangible common stockholders equity, tangible assets, and tangible book value per common share are not. It is management s belief that these non-GAAP measures should be disclosed in this report and others we issue for the following reasons:

1. Tangible common stockholders equity is an important indication of the Company s ability to grow organically and through business combinations, as well as its ability to pay dividends and to engage in various capital management strategies.

2. Tangible book value per common share and the ratio of tangible common stockholders equity to tangible assets are among the capital measures considered by current and prospective investors, both independent of, and in comparison with, the Company s peers.

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

Reconciliations of our stockholders equity, common stockholders equity, and tangible common stockholders equity; our total assets and tangible assets; and the related financial measures for the respective periods follow:

	At or for the Twelve Months Ended December 31,	
(dollars in thousands)	2017	2016
Stockholders Equity	$ 6,795,376	$ 6,123,991
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles		(208)
Preferred stock	(502,840)	
Tangible common stockholders equity	$ 3,856,405	$ 3,687,652
Total Assets	$ 49,124,195	$ 48,926,555
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles		(208)
Tangible assets	$ 46,688,064	$ 46,490,216
Common stockholders equity to total assets	12.81%	12.52%
Tangible common stockholders equity to tangible assets	8.26	7.93

Book value per common share	$12.88	$12.57
Tangible book value per common share	7.89	7.57

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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 2017, 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 extended the maturities of certain short-term wholesale borrowings.

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, 2017, our one-year gap was a negative 19.57%, as compared to a negative 21.37% at December 31, 2016. The 180-basis point change was primarily due to an increase in cash balances as a result of the sale of the mortgage banking operations, which was partially offset by a decrease in loans maturing or repricing in one year and an increase in borrowings maturing in one year.

The table on the following page sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at December 31, 2017 which, based on certain assumptions stemming from our historical experience,

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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, 2017 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 5% per annum; for multi-family and CRE loans, prepayment rates are forecasted at weighted average CPRs of 15% and 8% 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 48% for the first five years and 52% for years six through ten. Interest-bearing checking accounts were assumed to decay at a rate of 70% for the first five years and 30% 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 89% for the first five years and 11% for years six through ten.

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.

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Interest Rate Sensitivity Analysis

	At December 31, 2017						
(dollars in thousands)	Three Months or Less	Four to Twelve Months	More Than One Year to Three Years	More Than Three Years to Five Years	More Than Five Years to 10 Years	More Than 10 Years	Total
INTEREST-EARNING ASSETS:							
Mortgage and other loans (1)	$ 3,182,859	$ 4,729,234	$ 16,579,975	$ 10,898,656	$ 2,845,843	$ 112,980	$ 38,349,547
Mortgage-related securities (2)(3)	21,268	58,354	385,627	681,573	1,226,274	245,650	2,618,746
Other securities (2)	978,343	1,421	3,869	15,802	323,106	193,959	1,516,500
Interest-earning cash and cash equivalents	2,373,803						2,373,803
Total interest-earning assets	6,556,273	4,789,009	16,969,471	11,596,031	4,395,223	552,589	44,858,596
INTEREST-BEARING LIABILITIES:							
Interest-bearing checking and money market accounts	7,313,506	348,915	673,669	1,980,433	2,619,778		12,936,301
Savings accounts	1,145,791	947,315	234,823	192,785	2,689,287		5,210,001
Certificates of deposit	2,002,350	4,812,757	1,759,923	59,319	9,297		8,643,646
Borrowed funds	1,733,926	2,653,500	7,781,000	600,000		145,253	12,913,679
Total interest-bearing liabilities	12,195,573	8,762,487	10,449,415	2,832,537	5,318,362	145,253	39,703,627
Interest rate sensitivity gap per period (4)	$ (5,639,300)	$ (3,973,478)	$ 6,520,056	$ 8,763,494	$ (923,139)	$ 407,336	$ 5,154,969
Cumulative interest rate sensitivity gap	$ (5,639,300)	$ (9,612,778)	$ (3,092,722)	$ 5,670,772	$ 4,747,633	$ 5,154,969	
	(11.48)%	(19.57)%	(6.30)%	11.54%	9.66%	10.49%	

Cumulative interest rate sensitivity gap as a percentage of total assets						
Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities	53.76%	54.13%	90.15%	116.56%	112.00%	112.98%

(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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As of December 31, 2017, the impact of a 100-basis point decline in market interest rates would have increased our projected prepayment rates for multi-family and CRE loans by a constant prepayment rate of 14.39% per annum. Conversely, the impact of a 100-basis point increase in market interest rates would have decreased our projected prepayment rates for multi-family and CRE loans by a constant prepayment rate of 6.03% per annum.

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

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

The following table sets forth our NPV at December 31, 2017, 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
	$ 49,590,202	$ 42,154,288	$ 7,435,914	$	%
+100	48,897,628	41,901,656	6,995,972	(439,942)	(5.92)
+200	48,172,944	41,666,960	6,505,984	(929,930)	(12.51)

(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. Based on the information and assumptions in effect at December 31, 2017, 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:

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Change in Interest Rates (in basis points) (1)(2)	Estimated Percentage Change in Future Net Interest Income
+100 over one year	(4.27)%
+200 over one year	(7.83)

(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 Asset and Liability Management 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, 2017, our analysis indicated that an immediate inversion of the yield curve would be expected to result in a 2.54% decrease in net interest income; conversely, an immediate steepening of the yield curve would be expected to result in a 2.99% 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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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)	December 31, 2017	2016
ASSETS:		
Cash and cash equivalents	$ 2,528,169	$ 557,850
Securities:		
Available for sale ($1,263,227 pledged at December 31, 2017)	3,531,427	104,281
Held-to-maturity ($1,930,533 pledged at December 31, 2016) (fair value of $3,813,959 at December 31, 2016)		3,712,776
Total securities	3,531,427	3,817,057
Non-covered loans held for sale	35,258	409,152
Non-covered loans held for investment, net of deferred loan fees and costs	38,387,971	37,382,722
Less: Allowance for losses on non-covered loans	(158,046)	(158,290)
Non-covered loans held for investment, net	38,229,925	37,224,432
Covered loans		1,698,133
Less: Allowance for losses on covered loans		(23,701)
Covered loans, net		1,674,432
Total loans, net	38,265,183	39,308,016
Federal Home Loan Bank stock, at cost	603,819	590,934
Premises and equipment, net	368,655	373,675
FDIC loss share receivable		243,686
Goodwill	2,436,131	2,436,131
Core deposit intangibles		208
Mortgage servicing rights ($2,729 and $228,099 measured at fair value at December 31, 2017 and 2016, respectively)	6,100	233,961
Bank-owned life insurance	967,173	949,026
Other real estate owned and other repossessed assets ($16,990 covered by loss sharing agreements at December 31, 2016)	16,400	28,598
Other assets	401,138	387,413
Total assets	$ 49,124,195	$ 48,926,555
LIABILITIES AND STOCKHOLDERS EQUITY:		
Deposits:		
Interest-bearing checking and money market accounts	$ 12,936,301	$ 13,395,080
Savings accounts	5,210,001	5,280,374
Certificates of deposit	8,643,646	7,577,170
Non-interest-bearing accounts	2,312,215	2,635,279

Total deposits	29,102,163	28,887,903
Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	12,104,500	11,664,500
Repurchase agreements	450,000	1,500,000
Federal funds purchased		150,000
Total wholesale borrowings	12,554,500	13,314,500
Junior subordinated debentures	359,179	358,879
Total borrowed funds	12,913,679	13,673,379
Other liabilities	312,977	241,282
Total liabilities	42,328,819	42,802,564
Stockholders equity:		
Preferred stock at par $0.01 (5,000,000 shares authorized): Series A (515,000 shares issued and outstanding)	502,840	
Common stock at par $0.01 (900,000,000 shares authorized; 489,072,101 and 487,067,889 shares issued, and 488,490,352 and 487,056,676 shares outstanding, respectively)	4,891	4,871
Paid-in capital in excess of par	6,072,559	6,047,558
Retained earnings	237,868	128,435
Treasury stock, at cost (581,749 and 11,213 shares, respectively)	(7,615)	(160)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain (loss) on securities available for sale, net of tax of $(27,961) and $534, respectively	39,188	(753)
Net unrealized loss on the non-credit portion of other-than-temporary impairment (OTTI) losses on securities, net of tax of $3,338 and $3,351, respectively	(5,221)	(5,241)
Net unrealized loss on pension and post-retirement obligations, net of tax of $32,121 and $34,355, respectively	(49,134)	(50,719)
Total accumulated other comprehensive loss, net of tax	(15,167)	(56,713)
Total stockholders equity	6,795,376	6,123,991
Total liabilities and stockholders equity	$ 49,124,195	$ 48,926,555

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		
(in thousands, except per share data)	2017	2016	2015
INTEREST INCOME:			
Mortgage and other loans	$ 1,417,237	$ 1,472,020	$ 1,441,462
Securities and money market investments	165,002	202,849	250,122
Total interest income	1,582,239	1,674,869	1,691,584
INTEREST EXPENSE:			
Interest-bearing checking and money market accounts	98,980	62,166	46,467
Savings accounts	28,447	31,982	50,776
Certificates of deposit	102,355	76,875	62,906
Borrowed funds	222,454	216,464	1,123,360
Total interest expense	452,236	387,487	1,283,509
Net interest income	1,130,003	1,287,382	408,075
Provision for (recovery of) losses on non-covered loans	60,943	11,874	(3,334)
Recovery of losses on covered loans	(23,701)	(7,694)	(11,670)
Net interest income after provision for (recovery of) loan losses	1,092,761	1,283,202	423,079
NON-INTEREST INCOME:			
Fee income	31,759	32,665	34,058
Bank-owned life insurance	27,133	31,015	27,541
Mortgage banking income	19,337	27,281	54,113
Net gain on sales of loans	1,156	15,806	26,133
Net gain on sales of securities	29,924	3,347	4,054
FDIC indemnification expense	(18,961)	(6,155)	(9,336)
Gain on sale of covered loans and mortgage banking operations	82,026		
Other	44,506	41,613	74,200
Total non-interest income	216,880	145,572	210,763
NON-INTEREST EXPENSE:			
Operating expenses:			
Compensation and benefits	360,985	351,436	342,624
Occupancy and equipment	98,963	98,543	102,435
General and administrative	181,270	188,130	170,541
Total operating expenses	641,218	638,109	615,600
Amortization of core deposit intangibles	208	2,391	5,344

Debt repositioning charge			141,209
Merger-related expenses		11,146	3,702
Total non-interest expense	641,426	651,646	765,855
Income (loss) before income taxes	668,215	777,128	(132,013)
Income tax expense (benefit)	202,014	281,727	(84,857)
Net income (loss)	$ 466,201	$ 495,401	$ (47,156)
Preferred stock dividends	24,621		
Net income (loss) available to common shareholders	$ 441,580	$ 495,401	$ (47,156)
Basic earnings (loss) per common share	$0.90	$1.01	$(0.11)
Diluted earnings (loss) per common share	$0.90	$1.01	$(0.11)
Net income (loss)	$ 466,201	$ 495,401	$ (47,156)
Other comprehensive income (loss), net of tax:			
Change in net unrealized gain (loss) on securities available for sale, net of tax of $29,740; $1,560; and $437, respectively	41,684	(2,207)	475
Change in the non-credit portion of OTTI losses recognized in other comprehensive income (loss), net of tax of $13; $49; and $44, respectively	20	77	69
Change in pension and post-retirement obligations, net of tax of $2,234; $2,924; and $1,161, respectively	1,585	4,015	(1,445)
Less: Reclassification adjustment for sales of available-for-sale securities, net of tax of $1,245; $1,127; and $306, respectively	(1,743)	(1,577)	(434)
Total other comprehensive income (loss), net of tax	41,546	308	(1,335)
Total comprehensive income (loss), net of tax	$ 507,747	$ 495,709	$ (48,491)

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Years Ended December 31,		
(in thousands, except share data)	2017	2016	2015
PREFERRED STOCK (Par Value: $0.01):			
Balance at beginning of year	$	$	$
Issuance of preferred stock (515,000 shares)	502,840		
Balance at end of year	502,840		
COMMON STOCK (Par Value: $0.01):			
Balance at beginning of year	4,871	4,850	4, 427
Shares issued for restricted stock awards (2,004,212; 2,099,865; and 1,683,564, respectively)	20	21	17
Shares issued in follow-on common stock offering (40,625,000 shares)			406
Balance at end of year	4,891	4,871	4,850
PAID-IN CAPITAL IN EXCESS OF PAR:			
Balance at beginning of year	6,047,558	6,023,882	5,369,623
Shares issued for restricted stock awards, net of forfeitures	(11,028)	(8,985)	(7,708)
Compensation expense related to restricted stock awards	36,029	32,661	30,205
Proceeds from follow-on common stock offering, net			629,276
Tax effect of stock plans			2,486
Balance at end of year	6,072,559	6,047,558	6,023,882
RETAINED EARNINGS (ACCUMULATED DEFICIT):			
Balance at beginning of year	128,435	(36,568)	464,569
Net income (loss)	466,201	495,401	(47,156)
Dividends paid on common stock ($0.68; $0.68; and $1.00 per share)	(332,147)	(330,810)	(453,981)
Dividends paid on preferred stock ($47.81 per share)	(24,621)		
Effect of adopting Accounting Standards Update (ASU) No. 2016-09		412	
Balance at end of year	237,868	128,435	(36,568)
TREASURY STOCK:			
Balance at beginning of year	(160)	(447)	(1,118)
Purchase of common stock (1,284,373; 566,584; and 448,223 shares, respectively)	(18,463)	(8,677)	(7,020)
Shares issued for restricted stock awards (713,837; 580,087; and 495,777 shares, respectively)	11,008	8,964	7,691
Balance at end of year	(7,615)	(160)	(447)

ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX:			
Balance at beginning of year	(56,713)	(57,021)	(55,686)
Other comprehensive income (loss), net of tax	41,546	308	(1,335)
Balance at end of year	(15,167)	(56,713)	(57,021)
Total stockholders equity	$ 6,795,376	$ 6,123,991	$ 5,934,696

(1) See Note 2, Summary of Significant Accounting Policies for a discussion of the Company s adoption of Accounting Standards Update No. 2016-09.

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(in thousands)	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 466,201	$ 495,401	$ (47,156)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Provision for (recoveries of) loan losses	37,242	4,180	(15,004)
Depreciation and amortization	32,803	32,811	31,497
Amortization of discounts and premiums, net	(4,555)	(26,258)	(8,069)
Amortization of core deposit intangibles	208	2,391	5,344
Net gain on sales of securities	(29,924)	(3,347)	(4,054)
Gain on trading securities activity	(316)		
Net gain on sales of loans	(87,301)	(57,398)	(65,649)
Stock-based compensation	36,029	32,661	30,205
Deferred tax expense (benefit)	21,444	44,746	(31,289)
Changes in operating assets and liabilities:			
Decrease (increase) in other assets	451,873	326,790	(196,899)
Increase (decrease) in other liabilities	23,329	(4,336)	15,425
Purchases of securities held for trading	(202,450)		
Proceeds from sales of securities held for trading	202,766		
Origination of loans held for sale	(1,674,123)	(4,646,773)	(4,680,243)
Proceeds from sales of loans originated for sale	2,053,484	4,554,785	4,545,466
Net cash provided by (used in) operating activities	1,326,710	755,653	(420,426)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from repayment of securities held to maturity	175,375	2,499,205	940,580
Proceeds from repayment of securities available for sale	387,772	50,192	9,889
Proceeds from sales of securities held to maturity	547,925	1,297	44,104
Proceeds from sales of securities available for sale	453,878	322,038	278,689
Purchases of securities held to maturity	(13,030)	(213,208)	(20,021)
Purchases of securities available for sale	(1,163,043)	(279,402)	(318,027)
Redemption of Federal Home Loan Bank stock	90,909	601,941	623,189
Purchases of Federal Home Loan Bank stock	(103,794)	(528,904)	(771,833)
Proceeds from sales of loans	2,289,377	1,675,550	1,923,208
Other changes in loans, net	(1,575,846)	(2,826,365)	(4,072,135)
Purchase of premises and equipment, net	(27,783)	(84,179)	(34,802)
Net cash provided by (used in) investing activities	1,061,740	1,218,165	(1,397,159)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	214,260	461,145	98,024

Net (decrease) increase in short-term borrowed funds	(460,000)	(3,256,300)	768,100
Proceeds from long-term borrowed funds	3,000,000	1,181,000	11,243,500
Repayments of long-term borrowed funds	(3,300,000)		(10,489,682)
Tax effect of stock plans (1)			2,486
Net proceeds from issuance of preferred stock	502,840		
Proceeds received from follow-on common stock offering, net			629,682
Cash dividends paid on common stock	(332,147)	(330,810)	(453,981)
Cash dividends paid on preferred stock	(24,621)		
Payments relating to treasury shares received for restricted stock award tax payments (1)	(18,463)	(8,677)	(7,020)
Net cash (used in) provided by financing activities	(418,131)	(1,953,642)	1,791,109
Net increase (decrease) in cash and cash equivalents	1,970,319	20,176	(26,476)
Cash and cash equivalents at beginning of year	557,850	537,674	564,150
Cash and cash equivalents at end of year	$ 2,528,169	$ 557,850	$ 537,674
Supplemental information:			
Cash paid for interest	$ 447,476	$ 382,135	$ 540,818
Cash paid for income taxes	217,682	180,238	187,608
Cash paid for prepayment penalties on borrowings			914,965
Non-cash investing and financing activities:			
Transfers to other real estate owned from loans	$ 9,973	$ 20,099	$ 47,096
Transfer of loans from held for investment to held for sale	1,910,121	1,659,743	1,897,075
Transfer of loans from held for sale to held for investment			153,578
Shares issued for restricted stock awards	11,028	8,985	7,708
Securities transferred from held to maturity to available for sale	3,040,305		

(1) See Note 2, Summary of Significant Accounting Policies for a discussion of the Company s adoption of Accounting Standards Update No. 2016-09.

See accompanying notes to the consolidated financial statements.

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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 name Atlantic Bank.

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 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 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 (capital securities). See Note 8, Borrowed Funds, for additional information regarding these trusts.

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, 2017 and 2016, the Company s cash and cash equivalents totaled $2.5 billion and $557.9 million, respectively. Included in cash and cash equivalents at those dates were $2.1 billion and $138.6 million, respectively, 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, 2017 and 2016 were federal funds sold of $3.1 million and $6.8 million, respectively. In addition, the Company had $250.0 million in pledged reverse repurchase agreements outstanding at December 31, 2017 and 2016.

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 $763.4 million and $162.1 million, respectively, at December 31, 2017 and 2016, in the form of deposits and vault cash. The Company was in compliance with this requirement at both dates.

Securities Available for Sale and Held to Maturity

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

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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 other-than-temporary impairment (OTTI) recorded in accumulated other comprehensive loss (AOCL), net of tax.

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 of 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.

Federal Home Loan Bank Stock

As a member of the FHLB of New York (the FHLB-NY), the Company is required to hold shares of FHLB-NY stock, which is carried at cost. The Company s holding requirement varies based on certain factors, including its outstanding borrowings from the FHLB-NY.

The Company conducts a periodic review and evaluation of its FHLB-NY stock to determine if any impairment exists. The factors considered in this process include, among others, significant deterioration in FHLB-NY 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 FHLB-NY 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.

On June 27, 2017, the Company entered into an agreement to sell its mortgage banking business, which was acquired as part of its 2009 FDIC-assisted acquisition of AmTrust Bank (AmTrust) and is reported under the Company s Residential Mortgage Banking segment, to Freedom Mortgage Corporation (Freedom). On September 29, 2017, the sale was completed with proceeds received in the amount of $226.6 million, resulting in a gain of $7.4 million, which is included in Non-Interest Income in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). Freedom acquired both the Company s origination and servicing platforms, as well as its mortgage servicing loan portfolio of $20.5 billion and related mortgage servicing rights (MSRs) asset of $208.8 million.

Accordingly, all of the loans held for sale that were outstanding at December 31, 2017, were originated by the Community Bank through its previous mortgage banking operation, and are to be sold to Freedom. Such loans are carried at fair value, which 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. In addition, loans originated as held for investment and subsequently designated as held for sale are transferred to held for sale at fair value.

Additionally, the Company received approval from the FDIC to sell assets covered under its Loss Share Agreements (LSA), early terminate the LSA, and entered into an agreement to sell the majority of its one-to-four family residential mortgage-related assets, including those covered under the LSA, to an affiliate of Cerberus Capital Management, L.P. (Cerberus). On July 28, 2017, the Company completed the sale, resulting in the receipt of proceeds of $1.9 billion from Cerberus and the FDIC and settled the related FDIC loss share receivable, resulting in a gain of $74.6 million which is included in Non-Interest Income in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). As a result of this sale the Company has no covered loans at December 31, 2017.

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

Two factors are considered in determining the amount of prepayment 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. When interest rates are declining, rising precipitously, or perceived to be on the verge of rising, prepayment income may increase as more borrowers opt to refinance and lock in current rates prior to further increases taking place.

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 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 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.

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, 2017 and December 31, 2016 was 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.

The Company 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 cost 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.

The Company also follows 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. The Company 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.

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

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

The historical loss period the Company uses to determine the allowance for loan losses on non-covered loans is a rolling 28-quarter look-back period, as the Company believes this produces an appropriate reflection of our historical loss experience.

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.

The Company charges 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 notification was received that the borrower has filed for bankruptcy.

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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.

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.

Allowance for Losses on Covered Loans

The Company sold its covered loan portfolio during the third quarter of 2017; therefore, the Company had no allowance for losses on covered loans as of December 31, 2017. The Company had elected to account for the loans acquired in the AmTrust and Desert Hills acquisitions (the covered loans) based on expected cash flows. This election was 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 maintained 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 were reported exclusive of the FDIC loss share receivable. The covered loans acquired in the AmTrust and Desert Hills Bank (Desert Hills) acquisitions were reviewed for collectability based on the expectations of cash flows from these loans. Covered loans were aggregated into pools of loans with common characteristics. In determining the allowance for losses on covered loans, the Company periodically performed an analysis to estimate the expected cash flows for each of the loan pools. A provision for losses on covered loans was 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 was 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 was recognized at the same time, and was measured based on the applicable loss sharing agreement percentage.

See Note 6, Allowances for Loan Losses for a further discussion of the allowances for losses on non-covered and covered loans.

Goodwill

In connection with the Company s acquisitions, assets that are acquired and liabilities that are assumed are recorded at their estimated fair values. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the identifiable net assets acquired, including other identified intangible assets. The determination of whether or not goodwill is impaired could require the Company to make significant judgments and could require the use of significant estimates and assumptions regarding estimated future cash flows. If the Company changes its strategy or if market conditions shift, judgments may change, which may result in adjustments to the recorded goodwill balance.

Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

The Company tests goodwill for impairment at the reporting unit level. These impairment evaluations are performed by comparing the carrying value of the goodwill of a reporting unit to its estimated fair value. Goodwill is allocated to the reporting units based on the reporting unit expected to benefit from the business combination. Previously, the Company had identified two reporting units, which were also our segments: our Banking Operations reporting unit and the Residential Mortgage Banking reporting unit. On September 29, 2017, the Company sold the Residential Mortgage Banking reporting unit; accordingly, the Company has one remaining reporting unit.

Goodwill is evaluated for impairment annually at December 31st, or more frequently if conditions exist that indicate that the carrying value may be impaired. ASC 350 provides for an optional qualitative assessment for testing goodwill for impairment that may allow companies to skip the annual two-step test described below. The qualitative assessment permits companies to assess whether it is more likely than not (i.e., a likelihood of greater than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company concludes based on the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is required to perform the two-step test. If the Company concludes based on the qualitative assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it has completed its goodwill impairment test and does not need to perform the two-step test.

Under step one of the two-step test, the fair value of a reporting unit is compared with its carrying value (including goodwill). If the fair value of a reporting unit is less than its carrying value, an indication of goodwill impairment exists for that reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of a reporting unit s goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit s goodwill. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

At December 31, 2017, the Company utilized a quantitative assessment to test goodwill for impairment and determined that the fair value of its single reporting unit exceeded its carrying value thereby concluding that goodwill was not impaired.

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 Income (Loss), and amounted to $32.8 million, $32.8 million, and $31.5 million, respectively, in the years ended December 31, 2017, 2016, and 2015.

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 Income (Loss). At December 31, 2017 and 2016, the Company s investment in BOLI was $967.2 million and $949.0 million, respectively. There were no additional purchases of BOLI during the years ended December 31, 2017 or 2016. The Company s investment in BOLI generated income of $27.1 million, $31.0 million, and $27.5 million, respectively, during the years ended December 31, 2017, 2016, and 2015.

Repossessed Assets

Repossessed assets consist of any property (other real estate owned or OREO) or other assets 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 asset, and the assets are 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 Income (Loss). At December 31, 2017, the Company had $8.2 million of OREO and $8.2 million of taxi medallions. The balance at December 31, 2016 was $28.6 million and included OREO of $17.0 million that was covered under the Company s FDIC LSA. There were no repossessed taxi medallions at December 31, 2016.

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.

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Stock-Based Compensation

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, 2017, the Company had 7,135,071 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, see Note 13, Stock-Related Benefit Plans.

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 rate of return on plan assets. The Company evaluates these 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.

Earnings (Loss) per Common Share (Basic and Diluted)

Basic earnings (loss) per common share (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 earnings (loss) per common share for the years ended December 31, 2017, 2016, and 2015:

(in thousands, except share and per share amounts)	Years Ended December 31, 2017	2016	2015
Net income (loss) available to common shareholders	$ 441,580	$ 495,401	$ (47,156)
Less: Dividends paid on and earnings/(loss) allocated to participating securities	(3,554)	(3,795)	(3,357)
Earnings/(loss) applicable to common stock	$ 438,026	$ 491,606	$ (50,513)
Weighted average common shares outstanding	487,073,951	485,150,173	448,982,223
Basic earnings (loss) per common share	$ 0.90	$ 1.01	$ (0.11)
Earnings (loss) applicable to common stock	$ 438,026	$ 491,606	$ (50,513)
Weighted average common shares outstanding	487,073,951	485,150,173	448,982,223
Potential dilutive common shares			
Total shares for diluted earnings (loss) per common share computation	487,073,951	485,150,173	448,982,223
Diluted earnings (loss) per common share and common share equivalents	$0.90	$1.01	$(0.11)

Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU No. 2016-09, Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU No. 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, classification on the Statements of Cash Flows, and accounting for forfeitures. The Company adopted ASU No. 2016-09 prospectively, effective for the first quarter of 2016. Upon adoption, the Company recorded an immaterial cumulative-effect adjustment to the opening balance of retained earnings. In addition, ASU No. 2016-09 requires that excess tax benefits and shortfalls be recorded as income tax benefit or expense in the income statement, rather than as equity. This resulted in an immaterial benefit to income tax expense in the first quarter of 2016. Relative to forfeitures, ASU No. 2016-09 allows an entity s accounting policy election to either continue to estimate the number of awards that are expected to vest, as under previous guidance, or account for forfeitures when they occur. The

Company elected to continue its practice of estimating the number of awards that will be forfeited. The income tax effects of ASU No. 2016-09 on the Statements of Cash Flows are now classified as cash flows from operating activities, rather than cash flows from financing activities. The Company elected to apply this cash flow classification guidance prospectively and, therefore, prior periods were not adjusted. ASU No. 2016-09 also requires the presentation of certain employee withholding taxes as a financing activity on the Consolidated Statements of Cash Flows; this is consistent with the manner in which the Company has presented such employee withholding taxes in the past. Accordingly, no reclassification for prior periods was required.

In December 2016, the FASB issued ASU No. 2016-19, Technical Corrections and Improvements, which includes various clarifications or corrections to the ASC that are not intended to have a significant effect on current accounting practice or create significant administrative costs for most entities. ASU No. 2016-19 includes an amendment that clarifies the difference between a valuation *approach* and a valuation *technique* when applying the guidance in ASC Topic 820, Fair Value Measurement. The amendment also requires a company to disclose when there has been a change in either or both a valuation approach or valuation technique. During 2017, the Company changed its valuation technique for its investment securities from the use of a yield-to-price calculation to using quoted prices from brokers or pricing services to measure fair value. The Company believes that the use of quoted prices from brokers or pricing services is an appropriate technique given the characteristics of its current investment securities holdings.

Recently Issued Accounting Standards

In February 2018, the FASB issued ASU No. 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU No. 2018-02 was issued to address a narrow-scope financial reporting issue that arose as a consequence of the enactment of the Tax Cuts and Jobs Act of 2017. ASU No. 2018-02 permits an election to reclassify from accumulated other comprehensive income (loss) to retained earnings the stranded tax effects resulting from the difference between the historical federal corporate income tax rate of 35% and the newly enacted 21% federal corporate income tax rate. ASU No. 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years with early adoption permitted, including adoption in any interim period, for public business entities for reporting periods for which financial statements have not yet been issued. The Company plans to early adopt ASU No. 2018-02 effective January 1, 2018. The adoption of ASU No. 2018-02, is not expected to have a material effect on the Company s Consolidated Statements of Condition, results of operations, or cash flows.

In May 2017, the FASB issued ASU No. 2017-09, Compensation Stock Compensation (Topic 718). ASU No. 2017-09 clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under ASU No. 2017-09, modification accounting is applied only if the fair value, the vesting conditions, and the classification of the award (as an equity or liability instrument) change as a result of the change in terms or conditions. The Company plans to adopt ASU No. 2017-09 as of January 1, 2018. ASU No. 2017-09 amendments will be applied prospectively to awards modified on or after the effective date. The adoption of ASU No. 2017-09 is not expected to have a material effect on the Company s Consolidated Statements of Condition, results of operations, or cash flows.

In March 2017, the FASB issued ASU No. 2017-08, Receivables Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. ASU No. 2017-08 specifies that the premium amortization period ends at the earliest call date, rather than the contractual maturity date, for purchased non-contingently callable debt securities. Shortening the amortization period is generally expected to more closely align the interest income recognition with the expectations incorporated in the market pricing on the underlying securities. The shorter amortization period means that interest income would generally be lower in the periods before the earliest call date and higher thereafter (if the security is not called) compared to current GAAP. Currently, the premium is amortized to the contractual maturity date under GAAP. Because the premium will be amortized to the earliest call date, the holder will not recognize a loss in earnings for the unamortized premium when the call is exercised. This ASU No. 2017-08 is effective for annual and interim periods in fiscal years beginning after December 15, 2018. The ASU No. 2017-08 specifies that the transition approach to the standard be accounted for on a modified retrospective basis with a cumulative effect adjustment in retained earnings as of the beginning of the period of adoption. The Company plans to adopt ASU No. 2017-08 effective January 1, 2019 and the adoption is not expected to have a material effect on the Company s Consolidated Statements of Condition, results of operations, or cash flows.

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires companies to present the service cost component of net benefit cost in the income statement line items where they report compensation cost, and all other components of net benefit cost in the income statement separately from the service cost component and outside of operating income, if this subtotal is presented. Additionally, the service cost component will be the only component that can be capitalized. ASU No. 2017-07 is effective for annual and interim periods in fiscal years beginning after December 15, 2018. The standard requires retrospective application for the amendments related to the presentation of the service cost component and other components of net benefit cost, and prospective application for the amendments related to the capitalization requirements for the service cost components of net benefit cost. The adoption of ASU No. 2017-07 on January 1, 2018, is not expected to have a material effect on the Company s Consolidated Statements of Condition, results of operations, or cash flows.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU No. 2017-04 eliminates the second step of the goodwill impairment test which requires an entity to determine the implied fair value of the reporting unit s goodwill. Instead, an entity will recognize an impairment loss if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill recorded. ASU No. 2017-04 does not amend the optional qualitative assessment of goodwill impairment. ASU No. 2017-04 is effective for annual and interim periods in fiscal years beginning after December 15, 2019, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company plans to adopt ASU No. 2017-04 prospectively beginning January 1, 2020 and the impact of its adoption on the Company s Consolidated Statements of Condition, results of operations, or cash flows will be dependent upon goodwill impairment determinations made after that date.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash. ASU No. 2016-18 will amend the guidance in ASC Topic 230, Statement of Cash Flows, and is intended to reduce the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. ASU No. 2016-18 will require that the reconciliation of the beginning-of-period and end-of-period cash and cash equivalents amounts shown on the statement of cash flows include restricted cash and restricted cash equivalents. If restricted cash and restricted cash equivalents are presented separately from cash and cash equivalents on the balance sheet, an entity will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. An entity will also be required to disclose information regarding the nature of the restrictions. ASU No. 2016-18 requires retrospective application and is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company plans to adopt ASU No. 2016-18 as of January 1, 2018. The adoption of ASU No. 2016-18 is not expected to have a material impact on the Company s financial position or results of operations in future filings.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU No. 2016-15 addresses the following cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in ASU No. 2016-15 are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments in ASU No. 2016-15 should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company plans to adopt ASU No. 2016-15 beginning January 1, 2018 and its adoption is not expected to have a material effect on the Company s Consolidated Statements of Condition, results of operations, or cash flows.

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In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU No. 2016-13 amends guidance on reporting credit losses for assets held on an amortized cost basis and available-for-sale debt securities. For assets held at amortized cost, ASU No. 2016-13 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. Current GAAP requires an incurred loss methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. The amendments in ASU No. 2016-13 replace the incurred loss impairment methodology in current GAAP with a methodology that reflects the measurement of expected credit losses based on relevant information about past events, including historical loss experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available-for-sale debt securities, credit losses should be measured in a manner similar to current GAAP, however ASU No. 2016-13 will require that credit losses be presented as an allowance rather than as a write-down. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For public business entities that are SEC filers, the amendments in ASU No. 2016-13 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. An entity will apply the amendments in ASU No. 2016-13 through a cumulative-effect adjustment to retained earnings as of January 1, 2020 (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of ASU No. 2016-13. Amounts previously recognized in accumulated other comprehensive income (loss) as of the date of adoption that relate to improvements in cash flows expected to be collected should continue to be accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after the date of adoption should be recorded in earnings when received. Financial assets for which the guidance in Subtopic 310-30, Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality (PCD assets), has previously been applied should prospectively apply the guidance in ASU No. 2016-13 for PCD assets. A prospective transition approach should be used for PCD assets where upon adoption, the amortized cost basis should be adjusted to reflect the addition of the allowance for credit losses. This transition relief will avoid the need for a reporting entity to reassess its purchased financial assets that exist as of the date of adoption to determine whether they would have met at acquisition the new criteria of more-than insignificant credit deterioration since origination. The transition relief also will allow an entity to accrete the remaining noncredit discount (based on the revised amortized cost basis) into interest income at the effective interest rate at the adoption date of ASU No. 2016-13. The same transition requirements should be applied to beneficial interests that previously applied Subtopic 310-30 or have a significant difference between contractual cash flows and expected cash flows. The Company is evaluating ASU No. 2016-13, has initiated a working group with multiple members from applicable departments to evaluate the requirements of the new standard, planning for loss modeling requirements consistent with lifetime expected loss estimates, and assessing the impact it will have on current processes. This evaluation includes a review of existing credit models to identify areas where existing credit models used to comply with other regulatory requirements may be leveraged and areas where new models may be required. The adoption of ASU No. 2016-13 could have a material effect on the Company s Consolidated Statements of Condition and results of operations. The extent of the impact upon adoption will likely depend on the characteristics of the Company s loan portfolio and economic conditions at that date, as well as forecasted conditions thereafter.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 will require entities that lease assets to recognize as assets and liabilities on the balance sheet the respective rights and obligations created by those leases. ASU No. 2016-02 also will require disclosures that include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early application permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities we may elect to apply. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. An entity that elects to apply the practical expedients will, in effect, continue to account for leases that commence before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The transition guidance in Topic 842 also provides specific guidance for sale and leaseback transactions, build-to-suit leases, leveraged leases, and amounts previously recognized in accordance with the business combinations guidance for leases. The Company plans to adopt ASU No. 2016-02 effective January 1, 2019 using the required modified retrospective approach, which includes presenting the cumulative effect of initial application along with supplementary disclosures. As a lessor and lessee, we do not anticipate the classification of our leases to change, but we expect to recognize right-of-use assets and lease liabilities for substantially virtually all of our operating lease commitments leases for which we are the lessee as a lease liability and corresponding right-of-use asset on our Consolidated Statements of Condition. The Company has assembled a project management team, formed a working group comprised of associates from different disciplines, such as Vendor Risk Management, Real Estate, and Technology, including working with associates engaged in the procurement of goods and services used in the Company s operations. We have made substantial progress in reviewing contractual arrangements for embedded leases in an effort to identify the Company s full lease population and is presently evaluating all of its leases, as well as contracts that may contain embedded leases, for compliance with the new lease accounting rules.

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. ASU No. 2016-01 amends guidance on classification and measurement of financial instruments, including revisions in accounting related to the classification and measurement of investments in equity securities and presentation of certain fair value changes for financial liabilities when the fair value option is elected. As it relates to the Company, it will require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, thus eliminating eligibility for the current available-for-sale category. However, FHLB stock is not in the scope of ASU No. 2016-01 and will continue to be presented at cost. The amendments in ASU No. 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Except for the early application guidance for liabilities at fair value in accordance with the fair value option for financial instruments, and certain fair value of financial instruments disclosures, early adoption of the ASU is not permitted. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of ASU No. 2016-01. The Company plans to adopt ASU No. 2016-01 as of January 1, 2018. Upon initial adoption, an immaterial amount of unrealized losses related to the in-scope equity securities will be reclassified from other comprehensive income to retained earnings.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize 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. The provisions ASU No. 2014-09 and related amendments are effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within that annual period, with early adoption permitted for annual reporting periods beginning after December 15, 2016, and interim reporting periods within that annual period. The Company will adopt ASU No. 2014-09 and its amendments which established ASC Topic 606, Revenue from Contracts with Customers on

January 1, 2018. In summary, the core principle of ASC 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. The Company s revenue streams that are covered by ASC Topic 606 are primarily fees earned in connection with performing services for our customers such as investment advisor fees, wire transfer fees, and bounced check fees. Such fees are either satisfied over time if the service is performed over a period of time (as with investment advisor fees or safe deposit box rental fees), or satisfied at a point in time (as with wire transfer fees and bounced check fees). The Company recognizes fees for services performed over time over the time period to which the fees relate. The Company recognizes fees earned at a point in time on the day the fee is earned. The Company will adopt ASU No. 2014-09 using the modified retrospective approach which includes presenting the cumulative effect of initial application, if any, along with supplementary disclosures. The Company will not record a cumulative effect adjustment upon adoption of ASU No. 2014-09.

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NOTE 3: RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE LOSS

(in thousands)	For the Twelve Months Ended December 31, 2017	
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 on available-for-sale securities	$ 2,988	Net gain on sales of securities
	(1,245)	Income tax expense
	$ 1,743	Net gain on sales of securities, net of tax
Amortization of defined benefit pension plan items:		
Past service liability	$ 249	Included in the computation of net periodic (credit) expense (2)
Actuarial losses	(8,484)	Included in the computation of net periodic (credit) expense (2)
	(8,235)	Total before tax
	3,432	Tax benefit
	$ (4,803)	Amortization of defined benefit pension plan items, net of tax
Total reclassifications for the period	$ (3,060)	

(1) Amounts in parentheses indicate expense items.
(2) 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, 2017 and 2016:

	December 31, 2017			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE (1) certificates	$ 2,023,677	$ 46,364	$ 1,199	$ 2,068,842
GSE CMOs (2)	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 [3]	16,874	487	261	17,100
Total other securities	$ 904,318	$ 20,784	$ 12,421	$ 912,681
Total securities available for sale [4]	$ 3,464,279	$ 81,594	$ 14,446	$ 3,531,427

(1) *Government-sponsored enterprise.*
(2) *Collateralized mortgage obligations.*
(3) *Primarily consists of mutual funds that are Community Reinvestment Act-qualified investments.*
(4) *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).*

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	December 31, 2016			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates	$ 7,786	$	$ 460	$ 7,326
Other Securities:				
Municipal bonds	$ 583	$ 48	$	$ 631
Capital trust notes	9,458	2	2,217	7,243
Preferred stock	70,866	1,446	328	71,984
Mutual funds and common stock	16,874	484	261	17,097
Total other securities	$ 97,781	$ 1,980	$ 2,806	$ 96,955
Total securities available for sale	$ 105,567	$ 1,980	$ 3,266	$ 104,281

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The following table summarizes the Company s portfolio of securities held to maturity at December 31, 2016:

(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$ 2,193,489	$ 2,193,489	$ 64,431	$ 2,399	$ 2,255,521
GSE CMOs	1,019,074	1,019,074	36,895	57	1,055,912
Total mortgage-related securities	$ 3,212,563	$ 3,212,563	$ 101,326	$ 2,456	$ 3,311,433
Other Securities:					
U. S. Treasury obligations	$ 200,293	$ 200,293	$	$ 73	$ 200,220
GSE debentures	88,457	88,457	3,836		92,293
Corporate bonds	74,217	74,217	9,549		83,766
Municipal bonds	71,554	71,554		1,789	69,765
Capital trust notes	74,284	65,692	2,662	11,872	56,482
Total other securities	$ 508,805	$ 500,213	$ 16,047	$ 13,734	$ 502,526
Total securities held to maturity (1)	$ 3,721,368	$ 3,712,776	$ 117,373	$ 16,190	$ 3,813,959

(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, 2016, the non-credit portion of OTTI recorded in AOCL was $8.6 million (before taxes).

At December 31, 2017 and 2016, respectively, the Company had $603.8 million and $590.9 million of FHLB-NY stock, at cost. 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, 2017, 2016, and 2015:

	December 31,		
(in thousands)	2017	2016	2015
Gross proceeds	$ 453,878	$ 322,038	$ 278,689
Gross realized gains	3,848	3,128	1,159
Gross realized losses	860		4

In addition, during the twelve months ended December 31, 2017, the Company sought to take advantage of favorable bond market conditions and sold held-to-maturity securities with an amortized cost of $521.0 million resulting in gross proceeds of $547.9 million including a gross realized gain of $26.9 million. Accordingly, the Company transferred the remaining $3.0 billion of held-to-maturity securities to available-for-sale with a net unrealized gain of $82.8 million classified in other comprehensive loss in the Consolidated Statements of Condition. Having the securities portfolio classified as available-for-sale improves the Company s interest rate risk sensitivity and liquidity measures and provides the Company with more options in meeting the expected future Liquidity Coverage Ratio (LCR) requirements.

In the following table, the beginning balance represents the credit loss component for debt securities on which OTTI occurred prior to January 1, 2017. 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, 2017
Beginning credit loss amount as of December 31, 2016	$197,552
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	1,219
Ending credit loss amount as of December 31, 2017	$196,333

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The following table summarizes, by contractual maturity, the amortized cost of available-for-sale securities at December 31, 2017:

(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	$	%	$ 259,256	1.82%	$ 148	6.51%	$	%	$ 259,617
Due from one to five years	883,138	3.32	6,950	3.84	291	6.63	48,449	3.57	963,589
Due from five to ten years	1,002,205	3.44	283,883	3.08			31,253	8.37	1,361,457
Due after ten years	674,618	3.09	123,750	3.23	69,942	2.88	48,230	3.77	914,230
Total securities available for sale	$ 2,559,961	3.30%	$ 673,839	3.22%	$ 70,381	2.90%	$ 127,932	4.82%	$ 3,498,893

(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 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, 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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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, 2016:

	Less than Twelve Months		Twelve Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Securities:						
GSE certificates	$ 268,891	$ 2,399	$	$	$ 268,891	$ 2,399
GSE CMOs	42,980	57			42,980	57
U. S. Treasury obligations	200,220	73			200,220	73
Municipal bonds	69,765	1,789			69,765	1,789
Capital trust notes			24,364	11,872	24,364	11,872
Total temporarily impaired held-to-maturity securities	$ 581,856	$ 4,318	$ 24,364	$ 11,872	$ 606,220	$ 16,190
Temporarily Impaired Available-for-Sale Securities:						
GSE certificates	$ 7,326	$ 460	$	$	$ 7,326	$ 460
Capital trust notes			5,241	2,217	5,241	2,217
Equity securities	29,059	589			29,059	589
Total temporarily impaired available-for-sale securities	$ 36,385	$ 1,049	$ 5,241	$ 2,217	$ 41,626	$ 3,266

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 December 31, 2017, the Company had unrealized losses on certain GSE mortgage-related securities, U.S. Treasury obligations, municipal bonds, capital trust notes, and equity securities. The unrealized losses on the Company s GSE mortgage-related securities, U.S. Treasury obligations, municipal bonds, and capital trust notes at December 31, 2017 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 December 31, 2017 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 December 31, 2017 consisted of six agency mortgage-related securities, five capital trust notes, two municipal bonds, and one mutual fund. At December 31, 2016 securities designated as having a continuous loss position for twelve months or more consisted of five capital trust notes. At December 31, 2017, the fair value of securities having a continuous loss position for twelve months or more was 8.5% below the collective amortized cost of $118.2 million. At December 31, 2016, the fair value of such securities was 32.2% below the collective amortized cost of $43.7 million. At December 31, 2017 and 2016, the combined market value of the respective securities represented unrealized losses of $10.1 million and $14.1 million, respectively.

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NOTE 5: LOANS

The following table sets forth the composition of the loan portfolio at December 31, 2017 and 2016:

	December 31,			
	2017		2016	
(dollars in thousands)	Amount	Percent of Non-Covered Loans Held for Investment	Amount	Percent of Non-Covered Loans Held for Investment
Non-Covered Loans Held for Investment:				
Mortgage Loans:				
Multi-family	$ 28,074,709	73.19%	$ 26,945,052	72.13%
Commercial real estate	7,322,226	19.09	7,724,362	20.68
One-to-four family	477,228	1.24	381,081	1.02
Acquisition, development, and construction	435,825	1.14	381,194	1.02
Total mortgage loans held for investment	$ 36,309,988	94.66	$ 35,431,689	94.85
Other Loans:				
Commercial and industrial	1,377,964	3.59	1,341,216	3.59
Lease financing, net of unearned income of $65,041 and $60,278, respectively	662,610	1.73	559,229	1.50
Total commercial and industrial loans [1]	2,040,574	5.32	1,900,445	5.09
Purchased credit-impaired loans			5,762	0.01
Other	8,460	0.02	18,305	0.05
Total other loans held for investment	2,049,034	5.34	1,924,512	5.15
Total non-covered loans held for investment	$ 38,359,022	100.00%	$ 37,356,201	100.00%
Net deferred loan origination costs	28,949		26,521	
Allowance for losses on non-covered loans	(158,046)		(158,290)	
Non-covered loans held for investment, net	$ 38,229,925		$ 37,224,432	
Covered loans			1,698,133	
Allowance for losses on covered loans			(23,701)	
Covered loans, net	$		$ 1,674,432	
Loans held for sale	35,258		409,152	
Total loans, net	$ 38,265,183		$ 39,308,016	

(1) Includes specialty finance loans of $1.5 billion and $1.3 billion, and other C&I loans of $500.8 million and $632.9 million, respectively, at December 31, 2017 and 2016.

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 with rent-regulated units and 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.

To a lesser extent, the Company also originates one-to-four family loans, acquisition, development, and construction (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 December 31, 2017, were loans of $59.5 million to officers, directors, and their related interests and parties. There were no loans to principal shareholders at that date.

At December 31, 2016, the Company had non-covered purchased credit-impaired (PCI) loans, with a carrying value of $5.8 million and an unpaid principal balance of $7.0 million at that date. PCI loans had been covered under the LSA with the FDIC that expired in March 2015 and had been included in non-covered loans. Such loans were accounted for under ASC 310-30 and were initially measured at fair value, which included 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. There were no such loans accounted for under ASC 310-30 at December 31, 2017.

Loans Held for Sale

At December 31, 2017 the Company had loans held for sale of $35.3 million as compared to $409.2 million at December 31, 2016. The decline reflects the sale of its mortgage banking business, which was acquired as part of its 2009 FDIC-assisted acquisition of AmTrust and was reported under the Company s Residential Mortgage Banking segment, to Freedom. Accordingly, on September 29, 2017, the sale was completed with proceeds received in the amount of $226.6 million, resulting in a gain of $7.4 million, which is included in Non-Interest Income in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). Freedom acquired both the Company s origination and servicing platforms, as well as its mortgage servicing loan portfolio of $20.5 billion and related MSR asset of $208.8 million.

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The Community Bank s mortgage banking operations originated, aggregated, sold, and serviced one-to-four family loans. Community banks, credit unions, mortgage companies, and mortgage brokers used its proprietary web-accessible mortgage banking platform to originate and close one-to-four family loans nationwide. These loans were generally sold to GSEs, servicing retained. To a much lesser extent, the Community Bank used its mortgage banking platform to originate jumbo loans.

Asset Quality

The following table presents information regarding the quality of the Company s non-covered loans held for investment at December 31, 2017:

(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	$ 1,258	$ 11,078	$	$ 12,336	$ 28,062,373	$ 28,074,709
Commercial real estate	13,227	6,659		19,886	7,302,340	7,322,226
One-to-four family	585	1,966		2,551	474,677	477,228
Acquisition, development, and construction		6,200		6,200	429,625	435,825
Commercial and industrial(1)(2)	2,711	47,768		50,479	1,990,095	2,040,574
Other	8	11		19	8,441	8,460
Total	$ 17,789	$ 73,682	$	$ 91,471	$ 38,267,551	$ 38,359,022

(1) Includes $2.7 million and $46.7 million of taxi medallion-related loans that were 30 to 89 days past due and 90 days or more past due, respectively.

(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 (excluding non-covered PCI loans) at December 31, 2016:

(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	$ 28	$ 13,558	$	$ 13,586	$ 26,931,466	$ 26,945,052
Commercial real estate		9,297		9,297	7,715,065	7,724,362
One-to-four family	2,844	9,679		12,523	368,558	381,081

Acquisition, development, and construction		6,200		6,200	374,994	381,194
Commercial and industrial[1][2]	7,263	16,422		23,685	1,876,760	1,900,445
Other [3]	248	1,313		1,561	16,744	18,305
Total	$ 10,383	$ 56,469	$	$ 66,852	$ 37,283,587	$ 37,350,439

(1) Excludes $6 thousand and $869 thousand of non-covered PCI loans that were 30 to 89 days past due and 90 days or more past due, respectively.

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

(3) Includes $6.8 million and $15.2 million of taxi medallion loans that were 30 to 89 days past due and 90 days or more past due, respectively.

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The following table summarizes the Company s portfolio of non-covered loans held for investment by credit quality indicator at December 31, 2017:

	Mortgage Loans					Other Loans		
(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 Loans
Credit Quality Indicator:								
Pass	$ 27,874,330	$ 7,255,100	$ 471,571	$ 344,040	$ 35,945,041	$ 1,925,527	$ 8,449	$ 1,933,976
Special mention	125,752	47,123	3,691	76,033	252,599	20,883		20,883
Substandard	74,627	20,003	1,966	15,752	112,348	94,164	11	94,175
Doubtful								
Total	$ 28,074,709	$ 7,322,226	$ 477,228	$ 435,825	$ 36,309,988	$ 2,040,574	$ 8,460	$ 2,049,034

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

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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, 2016:

	Mortgage Loans					Other Loans		
(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 Loans
Credit Quality Indicator:								
Pass	$ 26,754,622	$ 7,701,773	$ 371,179	$ 341,784	$ 35,169,358	$ 1,771,975	$ 16,992	$ 1,788,967
Special mention	164,325	12,604		33,210	210,139	54,979		54,979
Substandard	26,105	9,985	9,902	6,200	52,192	73,491	1,313	74,804
Doubtful								
Total	$ 26,945,052	$ 7,724,362	$ 381,081	$ 381,194	$ 35,431,689	$ 1,900,445	$ 18,305	$ 1,918,750

(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 potential weaknesses that deserve management s close attention; 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 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:

	December 31,		
(in thousands)	2017	2016	2015
Interest income that would have been recorded	$ 4,974	$ 3,128	$ 2,288
Interest income actually recorded	(2,904)	(1,708)	(1,574)
Interest income foregone	$ 2,070	$ 1,420	$ 714

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, 2017, loans on which concessions were made with respect to rate reductions and/or extension of maturity dates amounted to $44.6 million; loans on which forbearance agreements were reached amounted to $1.0 million.

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The following table presents information regarding the Company s TDRs as of December 31, 2017 and 2016:

	December 31,					
	2017			2016		
(in thousands)	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Loan Category:						
Multi-family	$ 824	$ 8,061	$ 8,885	$ 1,981	$ 8,755	$ 10,736
Commercial real estate		368	368		1,861	1,861
One-to-four family		1,066	1,066	222	1,749	1,971
Acquisition, development, and construction	8,652		8,652			
Commercial and industrial	177	26,408	26,585	1,263	3,887	5,150
Other					202	202
Total	$ 9,653	$ 35,903	$ 45,556	$ 3,466	$ 16,454	$ 19,920

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circumstances of each loan, 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, 2017, 2016, and 2015 are summarized as follows:

	For the Twelve Months Ended December 31, 2017						
				Weighted Average Interest Rate			
(dollars in thousands)	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Pre-Modification	Post-Modification	Charge-off Amount	Capitalized Interest
Loan Category:							
One-to-four family	4	$ 810	$ 986	5.93%	2.21%	$	$ 12
Acquisition, development, and construction	2	8,652	8,652	5.50	5.50		
Commercial and industrial	65	52,179	26,409	3.36	3.26	14,273	
Total	71	$ 61,641	$ 36,047			$ 14,273	$ 12

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	For the Twelve Months Ended December 31, 2016						
				Weighted Average Interest Rate			
(dollars in thousands)	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Pre-Modification	Post-Modification	Charge-off Amount	Capitalized Interest
Loan Category:							
Multi-family	1	$ 9,340	$ 8,129	4.63%	4.00%	$	$
One-to-four family	5	900	1,036	4.26	2.65		11
Commercial and industrial	7	4,697	3,935	3.22	3.19	170	
Total	13	$ 14,937	$ 13,100			$ 170	$ 11

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	For the Twelve Months Ended December 31, 2015						
				Weighted Average Interest Rate			
(dollars in thousands)	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Pre-Modification	Post-Modification	Charge-off Amount	Capitalized Interest
Loan Category:							
One-to-four family	4	$ 568	$ 619	4.02%	2.72%	$	$ 6
Commercial and industrial	2	1,345	1,312	3.40	3.52	33	
Other	2	193	213	4.58	2.00		2
Total	8	$ 2,106	$ 2,144			$ 33	$ 8

At December 31, 2017, seven C&I loans, in the amount of $1.6 million that had been modified as a TDR during the twelve months ended at that date was in payment default. At December 31, 2016, none of the loans that had been modified as a TDR during the twelve months ended at that date were in payment default. 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. A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

The Company does not consider a payment to be in default when the loan is in forbearance, or otherwise granted a delay of payment, when the agreement to forebear or allow a delay of payment is part of a modification.

Subsequent to the modification, the loan is not considered to be in default until payment is contractually past due in accordance with the modified terms. However, the Company does consider a loan with multiple modifications or forbearance periods to be in default, and would also consider a loan to be in default if the borrower were in bankruptcy or if the loan were partially charged off subsequent to modification.

Covered Loans

The Company sold its covered loan portfolio during the third quarter of 2017; therefore, the Company did not have any covered loans outstanding as of December 31, 2017.

The Company referred to certain loans acquired in the AmTrust and Desert Hills transactions as covered loans because the Company was being reimbursed for a substantial portion of losses on these loans under the terms of the LSA. Covered loans were accounted for under ASC 310-30 and were initially measured at fair value, which included 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.

The following table presents the carrying value of covered loans which were acquired in the acquisitions of AmTrust and Desert Hills as of December 31, 2016.

(dollars in thousands)	Amount	Percent of Covered Loans

Loan Category:		
One-to-four family	$ 1,609,635	94.8%
Other loans	88,498	5.2
Total covered loans	$ 1,698,133	100.0%

At December 31, 2016, the unpaid principal balance of covered loans was $2.1 billion and the carrying value of such loans was $1.7 billion.

At December 31, 2016, 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) was 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 represented an estimate of the credit risk in the loan portfolios at the respective acquisition dates.

The accretable yield was 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 increased or decreased the amount of interest income expected to be collected, depending on the direction of interest rates. Prepayments affected the estimated lives of covered loans and could have changed 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 were driven by the credit outlook and by actions that may be taken with borrowers. As of the date of the sale, the accretable yield was reduced to zero.

On a quarterly basis, the Company had evaluated the estimates of the cash flows it expected to collect. Expected future cash flows from interest payments were based on variable rates at the time of the quarterly evaluation. Estimates of expected cash flows that were impacted by changes in interest rate indices for variable rate loans and prepayment assumptions were treated as prospective yield adjustments and included in interest income. In the twelve months ended December 31, 2017, changes in the accretable yield for covered loans were as follows:

(in thousands)		**Accretable Yield**
Balance at beginning of period	$	647,470
Accretion		(72,842)
Reclassification to non-accretable difference for the six months ended June 30, 2017		(11,381)
Changes in expected cash flows due to the sale of the covered loan portfolio		(563,247)
Balance at end of period	$	

In the preceding table, the line item Reclassification to non-accretable difference for the six months ended June 30, 2017 includes changes in cash flows that the Company expects to collect due to changes in prepayment assumptions, changes in interest rates on variable rate loans, and changes in loss assumptions. As of the Company s most recent quarterly evaluation, 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 with an improvement in the underlying credit assumptions and the resetting of rates on variable rate loans at a slightly higher level, which resulted in an increase in future expected interest cash flows and, consequently, an increase in the accretable yield.

Reflecting the foreclosure of certain loans acquired in the AmTrust and Desert Hills acquisitions, the Company owned certain OREO that was covered under its LSA (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 were charged to non-interest expense, and were partially offset by loss reimbursements under the LSA. 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 Company s covered OREO was sold during the third quarter of 2017.

The FDIC loss share receivable represented 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 was reduced as losses on covered loans were recognized and as loss sharing payments were received from the FDIC. Realized losses in excess of acquisition-date estimates resulted in an increase in the FDIC loss share receivable. Conversely, if realized losses were lower than the acquisition-date estimates, the

FDIC loss share receivable was reduced by amortization to interest income. Effective October 31, 2017, the Company and the FDIC completed termination of the LSA.

At December 31, 2017, the Company had no residential mortgage loans in the process of foreclosure. At December 31, 2016, the Company held residential mortgage loans of $78.6 million that were in the process of foreclosure. The vast majority of such loans were covered loans.

The following table presents information regarding the Company s covered loans at December 31, 2016 that were 90 days or more past due:

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(in thousands)	
Covered Loans 90 Days or More Past Due:	
One-to-four family	$ 124,820
Other loans	6,645
Total covered loans 90 days or more past due	$ 131,465

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The following table presents information regarding the Company s covered loans at December 31, 2016 that were 30 to 89 days past due:

(in thousands)	
Covered Loans 30-89 Days Past Due:	
One-to-four family	$ 21,112
Other loans	1,536
Total covered loans 30-89 days past due	$ 22,648

At December 31, 2016, the Company had $22.6 million of covered loans that were 30 to 89 days past due, and covered loans of $131.5 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 remainder of the Company s covered loan portfolio totaled $1.5 billion at December 31, 2016 and were 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 represented the contractual balance, reduced by the portion that was expected to be uncollectible (i.e., the non-accretable difference) and by an accretable yield (discount) that was recognized as interest income. It is important to note that management s judgment was required in reclassifying loans subject to ASC 310-30 as performing loans, and such judgment was dependent on having a reasonable expectation about the timing and amount of the cash flows to be collected, even if the loan was 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, 2016, the Company recorded recoveries of losses on covered loans of $23.7 million. The 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 $19.0 million that was recorded in Non-interest income.

NOTE 6: ALLOWANCES FOR LOAN LOSSES

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:

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at December 31, 2017:			
Loans collectively evaluated for impairment	$ 128,275	$ 29,771	$ 158,046

(in thousands)	Mortgage	Other	Total
Allowances for Loan Losses at December 31, 2016:			
Loans individually evaluated for impairment	$	$ 577	$ 577

Loans collectively evaluated for impairment	123,925	32,022	155,947
Acquired loans with deteriorated credit quality	11,984	13,483	25,467
Total	$ 135,909	$ 46,082	$ 181,991

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

(in thousands)	Mortgage	Other	Total
Loans Receivable at December 31, 2017:			
Loans individually evaluated for impairment	$ 31,747	$ 48,810	$ 80,557
Loans collectively evaluated for impairment	36,278,241	2,000,224	38,278,465
Total	$ 36,309,988	$ 2,049,034	$ 38,359,022

(in thousands)	Mortgage	Other	Total
Loans Receivable at December 31, 2016:			
Loans individually evaluated for impairment	$ 29,660	$ 18,592	$ 48,252
Loans collectively evaluated for impairment	35,4		