

NEW YORK COMMUNITY BANCORP INC
Form 10-K
February 28, 2014
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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, 2013

Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

615 Merrick Avenue,

Westbury, New York
(Address of principal executive offices)

11590
(Zip code)

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

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

Common Stock, \$0.01 par value and

Bifurcated Option Note Unit SecuritiesSM
(Title of Class)

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

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

None

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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

As of June 30, 2013, the aggregate market value of the shares of common stock outstanding of the registrant was \$5.9 billion, excluding 15,912,947 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 28, 2013, \$14.00, as reported by the New York Stock Exchange.

The number of shares of the registrant's common stock outstanding as of February 21, 2014 was 442,163,059 shares.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 4, 2014 are incorporated by reference into Part III.

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

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISK FACTORS

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

Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by use of the words anticipate, believe, estimate, expect, intend, plan, project, seek, strive, try, or future or such as will, would, should, could, may, or similar expressions. Our ability to predict results or the actual effects of our plans or strategies is inherently uncertain. Accordingly, actual results may differ materially from anticipated results.

There are a number of factors, many of which are beyond our control, that could cause actual conditions, events, or results to differ significantly from those described in our forward-looking statements. These factors include, but are not limited to:

general economic conditions, either nationally or in some or all of the areas in which we and our customers conduct our respective businesses;

conditions in the securities markets and real estate markets or the banking industry;

changes in real estate values, which could impact the quality of the assets securing the loans in our portfolio;

changes in interest rates, which may affect our net income, prepayment penalty income, mortgage banking income, and other future cash flows, or the market value of our assets, including our investment securities;

changes in the quality or composition of our loan or securities portfolios;

changes in our capital management policies, including those regarding business combinations, dividends, and share repurchases, among others;

our use of derivatives to mitigate our interest rate exposure;

changes in competitive pressures among financial institutions or from non-financial institutions;

changes in deposit flows and wholesale borrowing facilities;

changes in the demand for deposit, loan, and investment products and other financial services in the markets we serve;

our timely development of new lines of business and competitive products or services in a changing environment, and the acceptance of such products or services by our customers;

changes in our customer base or in the financial or operating performances of our customers' businesses;

any interruption in customer service due to circumstances beyond our control;

our ability to retain key personnel;

potential exposure to unknown or contingent liabilities of companies we have acquired or may acquire in the future;

the outcome of pending or threatened litigation, or of other matters before regulatory agencies, whether currently existing or commencing in the future;

environmental conditions that exist or may exist on properties owned by, leased by, or mortgaged to the Company;

any interruption or breach of security resulting in failures or disruptions in customer account management, general ledger, deposit, loan, or other systems;

operational issues stemming from, and/or capital spending necessitated by, the potential need to adapt to industry changes in information technology systems, on which we are highly dependent;

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

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

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changes in the monetary and fiscal policies of the U.S. Government, including policies of the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System;

changes in accounting principles, policies, practices, or guidelines;

a material breach in performance by the Community Bank under our loss sharing agreements with the FDIC;

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

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

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

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

war or terrorist activities; and

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

In addition, we routinely evaluate opportunities to expand through acquisitions and conduct due diligence activities in connection with such opportunities. As a result, acquisition discussions and, in some cases, negotiations, may take place at any time, and acquisitions involving cash or our debt or equity securities may occur.

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

Please see Item 1A, Risk Factors, for a further discussion of factors that could affect the actual outcome of future events.

Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date of this report. Except as required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.

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GLOSSARY

BASIS POINT

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

BOOK VALUE PER SHARE

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

BROKERED DEPOSITS

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

CHARGE-OFF

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

COMMERCIAL REAL ESTATE (CRE) LOAN

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

COST OF FUNDS

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

COVERED LOANS AND OTHER REAL ESTATE OWNED (OREO)

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

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.

DIVIDEND YIELD

Refers to the yield generated on a shareholder's investment in the form of dividends. The current dividend yield is calculated by annualizing the current quarterly cash dividend and dividing that amount by the current stock price.

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

INTEREST RATE SENSITIVITY

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

INTEREST RATE SPREAD

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

LOAN-TO-VALUE (LTV) RATIO

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

LOSS SHARING AGREEMENTS

Refers to the agreements we entered into with the FDIC in connection with the loans and OREO we acquired in our AmTrust and Desert Hills acquisitions. The agreements call for the FDIC to reimburse us for 80% of any losses (and share in 80% of any recoveries) up to specified thresholds and to reimburse us for 95% of any losses (and share in 95% of any recoveries) beyond those thresholds with respect to the acquired assets, for specified periods of time. All of the loans and OREO acquired in the AmTrust and Desert Hills acquisitions are subject to these agreements and are referred to in this report either as covered loans, covered OREO, or, when discussed together, covered assets.

MORTGAGE BANKING INCOME

Refers to the income generated by our mortgage banking operation, 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 one-to-four family 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.

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NET INTEREST INCOME

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

NET INTEREST MARGIN

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

NON-ACCRUAL LOAN

A loan generally is classified as a non-accrual loan when it is over 90 days past due. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. 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 OTHER REAL ESTATE OWNED

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 over 90 days past due and still accruing interest. Non-performing assets consist of non-performing loans and OREO.

RENT-CONTROL/RENT-STABILIZATION

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 or 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 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.

RETURN ON AVERAGE ASSETS

A measure of profitability determined by dividing net income by average assets for a given period.

RETURN ON AVERAGE STOCKHOLDERS' EQUITY

A measure of profitability determined by dividing net income by average stockholders' equity for a given period.

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

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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

With total assets of \$46.7 billion at December 31, 2013, we rank among the nation's 25 largest publicly traded bank holding companies. Primarily reflecting our growth through ten business combinations between November 30, 2000 and March 26, 2010, we currently have 273 branch offices, combined, in five states.

We are organized under Delaware Law as a multi-bank holding company and have 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").

New York Community Bank

Established in 1859, the Community Bank is a New York State-chartered savings bank with 243 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 24-hour banking both online and by phone.

In New York, we currently serve our Community Bank customers through Roslyn Savings Bank, with 52 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 22 branches in the borough of Staten Island; and Roosevelt Savings Bank, with nine branches in the borough of Brooklyn. In the Bronx and neighboring Westchester County, we currently have four branches that operate directly under the name "New York Community Bank."

In New Jersey, we serve our Community Bank customers through 49 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 apartment buildings that are rent-regulated and feature below-market rents. In addition to multi-family loans, which are our principal asset, we originate commercial real estate loans (primarily in New York City, as well as Long Island and New Jersey) and, to a much lesser extent, acquisition, development, and construction loans, and commercial and industrial loans.

Furthermore, we originate one-to-four family loans, primarily through our mortgage banking operation, which was acquired in connection with our acquisition of certain assets, and assumption of certain liabilities, of AmTrust Bank ("AmTrust") on December 4, 2009. In 2013, the vast majority of the one-to-four family loans we originated were agency-conforming loans sold to government-sponsored enterprises ("GSEs"), servicing retained. A smaller number of one-to-four family loans were originated for our own portfolio and primarily consisted of hybrid loans with conservative loan-to-value ratios. Hybrid loans are loans that initially feature a fixed rate of interest and convert to a floating rate of interest after a specified period of time.

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

New York Commercial Bank

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

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

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Customers of the Commercial Bank may transact their business at any of our 243 Community Bank branches, and Community Bank customers may transact their business at any of the 30 branches of the Commercial Bank. In addition, customers of both Banks have access to their accounts through our ATMs in all five states.

Our Websites

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 our 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, typically within minutes of being filed. The websites also provide information regarding our Board of Directors and management team and the number of Company shares held by these insiders, 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.

Overview

Lending

Loans represented \$32.9 billion, or 70.5%, of total assets at December 31, 2013. Our loan portfolio has three components:

1. Covered Loans Covered loans refers to the loans we acquired in connection with our FDIC-assisted acquisition of certain assets, and assumption of certain liabilities, of AmTrust and Desert Hills Bank ("Desert Hills"), which are covered by loss sharing agreements with the FDIC. At December 31, 2013, the balance of covered loans was \$2.8 billion; of this amount, \$2.5 billion were one-to-four family loans. To distinguish these covered loans from the loans in our portfolio that are not subject to these agreements (and that, for the most part, we ourselves originated), all other loans in our portfolio are referred to as non-covered loans.

2. Non-Covered Loans Held for Sale Non-covered loans held for sale refers to the one-to-four family loans that we originate and aggregate for sale, primarily to GSEs. At December 31, 2013, the held-for-sale loan portfolio totaled \$306.9 million. In the twelve months ended at that date, we originated \$6.2 billion of one-to-four family loans for sale.

3. Non-Covered Loans Held for Investment Referring to the loans we originate for our own portfolio, non-covered loans held for investment totaled \$29.8 billion at December 31, 2013. The year-end balance consisted primarily of loans secured by multi-family buildings in New York City, most of which are subject to rent regulation and feature below-market rents. In addition to multi-family loans, loans held for investment include commercial real estate loans and, to a much lesser extent, one-to-four family loans; acquisition, development, and construction loans; and commercial and industrial loans.

The components of our held-for-investment loan portfolio are described below:

Multi-Family Loans

Multi-family loans represented \$20.7 billion, or 69.4%, of non-covered loans held for investment at December 31, 2013, and represented \$7.4 billion, or 66.5%, of the loans we originated for investment over the course of the year.

The multi-family loans we originate are typically secured by non-luxury apartment buildings in New York City that are subject to rent regulation and feature below-market rents. Such loans are typically made to long-term property owners with a history of growing their cash flows over time by making improvements to the apartments and common areas in their buildings which, in turn, enables them to increase the rents their tenants pay. We also make multi-family loans to property owners who are seeking to expand their real estate holdings by purchasing additional properties.

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Our typical multi-family loan has a term of ten or twelve years, with a fixed rate of interest in years one through five or seven and a rate that either adjusts annually or is fixed for the five years that follow. Loans that prepay in the first five or seven years generate prepayment penalties ranging from five percentage points to one percentage point of the then-current loan balance, depending on the remaining term of the loan. If a loan is still outstanding in the sixth or eighth year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of five percentage points to one percentage point over years six through ten or eight through twelve.

Reflecting the structure of our multi-family credits, and the tendency of our borrowers to refinance their loans as their cash flows increase, our average multi-family loan had an expected weighted average life of 2.9 years at December 31, 2013.

Commercial Real Estate (CRE) Loans

CRE loans represented \$7.4 billion, or 24.7%, of non-covered loans held for investment at December 31, 2013, and \$2.2 billion, or 19.4%, of loans produced for investment over the twelve months ended at that date. Our CRE loans feature the same structure as our multi-family credits, and had a weighted average life of 3.3 years at December 31, 2013.

The CRE loans we originate are secured by income-producing properties such as office buildings, retail centers, multi-tenanted light industrial properties, and mixed-use buildings, most of which are located in New York City and, to a lesser extent, on Long Island and in New Jersey.

One-to-Four Family Loans

Non-covered one-to-four family loans totaled \$560.7 million at December 31, 2013. The portfolio consists of loans acquired in our pre-2009 business combinations as well as loans we ourselves have originated.

Acquisition, Development, and Construction (ADC) Loans

Our ADC loan portfolio largely consists of loans that were originated for land acquisition, development, and construction of multi-family and residential tract projects in New York City and on Long Island, and, to a lesser extent, for the construction of owner-occupied one-to-four family homes and commercial properties. ADC loans represented \$344.1 million, or 1.2%, of total non-covered loans held for investment at December 31, 2013.

Commercial and Industrial (C&I) Loans

Included in Other loans in our Consolidated Statements of Condition, C&I loans represented \$813.7 million, or 2.7%, of non-covered loans held for investment at December 31, 2013. We divide our C&I loans into two categories: specialty finance and other C&I loans.

Our specialty finance loans are broadly syndicated loans that are brought to us by a select group of nationally recognized sources and generally are made to large corporate obligors, the majority of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide. The loans we fund fall into three distinct categories (asset-based lending, equipment loan and lease financing, and dealer floor plan lending), and each of our credits is secured with a perfected first security interest in the underlying collateral and structured as senior debt.

Our other C&I loans are generally made to small and mid-size businesses, primarily located in New York City or on Long Island, for working capital (including inventory and receivables), business expansion, and the purchase of equipment and machinery.

Asset Quality

The quality of our assets continued to improve in 2013. Non-performing non-covered loans declined \$157.8 million year-over-year to \$103.5 million at December 31, 2013, representing 0.35% of total non-covered loans at that date. Reflecting the decline in non-performing non-covered loans, which was partly tempered by a \$42.1 million increase in non-covered other real estate owned (OREO) to \$71.4 million, non-performing non-covered assets fell \$115.7 million year-over-year to \$174.9 million, representing 0.40% of total non-covered assets at the end of the year.

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At December 31, 2013, the allowance for losses on non-covered loans totaled \$141.9 million, representing 0.48% of total non-covered loans and 137.10% of non-performing non-covered loans at that date. The provision for losses on non-covered loans was \$18.0 million in the twelve months ended December 31, 2013, while net charge-offs totaled \$17.0 million, representing 0.05% of average loans.

Funding Sources

Our primary funding sources consist of the deposits we gather through our branch network or add through acquisitions, and brokered deposits; wholesale borrowings, primarily in the form of Federal Home Loan Bank (FHLB) advances and repurchase agreements with the FHLB and various brokerage firms; cash flows produced by the repayment and sale of loans; and cash flows produced by securities repayments and sales.

Deposits totaled \$25.7 billion, representing 55.0% of total assets, at December 31, 2013. Included in the year-end balance were certificates of deposit (CDs) of \$6.9 billion; NOW and money market accounts of \$10.5 billion; savings accounts of \$5.9 billion; and non-interest-bearing accounts of \$2.3 billion.

Borrowed funds totaled \$15.1 billion at December 31, 2013, with wholesale borrowings representing \$14.7 billion, or 97.6% of that balance, and 31.6% of total assets at that date.

Loan repayments and sales generated cash flows of \$16.2 billion in 2013, while securities repayments and sales generated cash flows of \$1.6 billion.

Revenues

Our primary source of income is net interest income, which is the difference between the interest income generated by the loans we produce and the securities we invest in, and the interest expense produced by our interest-bearing deposits and borrowed funds. The level of net interest income we generate is influenced by a variety of factors, some of which are within our control (e.g., our mix of interest-earning assets and interest-bearing liabilities), and some of which are not (e.g., the level of short-term interest rates and market rates of interest, the degree of competition we face for deposits and loans, and the level of prepayment penalty income we receive). In 2013, net interest income rose \$6.6 million year-over-year, to \$1.2 billion, as an \$83.0 million decline in interest income was exceeded by an \$89.6 million decline in interest expense. Prepayment penalty income added \$136.8 million to interest income in 2013, as the combination of low market interest rates and continued economic improvement triggered an increase in refinancing activity and property transactions in our primary lending niche.

While net interest income is our primary source of income, it is supplemented by the non-interest income we produce. In 2013, our largest source of non-interest income was the income generated by our mortgage banking operation, primarily through the origination of loans for sale to GSEs. Mortgage banking income accounted for \$78.3 million of total non-interest income, including income from originations of \$50.9 million and servicing income of \$27.4 million. In addition, fee income from deposits and loans accounted for \$38.2 million of 2013 non-interest income, while BOLI income and other income accounted for \$29.9 million and \$41.8 million, respectively. Included in other income are the revenues from the sale of third-party investment products in our branches, and revenues from our investment advisory firm, Peter B. Cannell & Co., Inc., which had \$2.1 billion of assets under management at December 31, 2013.

Efficiency

The efficiency of our operation has long been a distinguishing characteristic, stemming from our focus on multi-family lending, which is broker-driven, and from the expansion of our franchise through acquisitions rather than de novo growth. Operating expenses represented 1.33% of average assets in the twelve months ended December 31, 2013, and our efficiency ratio was 42.71% for that period.

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.

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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 loans. In contrast, we originate one-to-four family mortgage loans in all 50 states.

Competition for Deposits

The combined population of the 26 counties where our branches are located is approximately 29.6 million, and the number of banks and thrifts we compete with currently exceeds 350. With total deposits of \$25.7 billion at December 31, 2013, we ranked ninth among all bank and thrift depositories serving these 26 counties. We also ranked first among all banks and thrifts in Essex County, New Jersey, and third, fourth, and fourth, respectively, in Richmond, Queens, and Nassau Counties in New York. (Market share information was provided by SNL Financial.) We also compete for deposits with other financial institutions, including credit unions, Internet banks, and brokerage firms.

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

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

We vie for deposits and customers by placing an emphasis on convenience and service and, from time to time, by offering specific products at highly competitive rates. In addition to our 243 Community Bank branches and 30 Commercial Bank branches, we have 284 ATM locations, including 261 that operate 24 hours a day. Our customers also have 24-hour access to their accounts through our bank-by-phone service and online through our three websites, www.myNYCB.com, www.NewYorkCommercialBank.com, and www.NYCBfamily.com. We also offer certain higher-paying money market accounts through two dedicated websites, myBankingDirect.com and AmTrustDirect.com.

In addition to 199 traditional branches in New York, New Jersey, Florida, Ohio, and Arizona, our Community Bank currently has 38 in-store branches in New York and New Jersey 37 in supermarkets and one in a drug store. Because of the proximity of these branches to our traditional locations, our customers have the option of doing their banking seven days a week in many of the communities we serve. This service model is an important component of our efforts to attract and maintain deposits in a highly competitive marketplace. Of the remaining Community Bank locations, two branches are located on corporate campuses in New Jersey and four are customer service centers in New York.

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

In addition to checking and savings accounts, Individual Retirement Accounts, and CDs for both businesses and consumers, the Commercial Bank offers a suite of cash management products to address the needs of small and mid-size businesses, municipal and county governments, school districts, and professional associations.

Another competitive advantage is our strong community presence, with April 14, 2013 marking the 154th 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 producer of multi-family, CRE, ADC, and C&I loans 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. Among those we compete with for business in this market are Fannie Mae and Freddie Mac, insurance companies, and both local and regional banks and thrifts.

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While we anticipate that competition for multi-family loans will continue in the future, we believe that the significant volume of multi-family loans we produced in 2013 and in our year-end pipeline is indicative of our ability to compete for such loans.

Similarly, our ability to compete for CRE loans on a go-forward basis depends on the same factors that impact our ability to compete for multi-family credits, and on the degree to which other CRE lenders choose to step up their loan production as local market conditions continue to improve.

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

Our mortgage banking operation competes with a significant number of financial and non-financial institutions throughout the nation that also originate and aggregate one-to-four family loans for sale. In 2013, held-for-sale originations totaled \$6.2 billion; of this amount, \$6.2 billion, or 99.7%, were agency-conforming loans and \$20.2 million, or 0.3%, were non-conforming (i.e., jumbo) loans. Reflecting the volume of loans funded in 2013 by our mortgage banking operation, we rank among the 20 largest aggregators of one-to-four family loans in the United States.

Environmental Issues

We encounter certain environmental risks in our lending activities. 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.

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The Community Bank has formed, or acquired through merger transactions, 33 active subsidiary corporations. Of these, 22 are direct subsidiaries of the Community Bank and 11 are subsidiaries of Community Bank-owned entities.

The 22 direct subsidiaries of the Community Bank are:

Name	Jurisdiction of Organization	Purpose
DHB Real Estate, LLC	Arizona	Organized to own interests in real estate
Mt. Sinai Ventures, LLC	Delaware	A joint venture partner in the development, construction, and sale of a 177-unit golf course community in Mt. Sinai, NY, all the units of which were sold by December 31, 2006
NYCB Mortgage Company, LLC	Delaware	Originates and aggregates one-to-four family loans, primarily servicing retained
Realty Funding Company, LLC	Delaware	Holding company for subsidiaries owning an interest in real estate
NYCB Specialty Finance Company, LLC	Massachusetts	Asset-based lending, equipment financing, and dealer floor plan lending
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
Somerset Manor Holding Corp.	New Jersey	Holding company for four subsidiaries that owned and operated two assisted-living facilities in New Jersey in 2005
Synergy Capital Investments, Inc.	New Jersey	Formed to hold and manage investment portfolios for the Company
1400 Corp.	New York	Manages properties acquired by foreclosure while they are being marketed for sale
BSR 1400 Corp.	New York	Organized to own interests in real estate
Bellingham Corp.	New York	Organized to own interests in real estate
Blizzard Realty Corp.	New York	Organized to own interests in real estate
CFS Investments, Inc.	New York	Sells non-deposit investment products
Main Omni Realty Corp.	New York	Organized to own interests in real estate
NYB Realty Holding Company, LLC	New York	Holding company for subsidiaries owning an interest in real estate
O.B. Ventures, LLC	New York	A joint venture partner in a 370-unit residential community in Plainview, New York, all the units of which were sold by December 31, 2004
RCBK Mortgage Corp.	New York	Organized to own interests in certain multi-family loans
RCSB Corporation	New York	Owns a branch building, Ferry Development Holding Company, and Woodhaven Investments, Inc.
RSB Agency, Inc.	New York	Sells non-deposit investment products
Richmond Enterprises, Inc.	New York	Holding company for Peter B. Cannell & Co., Inc.

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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

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The 11 subsidiaries of Community Bank-owned entities are:

Name	Jurisdiction of Organization	Purpose
Columbia Preferred Capital Corporation	Delaware	A real estate investment trust (REIT) organized for the purpose of investing in mortgage-related assets
Ferry Development Holding Company	Delaware	Formed to hold and manage investment portfolios for the Company
Peter B. Cannell & Co., Inc.	Delaware	Advises high net worth individuals and institutions on the management of their assets
Roslyn Real Estate Asset Corp.	Delaware	A REIT organized for the purpose of investing in mortgage-related assets
Walnut Realty Holding Company, LLC	Delaware	Established to own Bank-owned properties
Woodhaven Investments, Inc.	Delaware	Holding company for Roslyn Real Estate Asset Corp. and Ironbound Investment Company, Inc.
Your New REO, LLC	Delaware	Owns a website that lists bank-owned properties for sale
Ironbound Investment Company, Inc.	New Jersey	A REIT organized for the purpose of investing in mortgage-related assets that also is the principal shareholder of Richmond County Capital Corp.
The Hamlet at Olde Oyster Bay, LLC	New York	Organized as a joint venture, part-owned by O.B. Ventures, LLC
The Hamlet at Willow Creek, LLC	New York	Organized as a joint venture, part-owned by Mt. Sinai Ventures, LLC
Richmond County Capital Corporation	New York	A REIT organized for the purpose of investing in mortgage-related assets that also is the principal shareholder of Columbia Preferred Capital Corp.

There are 74 additional entities that are subsidiaries of a Community Bank-owned entity organized to own interests in real estate.

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

The two direct subsidiaries of the Commercial Bank are:

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

The two subsidiaries of Commercial Bank-owned entities are:

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

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

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

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

Personnel

At December 31, 2013, the number of full-time equivalent employees was 3,381. Our employees are not represented by a collective bargaining unit, and we consider our relationship with our employees to be good.

Federal, State, and Local Taxation

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

Regulation and Supervision

General

The Community Bank is a New York State-chartered savings bank and its deposit accounts are insured under the Deposit Insurance Fund (the DIF) of the Federal Deposit Insurance Corporation (the FDIC) up to applicable legal limits. The Commercial Bank is a New York State-chartered commercial bank and its deposit accounts also are insured by the DIF up to applicable legal limits. Both the Community Bank and the Commercial Bank are subject to extensive regulation and supervision by the New York State Department of Financial Services (the NYDFS) (formerly, the New York State Banking Department), as their chartering agency; by the FDIC, as their insurer of deposits; and by the Consumer Financial Protection Bureau (the CFPB), which was created under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd Frank Act) in 2011 to implement and enforce consumer protection laws applying to banks. The Banks must file reports with the NYDFS, the FDIC, and the CFPB concerning their activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other depository institutions. Furthermore, the Banks are periodically examined by the NYDFS, the CFPB, and the FDIC to assess compliance with various regulatory requirements, including safety and soundness considerations. This regulation and supervision establishes a comprehensive framework of activities in which a savings bank and a commercial bank can engage, and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also 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. Any change in such regulation, whether by the NYDFS, the CFPB, the FDIC, or through legislation, could have a material adverse impact on the Company, the Banks, and their operations, and the Company's shareholders.

The Company is required to file certain reports under, and otherwise comply with, the rules and regulations of the Federal Reserve Board of Governors (the FRB), the FDIC, the NYDFS, and the SEC under federal securities laws. In addition, the FRB periodically examines the Company. 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

The Dodd-Frank Act has significantly changed the current 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.

In addition to creating the CFPB, the Dodd-Frank Act requires that the FRB establish minimum consolidated capital requirements for bank holding companies that are as stringent as those required for insured depository institutions; and that the components of Tier 1 capital be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. In addition, the proceeds of trust preferred securities will be excluded from Tier 1 capital unless (i) such securities are issued by bank holding companies with assets of less than \$500 million, or (ii) such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with assets of less than \$15 billion. As a result, only 25% of the Company's trust preferred securities will be included in Tier I capital in 2015, and none will be included in 2016.

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Furthermore, the Dodd-Frank Act created a new supervisory structure for oversight of the U.S. financial system, including the establishment of a new council of regulators, the Financial Stability Oversight Council, to monitor and address systemic risks to the financial system. Non-bank financial companies that are deemed to be significant to the stability of the U.S. financial system and all bank holding companies with \$50 billion or more in total consolidated assets will be subject to heightened supervision and regulation. The FRB will implement prudential requirements and prompt corrective action procedures for such companies.

The Dodd-Frank Act made many additional changes in banking regulation, including: authorizing depository institutions, for the first time, to pay interest on business checking accounts; requiring originators of securitized loans to retain a percentage of the risk for transferred loans; establishing regulatory rate-setting for certain debit card interchange fees; and establishing a number of reforms for mortgage lending and consumer protection.

The Dodd-Frank Act also broadened the base for FDIC insurance assessments. The FDIC was required to promulgate rules revising its assessment system so that it is based not on deposits, but on the average consolidated total assets less the tangible equity capital of an insured institution. That rule took effect on April 1, 2011. The Dodd-Frank Act also permanently increased the maximum amount of deposit insurance for banks, savings institutions, and credit unions to \$250,000 per depositor, retroactive to January 1, 2008.

Many of the provisions of the Dodd-Frank Act are not yet effective. The Dodd-Frank Act requires various federal agencies to promulgate numerous and extensive implementing regulations over the next several years. Although it therefore is difficult to predict at this time what impact the Dodd-Frank Act and the implementing regulations will have on the Company and the Banks, they may have a material impact on operations through, among other things, heightened regulatory supervision and increased compliance costs.

Current Capital Requirements

FDIC Capital Requirements

The FDIC has adopted risk-based capital guidelines to which the Community Bank and the Commercial Bank are subject. The guidelines establish a systematic analytical framework that makes regulatory capital requirements sensitive to differences in risk profiles among banking organizations. The Community Bank and the Commercial Bank are required to maintain certain levels of regulatory capital in relation to regulatory risk-weighted assets. The ratio of such regulatory capital to regulatory risk-weighted assets is referred to as a risk-based capital ratio. Risk-based capital ratios are determined by allocating assets and specified off-balance-sheet items to four risk-weighted categories ranging from 0% to 100%, with higher levels of capital being required for the categories perceived as representing greater risk.

These guidelines divide an institution's capital into two tiers. The first tier (Tier 1) includes common equity, retained earnings, certain non-cumulative perpetual preferred stock (excluding auction rate issues), and minority interests in equity accounts of consolidated subsidiaries, less goodwill and other intangible assets (except mortgage servicing rights and purchased credit card relationships subject to certain limitations). Supplementary (Tier 2) capital includes, among other items, cumulative perpetual and long-term limited-life preferred stock, mandatorily convertible securities, certain hybrid capital instruments, term subordinated debt, and the allowance for loan losses, subject to certain limitations, and up to 45% of pre-tax net unrealized gains on equity securities with readily determinable fair market values, less required deductions. Savings banks and commercial banks are required to maintain a total risk-based capital ratio of at least 8%, of which at least 4% must be Tier 1 capital.

In addition, the FDIC has established regulations prescribing a minimum Tier 1 leverage capital ratio (the ratio of Tier 1 capital to adjusted average assets as specified in the regulations). These regulations provide for a minimum Tier 1 leverage capital ratio of 3% for institutions that meet certain specified criteria, including that they have the highest examination rating and are not experiencing or anticipating significant growth. All other institutions are required to maintain a Tier 1 leverage capital ratio of at least 4%. The FDIC may, however, set higher leverage and risk-based capital requirements on individual institutions when particular circumstances warrant. Institutions experiencing or anticipating significant growth are expected to maintain capital ratios, including tangible capital positions, well above the minimum levels.

As of December 31, 2013, the Community Bank and the Commercial Bank were deemed to be well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, a bank must maintain a minimum Tier 1 leverage capital ratio of 5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum total risk-based capital ratio of 10%. A summary of the regulatory capital ratios of the Banks at December 31, 2013 appears in Note 18, Regulatory Matters in Item 8, Financial Statements and Supplementary Data.

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The regulatory capital regulations of the FDIC and other federal banking agencies provide that the agencies will take into account the exposure of an institution's capital and economic value to changes in interest rate risk in assessing capital adequacy. According to such agencies, applicable considerations include the quality of the institution's interest rate risk management process, overall financial condition, and the level of other risks at the institution for which capital is needed. Institutions with significant interest rate risk may be required to hold additional capital. The agencies have issued a joint policy statement providing guidance on interest rate risk management, including a discussion of the critical factors affecting the agencies' evaluation of interest rate risk in connection with capital adequacy. Institutions that engage in specified amounts of trading activity may be subject to adjustments in the calculation of the risk-based capital requirement to assure sufficient additional capital to support market risk.

Federal Reserve Board Capital Requirements

The FRB has adopted capital adequacy guidelines for bank holding companies (on a consolidated basis) that are substantially similar to, but somewhat less stringent than, those of the FDIC for the Community Bank and the Commercial Bank. At December 31, 2013, the Company's consolidated Total and Tier 1 capital exceeded these requirements.

The Dodd-Frank Act required the FRB to issue consolidated regulatory capital requirements for bank holding companies that are at least as stringent as those applicable to insured depository institutions. Such regulations eliminated the use of certain instruments, such as cumulative preferred stock and trust preferred securities, as Tier 1 holding company capital. However, instruments issued before May 19, 2010 by bank holding companies with more than \$15 billion of consolidated assets are subject to a three-year phase-out from inclusion as Tier 1 capital, beginning January 1, 2013. As a result, only 25% of the Company's trust preferred securities will be included in Tier 1 capital in 2015, and none will be included in 2016. Based on the December 31, 2013 balance of the cumulative preferred stock and trust preferred securities we issued, and absent any reduction in that balance during the period ending January 1, 2016, the elimination of such instruments would be expected to reduce our capital by \$345.3 million, or 9.4%, at the end of the phase-in, and reduce our Tier 1 leverage capital ratio by 79 basis points at that date.

Bank holding companies are generally required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding twelve months, is equal to 10% or more of the Company's consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice, or would violate any law, regulation, FRB order or directive, or any condition imposed by, or written agreement with, the FRB. The FRB has adopted an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

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.

The FDIC has adopted regulations to implement prompt corrective action. Among other things, the regulations define the relevant capital measures for the five capital categories. 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 6% or greater, and a leverage capital ratio of 5% or greater, and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure. An institution is deemed to be adequately capitalized if it has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 4% or greater, and generally a leverage capital ratio of 4% or greater. An institution is deemed to be undercapitalized if it has a total risk-based capital ratio of less than 8%, a Tier 1 risk-based capital ratio of less than 4%, or generally a leverage capital ratio of less than 4%. An institution is deemed to be significantly undercapitalized if it has a total risk-based capital ratio of less than 6%, a Tier 1 risk-based capital ratio of less than 3%, or a leverage capital ratio of less than 3%. An institution is deemed to be critically undercapitalized if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%.

Undercapitalized institutions are subject to growth, capital distribution (including dividend), and other limitations, and are required to submit a capital restoration plan. An institution's compliance with such a plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5% of the bank's total assets when deemed undercapitalized or the amount necessary to achieve the status

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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.

New Capital Rule – Basel III

On July 9, 2013, the federal bank regulatory agencies issued a final rule that will revise their risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision (Basel III) and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions, top-tier bank holding companies with total consolidated assets of \$500 million or more, and top-tier savings and loan holding companies.

The rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4.0% to 6.0% of risk-weighted assets), and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status, and to certain commercial real estate facilities that finance the acquisition, development, or construction of real property.

The rule also includes changes in what constitutes regulatory capital, some of which are subject to a two-year transition period. These changes include the phasing-out of certain instruments as qualifying capital. In addition, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets, and investments in unconsolidated subsidiaries over designated percentages of common stock will be required to be deducted from capital, subject to a two-year transition period. Finally, Tier 1 capital will include accumulated other comprehensive income (which includes all unrealized gains and losses on available-for-sale debt and equity securities), subject to a two-year transition period.

The new capital requirements also include changes in the risk weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (up from 100%) for certain high volatility commercial real estate acquisition, development, and construction loans and non-residential mortgage loans that are 90 days past due or otherwise on non-accrual status; a 20% (up from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (up from 100%) for mortgage servicing rights and deferred tax assets that are not deducted from capital; and increased risk-weights (from 0% to up to 600%) for equity exposures.

Finally, the rule limits capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

The final rule becomes effective on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016, at 0.625% of risk-weighted assets, increasing each year until fully implemented at 2.5% on January 1, 2019.

It is management's belief that, as of December 31, 2013, we would meet all capital adequacy requirements under the new capital rules on a fully phased-in basis if such requirements were currently effective.

Stress Testing

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

On October 9, 2012, the FDIC and the FRB issued final rules requiring certain large insured depository institutions and bank holding companies to conduct annual capital-adequacy stress tests. Recognizing that banks and their parent holding companies may have different primary federal regulators, the FDIC and FRB have attempted to ensure that the standards of the final rules are consistent and comparable in the areas of scope of application,

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scenarios, data collection, reporting, and disclosure. To implement section 165(i) of the Dodd-Frank Act, the rules would apply to FDIC-insured state non-member banks and bank holding companies with total consolidated assets of more than \$10 billion (covered institutions). The final rules delayed implementation for covered institutions with total consolidated assets of between \$10 billion and \$50 billion until October 2013. The final rule requirement for public disclosure of a summary of the stress testing results for these \$10 billion-\$50 billion covered institutions will be implemented starting with the 2014 stress test, with the disclosure occurring by June 30, 2015. The final rules define a stress test as a process to assess the potential impact of economic and financial scenarios on the consolidated earnings, losses, and capital of the covered institution over a set planning horizon, taking into account the current condition of the covered institution and its risks, exposures, strategies, and activities.

Under the rules, each covered institution with between \$10 billion and \$50 billion in assets would be required to conduct annual stress tests using the bank's and the bank holding company's financial data as of September 30 of that year to assess the potential impact of different scenarios on the consolidated earnings and capital of that bank and its holding company and certain related items over a nine-quarter forward-looking planning horizon, taking into account all relevant exposures and activities. On or before March 31 of each year, each covered institution, including the Community Bank and the Company, would be required to report to the FDIC and the FRB, respectively, in the manner and form prescribed in the rules, the results of the stress tests conducted by the covered institution during the immediately preceding year. Based on the information provided by a covered institution in the required reports to the FDIC and the FRB, as well as other relevant information, the FDIC and FRB would conduct an analysis of the quality of the covered institution's stress test processes and related results. The FDIC and FRB envision that feedback concerning such analysis would be provided to a covered institution through the supervisory process.

Consistent with the requirements of the Dodd-Frank Act, the rule would require each covered institution to publish a summary of the results of its annual stress tests within 90 days of the required date for submitting its stress test report to the FDIC and the FRB. As discussed below, if the Company were to exceed \$50 billion in total consolidated assets, it would become subject to a different set of FRB stress test regulations.

Stress Testing for Large Bank Holding Companies

If the Company were to exceed \$50 billion in total consolidated assets (a covered company), the Company would become subject to a different set of stress testing regulations administered by the FRB than those outlined above. Under this scenario, the FRB will use its own models to evaluate whether each covered company has the capital, on a total consolidated basis, necessary to continue operating under the economic and financial market conditions of each scenario. The FRB's analysis will include an assessment of the projected losses, net income, and pro forma capital levels and the regulatory capital ratio, tier 1 common ratio, and other capital ratios for the covered company and use such analytical techniques that the FRB determines to be appropriate to identify, measure, and monitor risks of the covered company that may affect the financial stability of the United States.

The aim of the annual reviews is to ensure that large, complex banking institutions have robust, forward-looking capital planning processes that account for their unique risks, and to help ensure that institutions have sufficient capital to continue operations throughout times of economic and financial stress. Covered companies will be expected to have credible plans that show they have sufficient capital to continue to lend to households and businesses even under severely adverse conditions, and are well prepared to meet Basel III regulatory capital standards as they are implemented in the United States.

A covered company's capital adequacy will be assessed against a number of quantitative and qualitative criteria, including projected performance under the stress scenarios provided by the FRB and the covered company's internal scenarios. Boards of directors of covered companies are required to review and approve capital plans before submitting them to the FRB.

If the Company were to become a covered company, it would not be subject to these stress test requirements until the following calendar year.

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

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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). The final regulations establish deadlines for the submission and review of such safety and soundness compliance plans.

FDIC Regulations

The following discussion pertains to FDIC Regulations other than those already discussed on the preceding pages:

Real Estate Lending Standards

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

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

Dividend Limitations

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

Investment Activities

Since the enactment of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), all state-chartered financial institutions, including savings banks, commercial banks, and their subsidiaries, have generally been limited to such activities as principal and equity investments of the type, and in the amount, authorized for national banks. State law, FDICIA, and FDIC regulations permit certain exceptions to these limitations. For example, certain state-chartered savings banks, such as the Community Bank, may, with FDIC approval, continue to exercise state authority to invest in common or preferred stocks listed on a national securities exchange and in the shares of an investment company registered under the Investment Company Act of 1940, as amended. Such banks may also continue to sell Savings Bank Life Insurance. In addition, the FDIC is authorized to permit institutions to engage in state-authorized activities or investments not permitted for national banks (other than non-subsidary equity investments) for institutions that meet all applicable capital requirements if it is determined that such activities or investments do not pose a significant risk to the insurance fund. 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.

The Community Bank received grandfathering authority from the FDIC in 1993 to invest in listed stock 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.

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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.

The FDIC has authority under federal law to appoint a conservator or receiver for an insured institution under certain circumstances. The FDIC is required, with certain exceptions, to appoint a receiver or conservator for an insured institution if that institution was critically undercapitalized on average during the calendar quarter beginning 270 days after the date on which the institution became critically undercapitalized. For this purpose, critically undercapitalized means having a ratio of tangible equity to total assets of less than 2%. Please see Prompt Corrective Regulatory Action earlier in this report.

The FDIC may also appoint a conservator or receiver for an insured institution on the basis of the institution's financial condition or upon the occurrence of certain events, including (i) insolvency (whereby the assets of the bank are less than its liabilities to depositors and others); (ii) substantial dissipation of assets or earnings through violations of law or unsafe or unsound practices; (iii) existence of an unsafe or unsound condition to transact business; (iv) likelihood that the bank will be unable to meet the demands of its depositors or to pay its obligations in the normal course of business; and (v) insufficient capital, or the incurrence or likely incurrence of losses that will deplete substantially all of the institution's capital with no reasonable prospect of replenishment of capital without federal assistance.

Insurance of Deposit Accounts

The deposits of the Community Bank and the Commercial Bank are insured up to applicable limits by the DIF. The DIF is the successor to the Bank Insurance Fund and the Savings Association Insurance Fund, which were merged in 2006. Due to the decline in economic conditions, the deposit insurance provided by the FDIC per account owner was raised to \$250,000 for all types of accounts. That change, initially intended to be temporary, was made permanent by the Dodd-Frank Act.

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. An institution's assessment rate depends upon the category to which it is assigned and certain other factors. Historically, assessment rates ranged from seven to 77.5 basis points of each institution's deposit assessment base. On February 7, 2011, as required by the Dodd-Frank Act, the FDIC published a final rule to revise the deposit insurance assessment system. The rule, which took effect April 1, 2011, changed the assessment base used for calculating deposit insurance assessments from deposits to total assets less tangible (Tier 1) capital. Since the new base is larger than the previous base, the FDIC also lowered assessment rates so that the rule would not significantly alter the total amount of revenue collected from the industry. The range of adjusted assessment rates is now 2.5 to 45 basis points of the new assessment base; the Community Bank's assessment was within the lower part of that range in 2013, as was the assessment of the Commercial Bank.

The Dodd-Frank Act increased the minimum target DIF ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC must seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of \$10 billion or more are supposed to fund the increase. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, leaving it, instead, to the discretion of the FDIC. The FDIC has recently exercised that discretion by establishing a long-range fund ratio of 2%, which could result in our paying higher deposit insurance premiums in the future.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund. That payment is established quarterly, and is based on assessable deposits for the first three quarters and on assessable assets for the fourth quarter of the year. In the calendar year ending December 31, 2013, the payment averaged 0.64 basis points of assessable deposits and 0.62 basis points of assessable assets during the respective periods.

Insurance of deposits may be terminated by the FDIC upon a finding that the 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.

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Holding Company Regulation

Federal Regulation

The Company is currently subject to examination, regulation, and periodic reporting under the Bank Holding Company Act of 1956, as amended (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 NYDFS.

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 codifies the source of financial strength policy and requires regulations to facilitate its application. Under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. These regulatory policies could affect the ability of the Company to pay dividends or otherwise engage in capital distributions.

Under the FDI Act, a depository institution may be liable to the FDIC for losses caused the DIF if a commonly controlled depository institution were to fail. The Community Bank and the Commercial Bank are commonly controlled within the meaning of that law.

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

The Company, the Community Bank, the Commercial Bank, and their respective affiliates is affected by the monetary and fiscal policies of various agencies of the United States government, including the Federal Reserve System. In view of changing conditions in the national economy and the money markets, it is difficult for management to accurately predict future changes in monetary policy or the effect of such changes on the business or financial condition of the Company, the Community Bank, or the Commercial Bank.

New York State Regulation

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

Table of Contents***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. An affiliate of a savings bank or commercial bank is any company or entity that controls, is controlled by, or is under common control with, the institution, other than a subsidiary. Generally, an institution's subsidiaries are not treated as affiliates unless they are engaged in activities as principal that are not permissible for national banks. In a holding company context, at a minimum, the parent holding company of an institution, and any companies that are controlled by such parent holding company, are affiliates of the institution. 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. The term covered transaction includes the making of loans or other extensions of credit to an affiliate; the purchase of assets from an affiliate; the purchase of, or an investment in, the securities of an affiliate; the acceptance of securities of an affiliate as collateral for a loan or extension of credit to any person; or issuance of a guarantee, acceptance, or letter of credit on behalf of an affiliate. 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 subsidiary 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 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. Under Section 22(h), loans to directors, executive officers, and shareholders who control, directly or indirectly, 10% or more of voting securities of an institution, and certain related interests of any of the foregoing, may not exceed, together with all other outstanding loans to such persons and affiliated entities, the institution's total capital and surplus. Section 22(h) also prohibits loans above amounts prescribed by the appropriate federal banking agency to directors, executive officers, and shareholders who control 10% or more of the voting securities of an institution, and their respective related interests, unless such loan is approved in advance by a majority of the board of the institution's directors. Any interested director may not participate in the voting. The loan amount (which includes all other outstanding loans to such person) as to which such prior board of director approval is required, is the greater of \$25,000 or 5% of capital and surplus or any loans aggregating over \$500,000. Further, pursuant to Section 22(h), loans to directors, executive officers, and principal shareholders must be made on terms substantially the same as those offered in comparable transactions to other persons. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to executive officers over other employees. Section 22(g) of the Federal Reserve Act places additional limitations on loans to executive officers.

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 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. The CRA requires the FDIC, in connection with its examinations, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. The CRA requires public disclosure of an institution's CRA rating and further requires the FDIC to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. While our latest rating in Florida and Ohio, two of the markets we entered in December 2009 in connection with our FDIC-assisted AmTrust acquisition, was needs improvement, the latest overall CRA rating for the Community Bank was Satisfactory, as was the latest CRA rating for the Commercial Bank.

New York State Regulation

The Community Bank and the Commercial Bank are also 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 (the NYCRA). Such obligations are substantially similar to those imposed by the CRA. The NYCRA requires the NYDFS to make a periodic written assessment of an institution's compliance with the NYCRA, utilizing a four-tiered rating system, and to make such assessment available to the public. The NYCRA also requires the Superintendent of the NYDFS (the Superintendent) to consider the NYCRA rating when reviewing an application to engage in certain transactions, including mergers, asset purchases, and the establishment of branch offices or ATMs, and provides that such assessment may serve as a basis for the denial of any such application. The latest NYCRA rating received by the Community Bank was

satisfactory, as was the latest rating received by the Commercial Bank.

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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 23, 2014, the Banks are required to maintain average daily reserves equal to 3% on aggregate transaction accounts of up to \$89.0 million, plus 10% on the remainder, and the first \$13.3 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 are in compliance with the foregoing requirements.

Federal Home Loan Bank System

The Community Bank and the Commercial Bank are members of the FHLB of New York (the FHLB-NY), one of 12 regional FHLBs comprising the FHLB system. Each regional FHLB manages its customer relationships, while the 12 FHLBs use their combined size and strength to obtain their necessary funding at the lowest possible cost. 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. Including \$23.1 million of FHLB-Cincinnati stock acquired in the AmTrust acquisition and \$1.2 million of FHLB-San Francisco stock acquired in the Desert Hills acquisition, the Community Bank held total FHLB stock of \$542.2 million at December 31, 2013. In addition, the Commercial Bank held FHLB-NY stock of \$19.2 million at that date. FHLB stock continued to be valued at par, with no impairment loss required.

For the fiscal years ended December 31, 2013 and 2012, dividends from the FHLBs to the Community Bank amounted to \$18.2 million and \$19.9 million, respectively. Dividends from the FHLB-NY to the Commercial Bank amounted to \$343,000 and \$387,000, respectively, in the corresponding years.

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 NYDFS, 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. The lending powers of New York State-chartered savings banks and commercial banks are not subject to percentage-of-assets or capital limitations, although there are limits applicable to loans to individual borrowers.

The exercise by an FDIC-insured savings bank or commercial bank of the lending and investment powers under New York State Banking Law is limited by FDIC regulations and other federal laws and regulations. In particular, the applicable provisions of New York State Banking Law and regulations governing the investment authority and activities of an FDIC-insured state-chartered savings bank and commercial bank have been effectively limited by the FDICIA and the FDIC regulations issued pursuant thereto.

With certain limited exceptions, a New York State-chartered savings bank may not make loans or extend credit for commercial, corporate, or business purposes (including lease financing) to a single borrower, the aggregate amount of which would be in excess of 15% of the bank's net worth or up to 25% for loans secured by collateral having an ascertainable market value at least equal to the excess of such loans over the bank's net worth. A commercial bank is subject to similar limits on all of its loans. The Community Bank and the Commercial Bank currently comply with all applicable loans-to-one-borrower limitations.

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

New York State Banking Law gives the Superintendent authority to issue an order to a New York State-chartered banking institution to appear and explain an apparent violation of law, to discontinue unauthorized or unsafe practices, and to keep prescribed books and accounts. Upon a finding by the NYDFS that any director, trustee, or officer of any banking organization has violated any law, or has continued unauthorized or unsafe

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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 49 branches in New Jersey, 27 branches in Florida, 28 branches in Ohio, and 14 branches in Arizona, in addition to its 121 branches in New York State.

Acquisition of the Holding Company

Federal Restrictions

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

New York State Change in Control Restrictions

In addition to the CIBCA and the BHCA, 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.

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Registration of the shares of the common stock that were issued in the Community Bank's conversion from mutual to stock form under the Securities Act of 1933, as amended (the Securities Act), does not cover the resale of such shares. Shares of the common stock purchased by persons who are not affiliates of the Company may be resold without registration. Shares purchased by an affiliate of the Company will be subject to the resale restrictions of Rule 144 under the Securities Act. If the Company meets the current public information requirements of Rule 144 under the Securities Act, each affiliate of the Company who complies with the other conditions of Rule 144 (including those that require the affiliate's sale to be aggregated with those of certain other persons) would be able to sell in the public market, without registration, a number of shares not to exceed in any three-month period the greater of (i) 1% of the outstanding shares of the Company, or (ii) the average weekly volume of trading in such shares during the preceding four calendar weeks. Provision may be made by the Company in the future to permit affiliates to have their shares registered for sale under the Securities Act under certain circumstances.

Consumer Protection Regulations

The retail activities of banks, including lending and the gathering of deposits, are subject to a variety of statutes and regulations designed to protect consumers. Interest and other charges collected or contracted for by banks are subject to state usury laws and federal laws concerning interest rates. Loan operations, including our mortgage banking business, are also subject to federal laws applicable to credit transactions, such as:

The federal Truth-In-Lending Act and Regulation Z, governing disclosures of credit terms to consumer borrowers;

The Home Mortgage Disclosure Act and Regulation C, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

The Equal Credit Opportunity Act and Regulation B, prohibiting discrimination on the basis of race, creed, or other prohibited factors in extending credit;

The Fair Credit Reporting Act and Regulation V, governing the use and provision of information to consumer reporting agencies;

The Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and

The guidance of the various federal agencies charged with the responsibility of implementing such federal laws. Deposit operations also are subject to:

The Truth in Savings Act and Regulation DD, which requires disclosure of deposit terms to consumers;

Regulation CC, which relates to the availability of deposit funds to consumers;

The Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and

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The Electronic Funds Transfer Act and Regulation E, which governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services. In addition, the Banks and their subsidiaries may be subject to certain state laws and regulations designed to protect consumers.

Many of the foregoing laws and regulations are subject to change resulting from the provisions in the Dodd-Frank Act, which in many cases calls for revisions to implementing regulations. In addition, oversight responsibilities of these and other consumer protection laws and regulations will, in large measure, transfer from the Banks' primary regulators to the CFPB. We cannot predict the effect that being regulated by the CFPB, or any new or revised regulations that may result from its establishment, will have on our businesses.

Consumer Financial Protection Bureau

Created under the Dodd-Frank Act, and given extensive implementation and enforcement powers, 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 unfair, deceptive, or abusive acts and practices. 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

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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 may also 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 their affiliates.

Enterprise Risk Management

The Board of Directors is actively engaged in the process of overseeing our efforts to identify, measure, monitor, and mitigate risk. In connection with our efforts to practice sound risk management and to incorporate strong internal controls with regard to those risks with the potential to adversely impact the achievement of our goals and objectives, we have established an Enterprise Risk Management program, which follows the FRB's guidance on the adequacy of risk management processes and internal controls.

Risk Management Roles and Responsibilities

Our Enterprise Risk Management (ERM) program is driven by our belief that the proper management of risk must start at, and be driven by, the highest organizational level. The following groups/individuals are responsible for ensuring our success in managing risk:

Board of Directors

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

Risk Assessment Committee

The Risk Assessment Committee of the Board of Directors is responsible for assisting the Board in its oversight of the Company's risk management framework, including the policies and procedures used to manage the following risks: interest rate, credit, liquidity, legal/compliance, market, strategic, operational, reputation, and loss share compliance.

Chief Risk Officer

Reporting directly to both the Risk Assessment Committee of the Board of Directors and to the Chief Executive Officer, the Chief Risk Officer ensures that our ERM Policy is implemented across the Company and oversees the implementation of the ERM program. This responsibility includes ensuring that each Business Process Owner's ERM survey is completed and that recommendations regarding risk scores are implemented; aggregating and categorizing risks; and reporting on the Company's risk profile and risk indicators to Senior Management, the Risk Assessment Committee, and the Board of Directors itself. The Chief Risk Officer has oversight over all risk categories and, in this capacity, attends various management committee and Board of Directors' meetings wherein risk-taking activities are vetted. The Chief Risk Officer also reviews changes to key Board-level policies prior to submission to the Board for approval.

Executive Oversight Group

The Executive Oversight Group (EOG) operates within the Office of the Chief Executive Officer. Its members are designated by the Chief Executive Officer or Chief Operating Officer, and are selected based on their knowledge and understanding of the Company's business model and their expertise in the business areas each of them oversees. The members of the EOG are responsible for engaging in discussions with each Business Process Owner regarding new business objectives, material risks that currently exist or may be emerging in the future, and certain risk mitigants.

Senior Management

Senior Management (defined as the Chief Executive Officer, the Chief Operating Officer, and any other Senior Executive Vice President, or all or any group of them acting collectively) ensures that a risk management process with adequate resources is effectively implemented; that the Company's corporate structure supports its risk management goals; and that a risk management process is integrated into the corporate culture.

Business Process Owners

Business Process Owners are officers of the Company who have primary responsibility for the day-to-day operations of their respective business units. Each Business Process Owner is responsible for ensuring that proper controls are in place to prudently mitigate risk, and for performing periodic self-assessments of risks and controls.

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Internal Audit

Internal Audit is responsible for providing an independent assessment of ERM to the Audit Committee of the Board of Directors, and for validating the controls identified by the Business Process Owners when performing internal audits of the respective areas of responsibility. In addition, Internal Audit is responsible for communicating its audit findings to the Chief Risk Officer so that the self-assessment performed by each Business Process Owner may be revisited.

The Key Elements of Enterprise Risk Management

Our ERM program incorporates the principles set forth in the Enterprise Risk Management Integrated Framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which has eight key elements, described below:

Internal Environment

The commitment to integrating risk management at all levels is essential to the effective implementation of an ERM program. Our Board of Directors and management team, together with the members of our EOG, play an integral role in setting the tone throughout the Company, which is carried through to our Business Process Owners and employees, all of whom are critical to maintaining a proper environment for the management of risk.

Objective Setting

The ERM Program ensures that there is a process in place through which the Boards of the Company and the Banks establish a Strategic Plan to identify the goals and objectives that will support our overall mission; the strategies for achieving our goals and objectives; and the measures by which we will determine our success in fulfilling those goals and objectives. In addition, our ERM program ensures the alignment of the Strategic Plan with our Risk Appetite Statement and our stress testing activities.

Event Identification

To recognize and identify risks to the achievement of our goals and objectives from internal and external sources, we survey our key Business Process Owners on a quarterly basis, and conduct monthly meetings of the EOG. In this way, we not only focus on the risks we are currently facing, but also on risks that may arise in the future from new business initiatives, as well as from changes in our size, structure, personnel, business, and other strategic interests.

Risk Assessment

We analyze the risks we face in order to formulate a basis for determining how they should be managed. Accordingly, risks are assessed on both an inherent and residual basis (i.e., before controls are established and after such controls are applied), with both the likelihood and the impact of the risk being gauged. The risk assessment process is collaborative in nature, and includes the Business Process Owners, the ERM Department, and the members of the EOG.

Risk Response

Management addresses cases where actual risk levels are approaching or exceeding established limits, and considers alternative risk response options in order to reduce residual risk to an acceptable risk tolerance level. This includes taking into account established contingency and/or remedial actions, as described within our policies.

Control Activities

Adequate controls are designed and effectively implemented and maintained to ensure that inherent risks are reduced to acceptable levels. These controls are management tools that can be adjusted if conditions or risk tolerances change.

Information and Communication

Relevant information is identified, captured, and communicated in a form and timeframe that enable all relevant parties across, up, and down the organization, to effectively carry out their responsibilities. The ERM Department utilizes various channels to communicate such information,

and to document risk information derived from the quarterly ERM surveys and the ERM dashboard reports.

Monitoring

We monitor our actual performance metrics against specific benchmarks and, where applicable, against Board-established limits through the use of our ERM dashboard, and through the active engagement of the Risk Assessment and Capital Assessment Committees of the Boards. Reports are produced with sufficient frequency to ensure that timely action is taken, as needed.

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Internal Audit

Internal Audit is responsible for validating the controls identified by Business Process Owners when performing internal audits of their respective areas of responsibility. In addition, Internal Audit is responsible for communicating its audit findings to the Chief Risk Officer and the ERM Department, who then revisit the self-assessment performed by each Business Process Owner.

ITEM 1A. RISK FACTORS

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

Interest Rate Risks

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

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

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, the level of which is driven by the Federal Open Market Committee of the Federal Reserve Board of Governors (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 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 could also have an effect on loan refinancing activity which, in turn, would impact the amount of prepayment penalty income we receive on our multi-family and CRE loans, and the amount of mortgage banking income we generate as a result of originating and servicing one-to-four family loans for sale. Because prepayment penalties are recorded as interest income, the extent to which they increase or decrease during any given period could have a significant impact on the level of net interest income and net income we generate during that time.

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

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

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

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Credit Risks

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

The inability of our borrowers to repay their loans in accordance with their terms would likely necessitate an increase in our provision for 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 one-to-four family mortgage loans we produce for investment or for sale. Our credit risk would ordinarily be expected to increase with the growth of these loan portfolios.

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

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

To minimize the risks involved in our specialty finance C&I lending and leasing, we participate in broadly syndicated loans that are brought to us by a select group of nationally recognized sources, and generally are made to large corporate obligors, the majority of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide. The loans we fund fall into three distinct categories (asset-based lending, dealer floor plan lending, and equipment loan and lease financing) and each of our credits is secured with a perfected first security interest in the underlying collateral and structured as senior debt.

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 an in-market C&I loan is substantially dependent on the degree to which his or her business is successful. In addition, the collateral underlying such loans may depreciate over time, may not be conducive to appraisal, or may fluctuate in value, based upon the results of operations of the business.

Although our losses on the loans we produce have been comparatively limited, even during periods of economic weakness in our markets, we cannot guarantee that this record will be maintained 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 an increase in charge-offs, but also could necessitate our further increasing our provisions 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 and commercial real estate loans are located, could have an adverse impact on our financial condition and results of operations.

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

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

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

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

In addition, although our loss sharing agreements call for the FDIC to bear a significant portion of any losses related to the acquired loan portfolios, we are not protected from all losses resulting from charge-offs with respect to the acquired loans. Also, the loss sharing agreements have limited terms. Charge-offs we experience on covered loans after the terms of the loss sharing agreements end may not be fully recoverable and this, too, could have an adverse impact on our net income.

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

In addition to mitigating credit risk through our underwriting processes, we attempt to mitigate such risk through the establishment of an allowance for losses on non-covered loans. The process of determining whether or not this allowance is sufficient to cover potential non-covered loan losses is based on our evaluation of inherent losses in the held-for-investment loan portfolio, which requires that management make certain assumptions, estimates, and judgments regarding several factors, including the current and historical performance of the portfolio; its inherent risk characteristics; the level of non-performing non-covered loans and charge-offs; delinquency levels and trends; local economic and market conditions; declines in real estate values; and the levels of unemployment and vacancy rates.

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

In addition, as we continue to grow our held-for-investment loan portfolio, it may be necessary to increase the allowance for losses on such loans by making additional provisions, which also could adversely impact our operating results. Furthermore, bank regulators may require us to make a provision for non-covered loan losses or otherwise recognize further loan charge-offs following their periodic review of our held-for-investment loan portfolio, our underwriting procedures, and our allowance for losses on such loans. Any increase in the non-covered loan loss allowance or loan charge-offs as required by such regulatory authorities could have a material adverse effect on our financial condition and results of operations.

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Liquidity Risks

Failure to maintain an adequate level of liquidity could result in an inability to fulfill our financial obligations and also could subject us to material reputation and regulatory 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 deposits, including those we gather organically through our branch network, those we acquire in connection with acquisitions, and the brokered deposits we accept; borrowed funds, primarily in the form of wholesale borrowings from the FHLB and various Wall Street brokerage firms; the cash flows generated through the repayment and sale of loans; and the 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.

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. Furthermore, changes to the FHLB's underwriting guidelines for wholesale borrowings or lending policies may limit or restrict our ability to borrow, and could therefore have a significant adverse impact on our liquidity. In addition, replacing funds in the event of large-scale withdrawals of brokered deposits could require us to pay significantly higher interest rates on retail deposits or other wholesale funding sources, which would have an adverse impact on our net interest income and net income. 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.

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

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

Legal/Compliance Risks

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

We are subject to the comprehensive, consolidated supervision and regulation set forth by the FRB. Such regulation includes, among other matters, the level of leverage and risk-based capital ratios we are required to maintain. Our capital ratios can change, depending on general economic conditions, our financial condition, our risk profile, and our plans for growth. Compliance with the FRB's 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 requirements including, among others, an increase in the levels of regulatory capital we are required to maintain, changes in the way regulatory capital is calculated, and increases in liquidity requirements, any and all of which could adversely affect our business and our ability to expand. For example, the implementation of certain regulatory changes under the Dodd-Frank Act resulted in the disqualification of previously issued and outstanding trust preferred securities as Tier 1 capital by January 1, 2016. Additionally, in early July 2013, the FRB approved revisions to its capital adequacy guidelines and prompt corrective action rules that implement the revised standards of the Basel Committee on Banking Supervision, and address relevant provisions of the Dodd-Frank Act. Basel III and the regulations of the federal banking agencies require bank

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holding companies and banks to undertake significant activities to demonstrate compliance with the new and higher capital standards. Any additional requirements to increase our capital ratios or liquidity could have a material adverse effect on our financial condition, as this might necessitate our liquidating certain assets, perhaps on terms that are unfavorable to us or that are contrary to our business plans. Such a requirement could also compel us to issue additional securities, thus diluting the value of our common stock.

In addition, failure to meet the 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.

If we continue to grow and our consolidated assets reach or exceed \$50 billion, we will be subject to stricter prudential standards required by the Dodd-Frank Act for large bank holding companies.

Pursuant to the requirements of the Dodd-Frank Act, bank holding companies having \$50 billion or more in total consolidated assets are subject to stricter prudential standards, including risk-based capital and leverage requirements, liquidity requirements, risk-management requirements, credit limits, dividend limits, and early remediation regimes. The Dodd-Frank Act permits, but does not require, the FRB to apply heightened prudential standards in a number of other areas, including short-term debt limits and enhanced public disclosure.

With consolidated assets of \$46.7 billion at December 31, 2013, it is likely that we will reach or exceed the \$50 billion threshold, whether through organic growth or through continuation of our growth-through-acquisition strategy.

Our results of operations could be adversely affected by further changes in bank regulation, or by our inability 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 NYDFS, the chartering authority for both the Community Bank and the Commercial Bank; (2) the FDIC, as the insurer of the Banks' deposits; (3) the Federal Reserve Bank of New York, 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 is intended primarily for the protection of the DIF, the banking system in general, and bank customers, rather than for the benefit of a company's stockholders. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including with respect to the imposition of restrictions on the operation of a bank or a bank holding company, the imposition of significant fines, the ability to delay or deny merger or other regulatory applications, the classification of assets by a bank, and the adequacy of a bank's allowance for loan losses, among other matters. Any failure to comply with, or any change in, such regulation and supervision, or change 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.

Our operations are also subject to extensive legislation enacted, and regulation implemented, by other federal, state, and local governmental authorities, and to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of our operations. Future changes in such laws, rules, requirements, and regulations also could have a material impact on our results of operations.

For example, in addition to creating the CFPB, the Dodd-Frank Act established new standards relating to regulatory oversight of systemically important financial institutions, derivatives transactions, asset-backed securitization, and mortgage origination and servicing, and limited the revenues banks can derive from debit card interchange fees. Extensive regulatory guidance is needed to implement and clarify many of the provisions of the Dodd-Frank Act and, although certain U.S. agencies have begun to initiate the required administrative processes, it is still too early in those processes to fully assess the impact of this legislation on our business, the rest of the banking industry, and the broader financial services industry.

In addition, the Federal Reserve Bank has proposed guidance on incentive compensation at the banking organizations it regulates, and the federal banking regulators have established higher capital and liquidity requirements for banks. Complying with any new legislative or regulatory requirements, and any programs established thereunder by federal and state governments to address economic weakness, could have an adverse impact on our results of operations, our ability to fill positions with the most qualified candidates available, and our ability to maintain our dividend.

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Furthermore, the current Administration has announced plans to dramatically transform the role of government in the U.S. housing market, including by winding down Fannie Mae and Freddie Mac, and by reducing other government support to such markets. Congressional leaders have voiced similar plans for future legislation. It is too early to determine the nature and scope of any legislation that may develop along these lines, or what roles Fannie Mae and Freddie Mac or the private sector will play in future housing markets. However, it is possible that legislation will be proposed over the near term that would result in the nature of GSE guarantees being considerably limited relative to historical measurements, which could have broad adverse implications for the market and significant implications for our business.

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

As a financial institution, we are subject to a number of risks, including credit, interest rate, liquidity, market, operational, legal/compliance, loss sharing compliance, reputational, and strategic. 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, recent economic 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.

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 economic and real estate conditions continued to improve in 2013, and although we have taken, and continue to take, steps to reduce our exposure to the risks that stem from adverse changes in such conditions, we nonetheless could be impacted by them to the degree that they affect the loans we originate, the securities we invest in, and our portfolios of covered and non-covered loans.

Declines in real estate values and home sales, and an increase in the financial stress on borrowers stemming from high unemployment, among other economic conditions, could have an adverse effect on our borrowers or their customers, which could adversely impact 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 recording losses on the other-than-temporary impairment (OTTI) of securities, which would reduce our earnings and, therefore, our capital. Additionally, continued economic weakness could reduce the demand for our products and services, which would adversely impact our liquidity and the revenues we produce.

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

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

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

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

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

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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.

Although the economy continued to show signs of improvement in 2013, renewed 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

Extreme competition for loans and deposits could adversely affect our ability to expand our business and therefore could adversely affect 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 compete with other commercial banks and savings banks, as well as with credit unions and investment banks, for deposits, and with the same financial institutions and others (including mortgage brokers and insurance companies) for loans. 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 and extended hours of service; access, in the form of alternative delivery channels, such as online banking, banking by phone, and ATMs; 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 with their financial needs. External factors that may impact our ability to compete include changes in local economic conditions and real estate values, changes in interest rates, and the consolidation of banks and thrifts within our marketplace.

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

The inability to grow through acquisitions, or to realize the anticipated benefits of any acquisition we do engage in, could adversely affect our ability to compete with other financial institutions and therefore our financial condition and results of operations, perhaps materially.

Mergers and acquisitions have contributed significantly to our growth in the past, and remain a component of our business model. Accordingly, it is possible that we could acquire other financial institutions, financial service providers, or branches of banks in the future.

However, our ability to engage in future mergers and acquisitions depends on various factors, including: (1) our ability to identify suitable merger partners and acquisition opportunities; (2) our ability to finance and complete negotiated transactions on acceptable terms and at acceptable prices; (3) our ability to receive the necessary regulatory approvals; and (4) when, required, our ability to receive the necessary shareholder approvals.

Our inability to engage in an acquisition or merger for any of these reasons could have an adverse impact on our financial condition and results of operations. 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 therefore our results of operations.

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Furthermore, the funding we obtain in acquisitions is generally used to fund our loan production or to reduce our higher funding costs. The absence of an acquisition could therefore impact our ability to meet our loan demand.

Furthermore, mergers and acquisitions involve a number of risks and challenges, including:

Our ability to integrate the branches and operations we acquire, and the internal controls and regulatory functions, into our current operations;

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Our ability to limit the outflow of deposits held by our new customers in the acquired branches, and to successfully retain and manage the 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 the acquired branches in a manner that enables us to maintain a favorable efficiency ratio;

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

Our ability to earn acceptable levels of interest and non-interest income, including fee income, from the acquired branches;

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.

Additionally, no assurance can be given that the operation of acquired branches 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 is 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. Quoted market prices in active markets are the best evidence of fair value and are to be used as the basis for measuring impairment, when available. Other acceptable valuation methods include present-value measurements based on multiples of earnings or revenues, or similar performance measures. If we were to determine that the carrying amount of our goodwill exceeded its implied fair value, we would be required to write down the value of the goodwill on our balance sheet, adversely affecting our earnings as well as our capital.

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

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds available for such payments under applicable law and regulatory guidance, and although we have historically declared cash dividends on our common stock, we are not required to do so. Furthermore, the payment of dividends falls under federal regulations that have grown more stringent in recent years. While we pay our quarterly cash dividend in compliance with current regulations, such regulations could change in the future. In addition, should the Company reach or exceed the threshold for classification as an institution that is subject to Comprehensive Capital Analysis and Review (CCAR) (i.e., an institution with consolidated assets of \$50 billion or more), we would be subject to the stricter prudential standards, including for dividend payments, required by the Dodd-Frank Act. Any reduction or elimination of our common stock dividend in the future could adversely affect the market price of our common stock.

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

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

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Although the economy continued to show signs of improvement in 2013, renewed 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.

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 are required to perform annual capital stress tests. For the Company, these requirements will become effective in the first quarter of 2014. While public disclosure of our 2013 stress test results is not required, this will no longer be the case for the following year. 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.

Also, the assumptions we utilize for our stress tests may not meet with regulatory approval, which could result in our stress tests receiving a failing grade. In addition to adversely affecting our reputation, failing our stress tests would likely preclude or delay our growth through acquisition, and would likely lead to a reduction in our quarterly cash 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.

Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger, our deposits, and our loans. 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.

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

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

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

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While we have established policies and procedures to prevent or limit the impact of systems failures and interruptions, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition, we outsource certain aspects of our data processing to certain third-party providers. If our third-party providers encounter difficulties, or if we have difficulty in communicating with them, our ability to adequately process and account for customer transactions could be affected, and our business operations could be adversely impacted. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

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 and state 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. Our net income and earnings per share may be reduced if a federal, state, or local authority assesses additional taxes that have not been provided for in our consolidated financial statements. There can be no assurance that we will achieve our anticipated effective tax rate either due to a change in tax law, a change in regulatory or judicial guidance, or an audit assessment that denies previously recognized tax benefits.

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. To attract and retain personnel with the skills and knowledge to support our business, we offer a variety of benefits that may reduce our earnings.

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 if our reputation were damaged. Significant harm to our reputation could arise from many 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.

Loss Share Compliance Risk

If the FDIC were to exercise its right to refuse or delay reimbursements for losses incurred on the loans acquired in our AmTrust and Desert Hills acquisitions, the impact on our earnings could be adverse.

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The loans we acquired in our AmTrust and Desert Hills acquisitions are covered by loss sharing agreements with the FDIC. Under the terms of the agreements, the FDIC will reimburse us for 80% of losses on such covered loans up to a certain threshold, and for 95% of losses incurred on such covered loans beyond the initial amount. However, our failure to manage the loss sharing agreements in accordance with their respective terms could result in the FDIC refusing to reimburse us, or delaying payment, either of which actions could adversely impact our earnings to varying degrees.

To ensure that our loss sharing agreements are properly managed, we have established certain standards and procedures that are designed to effectively control our exposure to loss share compliance risk.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Although we own certain of our branch offices as well as other buildings, the majority of our facilities are leased under various lease and license agreements that expire at various times. (Please see Note 10, Commitments and Contingencies: Lease and License 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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The common stock of New York Community Bancorp, Inc. has traded on the New York Stock Exchange (the NYSE) since December 20, 2002. On November 13, 2012, we changed our NYSE trading symbol from NYB to NYCB.

At December 31, 2013, the number of outstanding shares was 440,809,365 and the number of registered owners was approximately 13,000. 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 2013 and 2012:

	Dividends Declared per Common Share	Market Price		
		High	Low	Close
2013				
1st Quarter	\$0.25	\$ 14.36	\$ 12.90	\$ 14.35
2nd Quarter	0.25	14.38	12.91	14.00
3rd Quarter	0.25	15.86	13.99	15.11
4th Quarter	0.25	16.88	15.11	16.85
2012				
1st Quarter	\$0.25	\$ 14.04	\$ 12.26	\$ 13.91
2nd Quarter	0.25	13.96	11.47	12.53
3rd Quarter	0.25	14.24	11.94	14.16
4th Quarter	0.25	15.05	12.40	13.10

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

On July 2, 2013, 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, 2013 with the cumulative total returns on a broad market index and a peer group 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 peer group index chosen was the SNL U.S. Bank and Thrift Index, which was comprised of 444 bank and thrift institutions, including the Company, as of the date of this report. The data for the indices included in the graph were provided to us by SNL Financial.

The cumulative total returns are based on the assumption that \$100.00 was invested in each of the three investments on December 31, 2008 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, 2008

ASSUMES DIVIDEND REINVESTED

FISCAL YEAR ENDING DECEMBER 31, 2013

	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
New York Community Bancorp, Inc.	\$ 100.00	\$ 132.52	\$ 182.84	\$ 128.30	\$ 146.63	\$ 202.13
S&P Mid-Cap 400 Index	\$ 100.00	\$ 137.37	\$ 173.98	\$ 170.97	\$ 201.54	\$ 268.97
SNL U.S. Bank and Thrift Index	\$ 100.00	\$ 98.66	\$ 110.14	\$ 85.64	\$ 115.00	\$ 157.46

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

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

During the twelve months ended December 31, 2013, the Company allocated \$5.3 million toward the repurchase of shares of its common stock, including \$966,000 in the fourth quarter, as indicated in the following table:

(dollars in thousands, except per share data)

Period	Total Shares of Common Stock Repurchased	Average Price Paid per Common Share	Total Allocation
First Quarter 2013	304,830	\$13.38	\$4,080
Second Quarter 2013	8,663	13.60	118
Third Quarter 2013	10,617	14.68	156
Fourth Quarter 2013:			
October	370	16.08	6
November			
December	59,160	16.23	960
Total Fourth Quarter 2013	59,530	16.23	966
2013 Total	383,640	\$13.87	\$5,320

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, 2013. Under said authorization, shares may be repurchased on the open market or in privately negotiated transactions. No shares have been repurchased under this authorization since August 2006.

Shares that are repurchased pursuant to the Board of Directors' authorization, and those that are repurchased pursuant to the Company's stock-based incentive plans, are held in our Treasury account and may be used for various corporate purposes, including, but not limited to, merger transactions and the vesting of restricted stock awards.

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<i>(dollars in thousands, except share data)</i>	At or For the Years Ended December 31,				
	2013	2012	2011	2010 ⁽¹⁾	2009 ⁽²⁾
EARNINGS SUMMARY:					
Net interest income	\$ 1,166,616	\$ 1,160,021	\$ 1,200,421	\$ 1,179,963	\$ 905,325
Provision for losses on non-covered loans	18,000	45,000	79,000	91,000	63,000
Provision for losses on covered loans	12,758	17,988	21,420	11,903	
Non-interest income	218,830	297,353	235,325	337,923	157,639
Non-interest expense:					
Operating expenses	591,778	593,833	574,683	546,246	384,003
Amortization of core deposit intangibles	15,784	19,644	26,066	31,266	22,812
Income tax expense	271,579	279,803	254,540	296,454	194,503
Net income	475,547	501,106	480,037	541,017	398,646
Basic earnings per share	\$1.08	\$1.13	\$1.09	\$1.24	\$1.13
Diluted earnings per share	1.08	1.13	1.09	1.24	1.13
Dividends paid per common share	1.00	1.00	1.00	1.00	1.00
SELECTED RATIOS:					
Return on average assets	1.07%	1.18%	1.17%	1.29%	1.20%
Return on average stockholders' equity	8.46	9.06	8.73	10.03	9.29
Average stockholders' equity to average assets	12.66	13.02	13.38	12.89	12.89
Operating expenses to average assets	1.33	1.40	1.40	1.31	1.15
Efficiency ratio	42.71	40.75	40.03	35.99	36.13
Interest rate spread	2.90	3.11	3.37	3.45	2.98
Net interest margin	3.01	3.21	3.46	3.45	3.12
Dividend payout ratio	92.59	88.50	91.74	80.65	88.50
BALANCE SHEET SUMMARY:					
Total assets	\$ 46,688,287	\$ 44,145,100	\$ 42,024,302	\$ 41,190,689	\$ 42,153,869
Loans, net of allowances for loan losses	32,727,507	31,580,636	30,152,154	29,041,595	28,265,208
Allowance for losses on non-covered loans	141,946	140,948	137,290	158,942	127,491
Allowance for losses on covered loans	64,069	51,311	33,323	11,903	
Securities	7,951,020	4,913,528	4,540,516	4,788,891	5,742,243
Deposits	25,660,992	24,877,521	22,325,654	21,890,328	22,418,384
Borrowed funds	15,105,002	13,430,191	13,960,413	13,536,116	14,164,686
Stockholders' equity	5,735,662	5,656,264	5,565,704	5,526,220	5,366,902
Common shares outstanding	440,809,365	439,050,966	437,344,796	435,646,845	433,197,332
Book value per share ⁽³⁾	\$13.01	\$12.88	\$12.73	\$12.69	\$12.40
Stockholders' equity to total assets	12.29%	12.81%	13.24%	13.42%	12.73%
ASSET QUALITY RATIOS (excluding covered assets):					
Non-performing non-covered loans to total non-covered loans	0.35%	0.96%	1.28%	2.63%	2.47%
Non-performing non-covered assets to total non-covered assets	0.40	0.71	1.07	1.77	1.41
Allowance for losses on non-covered loans to non-performing non-covered loans	137.10	53.93	42.14	25.45	22.05
Allowance for losses on non-covered loans to total non-covered loans	0.48	0.52	0.54	0.67	0.55
Net charge-offs to average loans ⁽⁴⁾	0.05	0.13	0.35	0.21	0.13
ASSET QUALITY RATIOS (including covered assets):					
Total non-performing loans to total loans	0.97	1.88	2.30	3.52	2.23
	0.91	1.47	1.97	2.61	1.54

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Total non-performing assets to total assets					
Allowances for loan losses to total non-performing loans	65.40	33.50	25.34	17.34	20.10
Allowances for loan losses to total loans	0.63	0.63	0.58	0.61	0.45

- (1) *The Company acquired certain assets and assumed certain liabilities of Desert Hills Bank on March 26, 2010. Accordingly, the Company's 2010 earnings reflect combined operations from that date.*
- (2) *The Company acquired certain assets and assumed certain liabilities of AmTrust Bank (AmTrust) on December 4, 2009. Accordingly, the Company's 2009 earnings reflect combined operations from that date.*
- (3) *The calculation of book value per share at December 31, 2009 excludes 299,248 unallocated Employee Stock Ownership Plan (ESOP) shares from the number of shares outstanding.*
- (4) *Average loans include covered loans.*

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

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

Executive Summary

New York Community Bancorp, Inc. is the holding company for New York Community Bank, a thrift, with 243 branches in Metro New York, New Jersey, Ohio, Florida, and Arizona; and New York Commercial Bank, with 30 branches in Metro New York. With assets of \$46.7 billion at December 31, 2013, we rank among the 20 largest bank holding companies in the nation and, with deposits of \$25.7 billion at that date, we rank among its 25 largest depositories.

Both of our banks are New York State-chartered and both are subject to regulation by the FDIC, the Consumer Financial Protection Bureau, and the New York State Department of Financial Services. In addition, the holding company is subject to regulation by the Federal Reserve Board, and to the requirements of the New York Stock Exchange, where shares of our common stock are traded under the symbol NYCB. With the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) in 2010 and its subsequent implementation, the Company and the Banks have been subject to heightened regulation and scrutiny.

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

We originate multi-family loans on non-luxury apartment buildings in New York City that are subject to rent regulation and feature below-market rents;

We underwrite our loans in accordance with conservative credit standards in order to maintain a high level of asset quality;

We operate at a high level of efficiency; and

We grow through accretive acquisitions of other financial institutions, branches, and/or deposits.
The merits of this time-tested business model are reflected in the following achievements:

We are the leading producer of multi-family loans for portfolio in New York City;

We have produced a consistent record of above-average asset quality;

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

We have generated solid earnings and maintained a consistent position of capital strength.
In January 2010, we added a fifth component to our business model: originating one-to-four family mortgage loans through NYCB Mortgage Company, LLC, our mortgage banking subsidiary, and selling the vast majority of those loans, servicing retained, to government-sponsored enterprises (GSEs). With \$35.0 billion of one-to-four family loans produced since the inception of this business, we typically have ranked among the nation's top 20 aggregators of one-to-four family mortgage loans.

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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. In 2013, the average five-year Constant Maturity Treasury rate (the CMT) rose to 1.17% from 0.76% in 2012. The highs in the respective years were 1.85% and 1.22% and the lows were 0.65% and 0.56%.

In addition, residential market interest rates impact the volume of one-to-four family mortgage loans we originate in any given quarter, in view of their impact on new home purchases and refinancing activity. Accordingly, when residential mortgage interest rates are low, refinancing activity typically increases; as residential mortgage interest rates begin to rise, the refinancing of one-to-four family mortgage loans typically declines. In 2013, residential mortgage interest rates rose from the year-earlier level and our production of one-to-four family loans consequently declined.

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The impact of market interest rates on our multi-family and commercial real estate lending is far less overt than the impact on our production of one-to-four family mortgage loans. Because the multi-family and commercial real estate loans we produce generate prepayment penalty income when they repay, the impact of repayment activity can be especially meaningful. While prepayment penalty income reached \$120.4 million in 2012, then establishing a record, that volume was exceeded in 2013. In the twelve months ended December 31, 2013, prepayment penalty income contributed \$136.8 million to interest income, exceeding the year-earlier level by \$16.5 million.

Also less overt, but nonetheless having an impact on our operations, if not performance, has been the significant increase in regulation and supervision required under the Dodd-Frank Act. The Dodd-Frank Act requires all but the smallest financial institutions to comply with a still-evolving plethora of rules and regulations intended by Congress to reduce the risk of another economic crisis of the magnitude the nation experienced in 2008. Accordingly, we have allocated significant resources to enhancing our enterprise risk management program, including through the process of stress testing our financial results. In accordance with the Dodd-Frank Act, our 2013 stress test results will be submitted to our federal regulators on or before March 31, 2014.

While the costs of compliance have added meaningfully to our operating expenses, the impact was more than offset in 2013 by a decline in our FDIC deposit insurance assessments, and the expenses associated with the management and sale of foreclosed real estate, as the quality of our assets continued to improve.

Because of our unique lending niche and our conservative underwriting standards, the losses on loans we experienced during and since the 2008 economic crisis have been well below the averages for our industry peers. In 2013, net charge-offs declined \$24.3 million year-over-year, to \$17.0 million, representing 0.05% of average loans. In addition, non-performing non-covered loans declined \$157.8 million year-over-year, to \$103.5 million, representing 0.35% of total non-covered loans at December 31st.

Among the factors contributing to the improvement in our asset quality measures were the various economic improvements reflected in the tables below:

Unemployment

The following table presents the primarily 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:

	For the Month Ended December 31,	
	2013	2012
Unemployment rate:		
United States	6.7%	7.8%
New York City	7.5	8.8
Arizona	7.3	7.9
Florida	5.9	7.9
New Jersey	6.7	9.3
New York	6.6	8.2
Ohio	6.6	6.6

Home Prices

Home prices have been increasing in the U.S., and more specifically, in our local markets, according to the S&P/Case-Shiller Home Price Index, as noted below:

	For the Twelve Months Ended December 31,	
	2013	2012
Change in home prices:		
U.S.*	13.4%	6.8%
Greater Cleveland	4.5	2.9

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Greater Miami	16.5	10.6
Metro New York	6.3	(0.5)
Greater Phoenix	15.3	23.0

* 20-City Composite

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As reported by Jones Lang LaSalle, the office vacancy rate in Manhattan (where 36.0% of our multi-family loans and 53.2% of our commercial real estate credits are located) was slightly lower in the three months ended December 31, 2013 than it was in the year-earlier three months. At the same time, residential vacancy rates, as reported by the U.S. Department of Commerce, decreased in all but one of the five states served by our deposit franchise, as indicated in the following table:

	For the Three Months Ended December 31,	
	2013	2012
Manhattan office vacancy rate:	11.1%	11.2%
Residential rental vacancy rates:		
Arizona	10.7	10.8
Florida	9.5	11.9
New Jersey	7.4	11.7
New York	5.8	5.2
Ohio	6.6	9.8

Meanwhile, the volume of new home sales nationwide was at a seasonally adjusted annual rate of 414,000 in December 2013, exceeding the December 2012 level by 4.5%, according to the estimates set forth in a U.S. Commerce Department report issued on January 27, 2014.

In addition, the Consumer Confidence Index[®] was 77.5 in December 2013, as compared to 65.1 in December 2012. An index level of 90 or more is considered indicative of a strong economy.

Against this economic backdrop, we grew our assets to \$46.7 billion at December 31, 2013, and generated earnings of \$475.5 million, or \$1.08 per diluted share, in the twelve months ended at that date. A detailed discussion and analysis of our 2013 performance follows.

Recent Events

On January 28, 2014, the Board of Directors declared a quarterly cash dividend of \$0.25 per share, payable on February 21, 2014 to shareholders of record at the close of business on February 10, 2014.

Critical Accounting Policies

We consider certain accounting policies to be critically important to the portrayal of our financial condition and results of operations, since they require management to make complex or subjective judgments, some of which may relate to matters that are inherently uncertain. The inherent sensitivity of our consolidated financial statements to these critical accounting policies, and the judgments, estimates, and assumptions used therein, could have a material impact on our financial condition or results of operations.

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

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

Allowances for Loan Losses***Allowance for Losses on Non-Covered Loans***

The allowance for losses on non-covered loans is increased by provisions for non-covered loan losses that are charged against earnings, and is reduced by net charge-offs and/or reversals, if any, that are credited to earnings. Although non-covered loans are held by either the Community Bank or the Commercial Bank, and a separate loan loss allowance is established for each, the total of the two allowances is available to cover all losses incurred. In addition, except as otherwise noted in the following discussion, the process for establishing the allowance for losses on

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non-covered loans is the same for each of the Community Bank and the Commercial Bank. In determining the respective allowances for loan losses, management considers the Community Bank's and the Commercial Bank's current

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business strategies and credit processes, including compliance with applicable regulatory guidelines and with guidelines approved by the respective Boards of Directors with regard to credit limitations, loan approvals, underwriting criteria, and loan workout procedures.

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

Specific valuation allowances are established based on management's analyses of individual loans that are considered impaired. If a non-covered loan is deemed to be impaired, management measures the extent of the impairment and establishes a specific valuation allowance for that amount. A non-covered loan is classified as impaired when, based on current information and events, it is probable that we will be unable to collect both the principal and interest due under the contractual terms of the loan agreement. We apply this classification as necessary to non-covered loans individually evaluated for impairment in our portfolios of multi-family; commercial real estate; acquisition, development, and construction; and commercial and industrial loans. Smaller-balance homogenous loans and loans carried at the lower of cost or fair value are evaluated for impairment on a collective, rather than individual, basis.

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

We also follow a process to assign general valuation allowances to non-covered loan categories. General valuation allowances are established by applying our loan loss provisioning methodology, and reflect the inherent risk in outstanding held-for-investment loans. This loan loss provisioning methodology considers various factors in determining the appropriate quantified risk factors to use to determine the general valuation allowances. The factors assessed begin with the historical loan loss experience for each of the major loan categories maintained. Our historical loan loss experience is then adjusted by considering qualitative or environmental factors that are likely to cause estimated credit losses associated with the existing portfolio to differ from historical loss experience, including, but not limited to:

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

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

Changes in the nature and volume of the portfolio and in the terms of loans;

Changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;

Changes in the quality of our loan review system;

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

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

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

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

By considering the factors discussed above, we determine quantifiable risk factors that are applied to each non-impaired loan or loan type in the loan portfolio to determine the general valuation allowances.

The time periods considered for historical loss experience continue to be the last three years and the current period. We also evaluate the sufficiency of the overall allocations used for the allowance for losses on non-covered loans by considering the loss experience in the current and prior calendar year.

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The process of establishing the allowance for losses on non-covered loans also involves:

Periodic inspections of the loan collateral by qualified in-house and external property appraisers/inspectors, as applicable;

Regular meetings of executive management with the pertinent Board committee, during which observable trends in the local economy and/or the real estate market are discussed;

Assessment of the aforementioned factors by the pertinent members of the Boards of Directors and management when making a business judgment regarding the impact of anticipated changes on the future level of loan losses; and

Analysis of the portfolio in the aggregate, as well as on an individual loan basis, taking into consideration payment history, underwriting analyses, and internal risk ratings.

In order to determine their overall adequacy, each of the respective non-covered loan loss allowances is reviewed quarterly by management and by the Mortgage and Real Estate Committee of the Community Bank's Board of Directors (the Mortgage Committee) or the Credit Committee of the Board of Directors of the Commercial Bank (the Credit Committee), as applicable.

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

The level of future additions to the respective non-covered loan loss allowances is based on many factors, including certain factors that are beyond management's control such as changes in economic and local market conditions, including declines in real estate values, and increases in vacancy rates and unemployment. Management uses the best available information to recognize losses on loans or to make additions to the loan loss allowances; however, the Community Bank and/or the Commercial Bank may be required to take certain charge-offs and/or recognize further additions to their loan loss allowances, based on the judgment of regulatory agencies with regard to information provided to them during their examinations of the Banks.

Allowance for Losses on Covered Loans

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

Under our loss sharing agreements with the FDIC, covered loans are reported exclusive of the FDIC loss share receivable. The covered loans acquired in the AmTrust and Desert Hills acquisitions are, and will continue to be, reviewed for collectability based on the expectations of cash flows from these loans. Covered loans have been aggregated into pools of loans with common characteristics. In determining the allowance for losses on covered loans, we periodically perform an analysis to estimate the expected cash flows for each of the loan pools. A provision for losses on covered loans is recorded to the extent that the expected cash flows from a loan pool have decreased for credit-related items since the acquisition date. Accordingly, if there is a decrease in expected cash flows due to an increase in estimated credit losses compared to the estimates made at the respective acquisition dates, the decrease in the present value of expected cash flows will be recorded as a provision for covered loan losses charged to earnings, and the allowance for covered loan losses will be increased. A related credit to non-interest income and an increase in the FDIC loss share receivable will be recognized at the same time, and will be measured based on the loss sharing agreement percentages.

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

Table of Contents***Mortgage Servicing Rights (MSRs)***

We recognize the right to service mortgage loans for others as a separate asset referred to as mortgage servicing rights, or MSRs. MSRs are generally recognized when one-to-four family loans are sold or securitized, servicing retained, and are initially recorded, and subsequently carried, at fair value.

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

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

Investment Securities

The securities portfolio primarily consists of mortgage-related securities and, to a lesser extent, debt and equity (together, other) securities. Securities that are classified as available for sale are carried at their estimated fair value, with any unrealized gains or losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholders equity. Securities that we have the intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost, less the non-credit portion of OTTI recorded in accumulated other comprehensive loss, net of tax (AOCL).

The fair values of our securities, and particularly our fixed-rate securities, are affected by changes in market interest rates and credit spreads. In general, as interest rates rise and/or credit spreads widen, the fair value of fixed-rate securities will decline; as interest rates fall and/or credit spreads tighten, the fair value of fixed-rate securities will rise. We regularly conduct a review and evaluation of our securities portfolio to determine if the decline in the fair value of any security below its carrying amount is other than temporary. If we deem any decline in value to be other than temporary, the security is written down to its current fair value, creating a new cost basis, and the resultant loss (other than the OTTI on debt securities attributable to non-credit factors) is charged against earnings and recorded in Non-interest income. Our assessment of a decline in fair value includes judgment as to the financial position and future prospects of the entity that issued the investment security, as well as a review of the security s underlying collateral. Broad changes in the overall market or interest rate environment generally will not lead to a write-down.

In accordance with OTTI accounting guidance, unless we have the intent to sell, or it is more likely than not that we may be required to sell a security before recovery, OTTI is recognized as a realized loss in earnings to the extent that the decline in fair value is credit-related. If there is a decline in fair value of a security below its carrying amount and we have the intent to sell it, or it is more likely than not that we may be required to sell the security before recovery, the entire amount of the decline in fair value is charged to earnings.

Goodwill Impairment

Goodwill is presumed to have an indefinite useful life and is tested for impairment, rather than amortized, at the reporting unit level, at least once a year. Goodwill would be tested in less than one year s time if there were a triggering event. There were no triggering events identified during the year ended December 31, 2013.

The goodwill impairment analysis is a two-step test. However, a company can, under Accounting Standards Update (ASU) No. 2011-08, Testing Goodwill for Impairment, first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under this amendment, an entity would not be required to calculate the fair value of a reporting unit unless the entity determined, based on a qualitative assessment, that it was more likely than not that its fair value was less than its carrying amount. The Company did not elect to perform a qualitative assessment in 2013. The first step (Step 1) is used to identify potential impairment, and involves comparing each reporting segment s estimated fair value to its carrying amount, including goodwill. If the estimated fair value of a reporting segment exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount exceeds the estimated fair value, there is an indication of potential impairment and the second step (Step 2) is performed to measure the amount.

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

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

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

We performed our annual goodwill impairment test as of December 31, 2013 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.

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and the carryforward of certain tax attributes such as net operating losses. A valuation allowance is maintained for deferred tax assets that we estimate are more likely than not to be unrealizable, based on available evidence at the time the estimate is made. In assessing the need for a valuation allowance, we estimate future taxable income, considering the prudence and feasibility of tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, statutory tax rates, and future taxable income levels. In the event we were to determine that we would not be able to realize all or a portion of our net deferred tax assets in the future, we would reduce such amounts through a charge to income tax expense in the period in which that determination was made. Conversely, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through a decrease in income tax expense in the period in which that determination was made. Subsequently recognized tax benefits associated with valuation allowances recorded in a business combination would be recorded as an adjustment to goodwill.

In January 2014, the Governor of the State of New York submitted a budget that, if enacted, is expected to change the manner in which all corporations, including financial institutions and their affiliates, are taxed in New York State. The following changes would be likely to have the most direct impact on the measure of our New York State tax liabilities, if enacted:

New York State tax will be determined by measuring the apportioned income of the combined group of all domestic affiliates of a New York taxpayer that participate in a unitary business relationship, rather than by applying differing rules based on the tax status of each affiliate;

Taxable income will be apportioned to New York based on the location of the taxpayer's customers, rather than the location of the taxpayer's offices and branches; and

The statutory tax rate will be reduced from 7.1% to 6.5%.

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Most of the provisions in the proposed budget are effective for fiscal years beginning in 2015; however, the statutory tax rate will not be reduced until 2016. As of the date of this filing, it cannot be determined if the New York State Legislature will enact all or some portion of the proposed tax reform provisions. It is possible that the enactment date could occur in the first or second quarter of 2014.

Upon any tax law change, the net deferred tax balance is recomputed and the change is reflected in earnings in the quarter of enactment. If all of the New York State provisions are enacted as currently proposed, we estimate that the recomputation will result in an increase in income tax expense ranging from \$3.0 million to \$5.0 million, followed by a small reduction in annual tax expense beginning in 2015. However, these estimated amounts would be affected by any changes in our operations, structure, or profitability.

FINANCIAL CONDITION**Balance Sheet Summary**

At December 31, 2013, we recorded total assets of \$46.7 billion, reflecting a \$2.5 billion, or 5.8%, increase from the year-earlier amount. The growth of our assets was primarily attributable to the deployment of our cash flows into interest-earning assets, with loans rising \$1.2 billion year-over-year, to \$32.9 billion, and total securities rising \$3.0 billion during this time to \$8.0 billion.

Deposits grew \$783.5 million year-over-year, to \$25.7 billion, representing 55.0% of total assets at December 31, 2013. While NOW and money market accounts and savings accounts together rose \$3.5 billion, the increase was largely tempered by a \$2.2 billion decrease in certificates of deposit (CDs) and a lesser decrease in non-interest-bearing accounts to \$2.3 billion. Borrowed funds rose \$1.7 billion year-over-year, to \$15.1 billion, driven by a like increase in wholesale borrowings to \$14.7 billion.

Stockholders' equity rose \$79.4 million year-over-year to \$5.7 billion, representing 12.29% of total assets and a book value per share of \$13.01. Tangible stockholders' equity rose \$95.2 million during this time, to \$3.3 billion, representing 7.42% of tangible assets and a tangible book value per share of \$7.45. (Please see the discussion and reconciliations of stockholders' equity and tangible stockholders' equity, total assets and tangible assets, and the related capital measures that appear on the last page of this discussion and analysis of financial condition and results of operations.)

Loans

Total loans grew \$1.2 billion year-over-year, to \$32.9 billion, representing 70.5% of total assets at December 31, 2013. Covered loans represented \$2.8 billion, or 8.5%, of the year-end 2013 balance, and non-covered loans accounted for the remaining \$30.1 billion, or 91.5%. Included in non-covered loans were \$29.8 billion of loans held for investment, representing 90.6% of the total loan balance, and \$306.9 million of loans held for sale.

Covered Loans

In December 2009 and March 2010, we acquired certain assets and assumed certain liabilities of AmTrust and Desert Hills, respectively, in FDIC-assisted acquisitions. Covered loans refers to the loans we acquired in those transactions, and are referred to as such because they are covered by loss sharing agreements with the FDIC. At December 31, 2013, covered loans represented \$2.8 billion, or 8.5%, of the total loan balance, a decline from \$3.2 billion, representing 10.3% of total loans, at the prior year-end. The decline in covered loans was primarily due to repayments.

One-to-four family loans, originated at both fixed and adjustable rates, represented \$2.5 billion of total covered loans at the end of December, with all other types of covered loans representing \$259.4 million, combined. Covered other loans consist of commercial real estate (CRE) loans; acquisition, development, and construction (ADC) loans; multi-family loans; commercial and industrial (C&I) loans; home equity lines of credit (HELOCs); and consumer loans.

At December 31, 2013, \$2.0 billion, or 71.3%, of the loans in our covered loan portfolio were variable rate loans, with a weighted average interest rate of 3.52%. The remainder of the covered loan portfolio consisted of fixed rate loans.

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At December 31, 2013, the interest rates on 91.6% of our covered variable rate loans were scheduled to reprice within twelve months and annually thereafter. We generally expect such loans to reprice at lower interest rates. The interest rates on the variable rate loans in the covered loan portfolio are indexed to either the one-year LIBOR or the one-year Treasury rate, plus a spread in the range of 2% to 5%, subject to certain caps.

The AmTrust and Desert Hills loss sharing agreements each require the FDIC to reimburse us for 80% of losses up to a specified threshold, and for 95% of losses beyond that threshold, with respect to covered loans and covered other real estate owned (OREO).

In 2013, we recorded a provision for losses on covered loans of \$12.8 million, as compared to \$18.0 million in 2012. The reduction reflects an increase in expected cash flows from certain pools of acquired loans that previously had experienced a decline in credit quality. The respective provisions were largely offset by FDIC indemnification income of \$10.2 million and \$14.4 million, recorded in non-interest income in the corresponding years.

Geographical Analysis of the Covered Loan Portfolio

The following table presents a geographical analysis of our covered loan portfolio at December 31, 2013:

(in thousands)

Florida	\$ 488,074
California	485,638
Arizona	225,035
Ohio	178,634
Massachusetts	130,352
Michigan	126,062
Illinois	96,221
New York	93,309
Maryland	71,389
Nevada	65,343
New Jersey	63,128
Minnesota	61,552
Texas	61,522
All other states	642,359
Total covered loans	\$ 2,788,618

Loan Maturity and Repricing Analysis: Covered Loans

The following table sets forth the maturity or period to repricing of our covered loan portfolio at December 31, 2013. Loans that have adjustable rates are shown as being due or repricing in the period during which their interest rates are next subject to change.

(in thousands)	Covered Loans at December 31, 2013		
	One-to-Four Family	All Other Loans	Total Loans
Amount due or repricing:			
Within one year	\$ 1,515,662	\$ 244,587	\$ 1,760,249
After one year:			
One to five years	9,807	6,828	16,635
Over five years	1,003,731	8,003	1,011,734
Total due or repricing after one year	1,013,538	14,831	1,028,369

Total amounts due or repricing, gross	\$ 2,529,200	\$ 259,418	\$ 2,788,618
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The following table sets forth, as of December 31, 2013, the dollar amount of all covered loans due or repricing after December 31, 2014, and indicates whether such loans have fixed or adjustable rates of interest.

<i>(in thousands)</i>	Due or Repricing after December 31, 2014		
	Fixed	Adjustable	Total
One-to-four family	\$ 838,090	\$ 175,448	\$ 1,013,538
All other loans	7,953	6,878	14,831
Total loans	\$ 846,043	\$ 182,326	\$ 1,028,369

Non-Covered Loans Held for Investment

Non-covered loans held for investment totaled \$29.8 billion at the end of December, representing 90.6% of total loans, 63.9% of total assets, and a \$2.6 billion, or 9.4%, increase from the balance at December 31, 2012. In addition to multi-family loans and CRE loans, the held-for-investment portfolio includes substantially smaller balances of one-to-four family loans, ADC loans, and other loans, with C&I loans comprising the bulk of the other loan portfolio. The vast majority of our non-covered loans held for investment consist of loans that we ourselves originated, with the remainder having been acquired in our business combinations prior to 2009.

In 2013, originations of held-for-investment loans totaled \$11.2 billion, exceeding the year-earlier volume by \$2.2 billion, or 24.4%. While portfolio growth was tempered by repayments, we benefited from the related rise in prepayment penalty income, as further discussed under **Net Interest Income** later in this discussion and analysis of financial condition and results of operations.

Multi-Family Loans

Multi-family loans are our principal asset. The loans we produce are primarily secured by non-luxury, residential apartment buildings in New York City that are rent-regulated and feature below-market rents a market we refer to as our primary lending niche. Consistent with our emphasis on multi-family lending, multi-family loan originations represented \$7.4 billion, or 66.5%, of the loans we produced in 2013 for investment, exceeding the year-earlier volume by \$1.6 billion, or 28.1%. While refinancing activity contributed to the record volume of multi-family loan originations, the increase also reflects the improvement in our primary real estate market, which prompted a significant increase in property transactions during the year.

At December 31, 2013, multi-family loans represented \$20.7 billion, or 69.4%, of total non-covered loans held for investment, reflecting a year-over-year increase of \$2.1 billion, or 11.3%. At December 31, 2013 and 2012, the average multi-family loan had respective principal balances of \$4.5 million and \$4.1 million; the expected weighted average life of the portfolio was 2.9 years at both of those dates.

The vast majority of our multi-family loans are made to long-term owners of buildings with apartments that are subject to rent regulation and feature below-market rents. Our borrowers typically use the funds we provide to make certain improvements to the apartments and common areas in their buildings, 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. We also make loans to building owners seeking to expand their real estate holdings with the purchase of additional properties.

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

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

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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. The expected weighted average life of the portfolio at December 31, 2013 and 2012, 2.9 years, is indicative of this practice.

Multi-family loans that refinance within the first five or seven years are typically subject to an established prepayment penalty schedule. Depending on the remaining term of the loan at the time of prepayment, the penalties normally range from five percentage points to one percentage point of the then-current loan balance. If a loan extends past the fifth or seventh year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of five points to one point over years six through ten or eight through twelve. For example, a ten-year multi-family loan that prepays in year three would generally be expected to pay a prepayment penalty equal to three percentage points of the remaining principal balance. A twelve-year multi-family loan that prepays in year one or two would generally be expected to pay a penalty equal to five percentage points.

Prepayment penalties are recorded as interest income and are therefore reflected in the average yields on our loans and assets, our interest rate spread and net interest margin, and the level of net interest income we record. No assumptions are involved in the recognition of prepayment penalty income, as such income is only recorded when cash is received.

Our success as a multi-family lender partly reflects the solid relationships we have developed with the market's leading mortgage brokers, who are familiar with our lending practices, our underwriting standards, and our long-standing practice of basing our loans on the cash flows produced by the properties. 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, 2013, the vast majority of our multi-family loans were secured by rental apartment buildings. In addition, 76.9% of our multi-family loans were secured by buildings in New York City, with Manhattan accounting for the largest share. Of the loans secured by buildings outside New York City, the State of New York was home to 5.0%, with New Jersey and Pennsylvania accounting for 7.4% and 4.5%, respectively. The remaining 6.2% of multi-family loans were secured by buildings outside these markets, including in the three 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 and depreciation; the debt service coverage ratio (DSCR), which is the ratio of the property's net operating income to its debt service; and the ratio of the loan amount to the appraised value of the property. The multi-family loans we are originating today generally represent no more than 75% of the lower of the appraised value or the sales price of the underlying property, and typically feature an amortization period of up to 30 years. In addition to requiring a minimum DSCR of 120% on multi-family buildings, we obtain a security interest in the personal property located on the premises, and an assignment of rents and leases.

Accordingly, while our multi-family lending niche has not been immune to downturns in the credit cycle, we continue to believe that the multi-family loans we produce involve less credit risk than certain other types of loans. In general, buildings that are subject to rent regulation have tended to be stable, with occupancy levels remaining more or less constant over time. Because the rents are typically below market and the buildings securing our loans are generally maintained in good condition, they have been more likely to retain their tenants in adverse economic times. In addition, we underwrite our multi-family loans on the basis of the current cash flows generated by the underlying properties, and exclude any short-term property tax exemptions and abatement benefits the property owners receive.

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Commercial Real Estate Loans

At December 31, 2013, CRE loans represented \$7.4 billion, or 24.7%, of total loans held for investment, as compared to \$7.4 billion, or 27.3%, at December 31, 2012. At the respective year-ends, the average CRE loan had a principal balance of \$4.7 million and \$4.6 million, and the portfolio had an expected weighted average life of 3.3 years and 3.4 years. In 2013, CRE loans represented \$2.2 billion, or 19.4%, of the loans we produced for investment; in 2012, the comparable volume and percentage were \$2.4 billion and 26.8%.

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, 2013, 73.2% of our CRE loans were secured by properties in New York City, primarily Manhattan, while properties on Long Island, other parts of New York State, and New Jersey accounted for 13.4%, 2.7%, and 6.7%, respectively. Another 1.4% of CRE properties were located in Pennsylvania, while all other states accounted for 2.6%, combined.

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

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

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

One-to-Four Family Loans

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

For many years, the vast majority of our one-to-four family loans held for investment were loans we had acquired in our merger transactions prior to 2009. However, in 2012, we began to capitalize on our proprietary mortgage banking platform to originate one-to-four family loans for our own portfolio. Initially, the one-to-four family loans we produced for investment were all hybrid jumbo credits. In 2013, we began to retain agency-conforming one-to-four family hybrid loans and select jumbo fixed rate loans. Accordingly, the balance of one-to-four family loans held for investment rose \$357.3 million year-over-year to \$560.7 million, representing 1.9% of total held-for-investment loans at December 31, 2013. At the prior year-end, the comparable percentage was 0.75%.

Acquisition, Development, and Construction Loans

At December 31, 2013, ADC loans represented \$344.1 million, or 1.2%, of total loans held for investment, reflecting a \$53.8 million decrease from the balance at December 31, 2012. Reflecting our primary focus on multi-family and CRE lending, we originated a modest \$149.9 million of ADC loans over the course of the year.

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At December 31, 2013, 65.3% of the loans in our ADC portfolio were for land acquisition and development; the remaining 34.7% consisted of loans that were provided for the construction of owner-occupied homes and commercial properties. Loan terms vary based upon the scope of the construction, and generally range from 18 to 24 months; they also feature a floating rate of interest tied to prime, with a floor. In addition, 79.8% of the loans in the ADC portfolio were for properties in New York City, with Manhattan accounting for more than half of New York City's share.

Because ADC loans are generally considered to have a higher degree of credit risk, especially during a downturn in the credit cycle, borrowers are required to provide a guarantee of repayment and completion. In the twelve months ended December 31, 2013, we recovered losses against guarantees of \$1.4 million, as compared to \$3.0 million in the prior year. The risk of loss on an ADC loan is largely dependent upon the accuracy of the initial appraisal of the property's value upon completion of construction; the estimated cost of construction, including interest; and the estimated time to complete and/or sell or lease such property. If the appraised value proves to be inaccurate, the cost of completion is greater than expected, or the length of time to complete and/or sell or lease the collateral property is greater than anticipated, the property could have a value upon completion that is insufficient to assure full repayment of the loan. Reflecting repayments and charge-offs of certain non-performing credits, 0.75% of the loans in our ADC loan portfolio were non-performing at the end of this December, as compared to 3.0% at December 31, 2012.

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

Other Loans

Other loans totaled \$852.7 million at December 31, 2013, representing 2.9% of total loans held for investment and a \$212.8 million, or 33.3%, increase from the year-earlier amount. C&I loans represented \$813.7 million, or 95.4%, of the current year-end total, as compared to \$590.0 million, representing 92.2%, at December 31, 2012.

The increase in C&I loans was primarily due to our establishment of a new subsidiary, NYCB Specialty Finance Company, Inc., in the second quarter of 2013. Located in Foxboro, Massachusetts, the subsidiary is staffed by a group of industry veterans with expertise in originating and underwriting senior secured debt. The subsidiary participates in broadly syndicated loans that are brought to us by a select group of nationally recognized sources, and generally are made to large corporate obligors, the majority of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide. The loans we fund fall into three distinct categories (asset-based lending, dealer floor plan lending, and equipment loan and lease financing) and each of our credits is secured with a perfected first security interest in the underlying collateral and structured as senior debt. The pricing of our asset-based and dealer floor plan loans are at floating rates tied to LIBOR, while our equipment financing credits are at fixed rates at a spread over treasuries. At December 31, 2013, specialty finance loans represented \$172.7 million of total C&I loans, including \$101.4 million of equipment leases, and accounted for \$257.5 million of the C&I loans we produced during the year.

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. Other C&I loans represented \$641.0 million of total C&I loans at December 31, 2013, and accounted for \$736.2 million of total C&I loans produced over the course of the year.

The other C&I loans we produce are tailored to meet the specific needs of our borrowers, and include term loans, demand loans, revolving lines of credit, letters of credit, and, to a lesser extent, loans that are partly guaranteed by the Small Business Administration. A broad range of other C&I loans, both collateralized and unsecured, are made available to businesses for working capital (including inventory and accounts receivable), business expansion, the purchase of machinery and equipment, and other general corporate needs. In determining the term and structure of other C&I loans, several factors are considered, including the purpose, the collateral, and the anticipated sources of repayment. Other C&I loans are typically secured by business assets and personal guarantees of the borrower, and include financial covenants to monitor the borrower's financial stability.

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

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An added benefit of other C&I lending is the opportunity to establish full-scale banking relationships with our borrowers. Many of our borrowers provide us with deposits, and many take advantage of our fee-based cash management, investment, and trade finance services.

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

Lending Authority

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

In accordance with the Banks' policies, all loans originated by the Banks are presented to the Mortgage Committee or the Credit Committee, as applicable, and all loans of \$10.0 million or more are reported to the respective Boards of Directors. In 2013, 224 loans of \$10.0 million or more were originated by the Banks, with an aggregate loan balance of \$5.3 billion at origination. In 2012, 177 loans of \$10.0 million or more were originated by the Banks, with an aggregate loan balance at origination of \$5.0 billion.

At December 31, 2013, our largest loan was in the amount of \$262.5 million; the interest rate on the credit was 3.7% at that date. The loan was originated by the Community Bank on June 28, 2013 to the owner of a commercial office building located in Manhattan, and, as of the date of this report, has been current since the origination date.

Geographical Analysis of Held-for-Investment Loans

The following table presents a geographical analysis of the multi-family and CRE loans in our held-for-investment loan portfolio at December 31, 2013:

<i>(dollars in thousands)</i>	At December 31, 2013			
	Multi-Family Loans		Commercial Real Estate Loans	
	Amount	Percent of Total	Amount	Percent of Total
New York City:				
Manhattan	\$ 7,440,951	35.95%	\$ 3,919,474	53.22%
Brooklyn	3,657,166	17.67	542,243	7.36
Bronx	2,345,073	11.33	194,070	2.64
Queens	2,414,045	11.66	690,885	9.38
Staten Island	62,274	0.30	42,738	0.58
Total New York City	\$ 15,919,509	76.91%	\$ 5,389,410	73.18%
Long Island	390,865	1.89	983,161	13.35
Other New York State	639,807	3.09	198,601	2.70
New Jersey	1,534,526	7.41	494,037	6.71
Pennsylvania	925,735	4.47	105,854	1.44
All other states	1,289,485	6.23	193,168	2.62
Total	\$ 20,699,927	100.00%	\$ 7,364,231	100.00%

In addition, the largest concentrations of one-to-four family loans and ADC loans in our portfolio of loans held for investment were located in California and New York City, totaling \$272.2 million and \$274.5 million, respectively. The majority of our other loans held for investment were secured by properties and/or businesses located in Metro New York.

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The following table sets forth the maturity or period to repricing of our portfolio of non-covered loans held for investment at December 31, 2013. Loans that have adjustable rates are shown as being due in the period during which their interest rates are next subject to change.

<i>(in thousands)</i>	Non-Covered Loans Held for Investment at December 31, 2013					Total Loans
	Multi- Family	Commercial Real Estate	One-to-Four Family	Acquisition, Development, and Construction	Other	
Amount due:						
Within one year	\$ 601,456	\$ 667,414	\$ 25,474	\$333,440	\$ 430,410	\$ 2,058,194
After one year:						
One to five years	11,994,707	3,350,779	3,181	10,621	384,863	15,744,151
Over five years	8,103,764	3,346,038	532,075	39	37,454	12,019,370
Total due or repricing after one year	20,098,471	6,696,817	535,256	10,660	422,317	27,763,521
Total amounts due or repricing, gross	\$ 20,699,927	\$ 7,364,231	\$ 560,730	\$344,100	\$ 852,727	\$ 29,821,715

The following table sets forth, as of December 31, 2013, the dollar amount of all non-covered loans held for investment that are due after December 31, 2014, and indicates whether such loans have fixed or adjustable rates of interest:

<i>(in thousands)</i>	Due after December 31, 2014		
	Fixed	Adjustable	Total
Mortgage Loans:			
Multi-family	\$ 4,348,155	\$ 15,750,316	\$ 20,098,471
Commercial real estate	1,823,447	4,873,370	6,696,817
One-to-four family	53,159	482,097	535,256
Acquisition, development, and construction	1,660	9,000	10,660
Total mortgage loans	6,226,421	21,114,783	27,341,204
Other loans	304,489	117,828	422,317
Total loans	\$ 6,530,910	\$ 21,232,611	\$ 27,763,521

Non-Covered Loans Held for Sale

Our mortgage banking business, now in its fifth year of operation, is actively engaged in the origination of one-to-four family loans held for sale. A subsidiary of the Community Bank, NYCB Mortgage Company, LLC serves approximately 900 clients community banks, credit unions, mortgage companies, and mortgage brokers who utilize our proprietary web-accessible mortgage banking platform to originate full-documentation, prime credit one-to-four family loans across the United States. While the vast majority of the held-for-sale loans we produce are agency-conforming loans sold to GSEs, we also utilize our mortgage banking platform to originate jumbo loans for sale to other private mortgage investors.

In 2013, the production of one-to-four family loans was largely constrained as homeowners withdrew from the market in the face of rising mortgage interest rates. As a result, the volume of one-to-four family loans produced for sale fell \$4.7 billion year-over-year, to \$6.2 billion. At December 31, 2013 and 2012, the respective balances of one-to-four family loans held for sale were \$306.9 million and \$1.2 billion, representing 0.93% and 3.8%, respectively, of total loans at the corresponding dates.

To mitigate the risks inherent in originating and reselling residential mortgage loans, we utilize processes, proprietary technologies, and third-party software application tools that seek to ensure that the loans meet investors program eligibility, underwriting, and collateral requirements. In addition, compliance verification and fraud detection tools are utilized throughout the processing, underwriting, and loan

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closing stages to assist in the determination that the loans we originate and acquire are in compliance with applicable local, state, and federal laws and regulations. Controlling, auditing, and validating the data upon which the credit decision is made (and the loan documents created) substantially mitigates the risk of our originating or acquiring a loan that subsequently is deemed to be in breach of loan sale representations and warranties made by us to loan investors.

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

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

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

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

We record a liability for estimated losses relating to these representations and warranties, which is included in Other liabilities in the accompanying Consolidated Statements of Condition. The related expense is recorded in Mortgage banking income in the accompanying Consolidated Statements of Income and Comprehensive Income. At December 31, 2013 and 2012, the respective liabilities for estimated possible future losses relating to these representations and warranties were \$8.5 million and \$8.3 million. The methodology used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a variety of factors, including, but not limited to, actual default experience, estimated future defaults, historical loan repurchase rates, the frequency and potential severity of defaults, the probability that a repurchase request will be received, and the probability that a loan will be required to be repurchased.

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

Representation and Warranty Reserve

<i>(in thousands)</i>	For the Years Ended	
	December 31,	
	2013	2012
Balance, beginning of period	\$ 8,272	\$ 5,320
Repurchase losses	(402)	
Provision for repurchase losses:		
Loan sales	590	2,952
Change in estimates		
Balance, end of period	\$ 8,460	\$ 8,272

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

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

GSE Repurchase and Indemnification Requests

(dollars in thousands)	For the Years Ended December 31,			
	Number of Loans	Amount (1)	Number of Loans	Amount (1)
Balance, beginning of period	20	\$ 5,073	8	\$ 1,583
New repurchase requests (2)	71	16,785	100	24,443
Successful rebuttal/rescission	(53)	(12,484)	(77)	(18,427)
New indemnifications (3)	(12)	(3,611)	(3)	(585)
Loan repurchases (4)	(8)	(1,706)	(8)	(1,941)
Balance, end of period (5)	18	\$ 4,057	20	\$ 5,073

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

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

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

(4) Of the eight loans repurchased during the twelve months ended December 31, 2013, six were originated through our mortgage banking operation and two were originated by a bank we acquired in 2007.

(5) Of the eighteen period-end requests as of December 31, 2013, nine were from Fannie Mae and nine were from Freddie Mac. Since January 1, 2013, both Fannie Mae and Freddie Mac have allowed 60 days to respond to a repurchase request. Failure to respond in a timely manner could result in our having an obligation to repurchase the loan.

Indemnified and Repurchased Loans

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

(dollars in thousands)	For the Years Ended December 31,			
	Number of Loans	Amount	Number of Loans	Amount
Balance, beginning of period	12	\$ 2,286	5	\$ 1,084
New indemnifications	12	3,611	3	585
New repurchases	8	1,706	8	1,941
Principal payoffs	(3)	(286)	(4)	(1,082)
Principal payments		(253)		(242)
Modifications/other		79		
Balance, end of period (1)	29	\$ 7,143	12	\$ 2,286

(1) Of the twenty-nine period-end loans, fourteen loans with an aggregate principal balance of \$3.0 million were repurchased, and are now held for investment. The other fifteen loans, with an aggregate principal balance of \$4.1 million, were indemnified and are all performing as of the date of this report.

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

Loan Origination Analysis

The following table summarizes our production of loans held for investment and loans held for sale in the years ended December 31, 2013 and 2012:

<i>(dollars in thousands)</i>	For the Years Ended December 31,			
	2013	Percent of Total	2012	Percent of Total
	Amount		Amount	
Mortgage Loan Originations for Investment:				
Multi-family	\$ 7,416,786	42.62%	\$ 5,790,590	29.11%
Commercial real estate	2,168,072	12.46	2,401,043	12.07
One-to-four family	418,815	2.41	104,420	0.52
Acquisition, development, and construction	149,866	0.86	153,230	0.77
Total mortgage loan originations for investment	10,153,539	58.35	8,449,283	42.47
Other Loan Originations for Investment:				
Commercial and industrial	993,747	5.71	514,250	2.58
Other	7,579	0.04	4,995	0.03
Total other loan originations for investment	1,001,326	5.75	519,245	2.61
Total loan originations for investment	\$ 11,154,865	64.10%	\$ 8,968,528	45.08%
Loan originations for sale	6,247,936	35.90	10,925,837	54.92
Total loan originations	\$ 17,402,801	100.00%	\$ 19,894,365	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, 2013:

	2013			2012			At December 31, 2011			2010			2009
	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	
	\$ 20,699,927	62.89%	68.71%	\$ 18,595,833	58.55%	65.30%	\$ 17,430,628	57.49%	65.61%	\$ 16,807,913	57.52%	67.44%	\$ 16,737,721
	7,364,231	22.37	24.44	7,436,598	23.41	26.11	6,855,244	22.61	25.81	5,439,611	18.62	21.83	4,988,649
	560,730	1.70	1.86	203,435	0.64	0.71	127,361	0.42	0.48	170,392	0.58	0.68	216,078
	344,100	1.05	1.14	397,917	1.25	1.40	445,671	1.47	1.68	569,537	1.95	2.29	666,440
	28,968,988	88.01	96.15	26,633,783	83.85	93.52	24,858,904	81.99	93.58	22,987,453	78.67	92.24	22,608,888
	813,691	2.47	2.70	590,044	1.86	2.07	599,986	1.98	2.26	641,663	2.20	2.58	653,159
	39,036	0.12	0.13	49,880	0.16	0.18	69,907	0.23	0.26	85,559	0.29	0.34	118,445
	852,727	2.59	2.83	639,924	2.02	2.25	669,893	2.21	2.52	727,222	2.49	2.92	771,604
	306,915	0.93	1.02	1,204,370	3.79	4.23	1,036,918	3.42	3.90	1,207,077	4.13	4.84	
	\$ 30,128,630	91.53	100.00%	\$ 28,478,077	89.66	100.00%	\$ 26,565,715	87.62	100.00%	\$ 24,921,752	85.29	100.00%	\$ 23,380,492
	2,788,618	8.47		3,284,061	10.34		3,753,031	12.38		4,297,869	14.71		5,016,100
	\$ 32,917,248	100.00%		\$ 31,762,138	100.00%		\$ 30,318,746	100.00%		\$ 29,219,621	100.00%		\$ 28,396,592
	16,274			10,757			4,021			(7,181)			(3,893)
	(141,946)			(140,948)			(137,290)			(158,942)			(127,491)
	(64,069)			(51,311)			(33,323)			(11,903)			
	\$ 32,727,507			\$ 31,580,636			\$ 30,152,154			\$ 29,041,595			\$ 28,265,208

Table of Contents***Outstanding Loan Commitments***

At December 31, 2013, we had outstanding loan commitments of \$2.1 billion, as compared to \$3.0 billion at December 31, 2012. Loans held for investment represented \$1.9 billion of the year-end 2013 total and \$1.4 billion of the year-end 2012 amount. In contrast, loans held for sale represented \$231.5 million of outstanding loan commitments at the end of this December, as compared to \$1.6 billion at December 31, 2012. At December 31, 2013, multi-family and CRE loans together represented \$1.1 billion of our outstanding loan commitments; one-to-four family loans, ADC loans, and other loans represented \$289.8 million, \$171.8 million, and \$529.6 million, respectively, of the total at that date.

In addition to loan commitments, we had commitments to issue financial stand-by, performance stand-by, and commercial letters of credit totaling \$213.7 million at December 31, 2013, as compared to \$188.9 million at December 31, 2012.

Financial stand-by letters of credit primarily are issued for the benefit of other financial institutions or municipalities, on behalf of certain of our current borrowers, and obligate us to guarantee payment of a specified financial obligation.

Performance stand-by letters of credit are primarily issued for the benefit of local municipalities on behalf of certain of our borrowers. These borrowers are mainly developers of residential subdivisions with whom we currently have a lending relationship. Performance letters of credit obligate us to make payments in the event that a specified third party fails to perform under non-financial contractual obligations.

Commercial letters of credit act as a means of ensuring payment to a seller upon shipment of goods to a buyer. Although commercial letters of credit are used to effect payment for domestic transactions, the majority are used to settle payments in international trade. Typically, such letters of credit require the presentation of documents that describe the commercial transaction, and provide evidence of shipment and the transfer of title.

The fees we collect in connection with the issuance of letters of credit are included in *Fee income* in the Consolidated Statements of Income and Comprehensive Income.

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

The quality of our assets improved substantially over the course of 2013, as economic improvement in our primary markets enabled more of our delinquent borrowers to bring their loans current, and facilitated our disposition and sale of certain foreclosed properties. The result was a marked reduction in non-performing loans and assets, as well as net charge-offs, as further discussed below.

Non-performing non-covered loans declined \$157.8 million, or 60.4%, year-over-year, to \$103.5 million, representing 0.35% of total non-covered loans at December 31, 2013. At the prior year-end, non-performing non-covered loans totaled \$261.3 million and represented 0.96% of total non-covered loans.

Non-performing multi-family loans accounted for the bulk of this improvement, having declined \$105.1 million year-over-year, to \$58.4 million, indicating a decrease of 64.3%. Non-performing CRE and ADC loans fell \$32.3 million and \$9.5 million, respectively, to \$24.6 million and \$2.6 million, while non-performing other loans fell \$10.9 million, to \$7.1 million. Non-performing one-to-four family loans were the only ones to hold steady, totaling \$10.9 million at both December 31, 2013 and 2012.

The following table sets forth the changes in non-performing loans over the twelve months ended December 31, 2013:

(in thousands)

Balance at December 31, 2012	\$ 261,330
New non-accrual	51,717
Charge-offs	(25,286)
Transferred from accruing troubled debt restructuring	49,594
Transferred to other real estate owned	(73,657)
Loan payoffs, including dispositions and principal pay-downs	(144,519)
Restored to performing status	(15,642)

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Balance at December 31, 2013

\$ 103,537

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A loan generally is classified as a non-accrual loan when it is over 90 days past due. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. At December 31, 2013 and 2012, 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 more than 90 days past due, and if the most recent appraisal on file for the property is more than one year old. Appraisals are ordered annually until such time as the loan becomes performing and is returned to accrual status. It is not our policy to obtain updated appraisals for performing loans. However, appraisals may be ordered for performing loans when a borrower requests an increase in the loan amount, a modification in loan terms, or an extension of a maturing loan. We do not analyze current LTVs on a portfolio-wide basis.

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

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

At December 31, 2013, OREO totaled \$71.4 million, reflecting a \$42.1 million increase from the balance at December 31, 2012. The increase was largely attributable to a single multi-family loan of \$41.6 million that migrated to OREO from non-accrual status in the first quarter of the year.

With the reduction in non-performing loans far exceeding the OREO increase, the balance of non-performing assets improved to \$174.9 million at December 31, 2013 from \$290.6 million at the prior year-end. Non-performing non-covered assets thus represented 0.40% of total non-covered assets at the end of this December, in contrast to 0.71% at December 31, 2012.

Loans 30 to 89 days past due totaled \$37.1 million at the end of this December, \$9.5 million higher than the year-earlier amount. Included in the balance at December 31, 2013 were multi-family loans of \$33.7 million, CRE loans of \$1.9 million, one-to-four family loans of \$1.1 million, and other loans of \$481,000. There were no ADC loans 30 to 89 days past due at that date.

Reflecting the improvement in non-performing loans, which far exceeded the rise in loans 30 to 89 days delinquent, total delinquencies fell \$106.2 million year-over-year to \$212.0 million, representing a 33.4% decrease at December 31, 2013.

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

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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 by management and the Mortgage or Credit Committee, as applicable. A member of the Mortgage or Credit Committee participates in inspections on multi-family loans to be originated in excess of \$4.0 million. Similarly, a member of the Mortgage or Credit Committee participates in inspections on CRE loans to be originated in excess of \$2.5 million. Furthermore, independent appraisers, whose appraisals are carefully reviewed by our experienced in-house appraisal officers and staff, perform appraisals on collateral properties. In many cases, a second independent appraisal review is performed.

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

To further manage our credit risk, our lending policies limit the amount of credit granted to any one borrower, and typically require minimum DSCRs of 120% for multi-family loans and 130% for CRE loans. Although we typically will lend up to 75% of the appraised value on multi-family buildings and up to 65% on commercial properties, the average LTVs of such credits at origination were below those amounts at December 31, 2013. Exceptions to these LTV limitations are reviewed on a case-by-case basis, and require the approval of the Mortgage or Credit Committee, as applicable.

The repayment of loans secured by commercial real estate is often dependent on the successful operation and management of the underlying properties. To minimize our credit risk, we originate CRE loans in adherence with conservative underwriting standards, and require that such loans qualify on the basis of the property's current income stream and DSCR. The approval of a loan also depends on the borrower's credit history, profitability, and expertise in property management.

Although the reasons for a loan to default will vary from credit to credit, our multi-family and CRE loans, in particular, typically have not resulted in significant losses. Such loans are generally originated at conservative LTVs and DSCRs, as previously stated. Furthermore, in the case of multi-family loans, the cash flows generated by the properties are generally below-market and have significant value.

With regard to ADC loans, we typically lend up to 75% of the estimated as-completed market value of multi-family and residential tract projects; however, in the case of home construction loans to individuals, the limit is 80%. With respect to commercial construction loans, which are not our primary focus, we typically lend up to 65% of the estimated as-completed market value of the property. Credit risk is also managed through the loan disbursement process. Loan proceeds are disbursed periodically in increments as construction progresses, and as warranted by inspection reports provided to us by our own lending officers and/or consulting engineers.

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

To minimize the risk involved in specialty finance lending, we participate in broadly syndicated asset-based loans, equipment loan and lease financing, and dealer floor plan loans that are brought to us by a select group of nationally recognized sources with whom our lending officers have established long-term funding relationships. The loans and leases, which are secured by a perfected first security interest in the underlying collateral and structured as senior debt, are made to large corporate obligors, the majority of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide. To further minimize the risk involved in specialty finance lending, 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.

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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.

Fair values for all multi-family buildings, CRE properties, and land are determined based on the appraised value. If an appraisal is more than one year old and the loan is classified as either non-performing or as an accruing troubled debt restructuring (TDR), then an updated appraisal is required to determine fair value. Estimated disposition costs are deducted from the fair value of the property to determine estimated net realizable value. In the instance of an outdated appraisal on an impaired loan, we adjust the original appraisal by using a third-party index value to determine the extent of impairment until an updated appraisal is received.

While we strive to originate loans that will perform fully, adverse economic and market conditions, among other factors, can adversely impact a borrower's ability to repay. In 2013, net charge-offs declined \$24.3 million year-over-year, to \$17.0 million; during this time, the ratio of net charge-offs to average loans improved to 0.05% from 0.13%. Of the loans charged off in 2013, \$12.9 million were multi-family credits, while CRE, ADC, and other loans accounted for \$3.5 million, \$1.5 million, and \$7.1 million, respectively, of total charge-offs for the year.

Reflecting the year's net charge-offs, and the \$18.0 million provision for non-covered loan losses we recorded, the allowance for losses on non-covered loans rose \$998,000 year-over-year, to \$141.9 million at December 31, 2013. Reflecting the decline in non-performing non-covered loans, the allowance for losses on non-covered loans represented 137.10% of non-performing non-covered loans at the end of this December, as compared to 53.93% at December 31, 2012. In addition, the allowance for losses on non-covered loans represented 0.48% and 0.52% of total non-covered loans at December 31, 2013 and 2012, respectively.

Although our asset quality improved in 2013, the allowance for losses on non-covered loans was modestly increased to a level deemed sufficient to cover losses inherent in the non-covered loan portfolio. 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.

Historically, our level of charge-offs has been relatively low in adverse credit cycles, even when the volume of non-performing loans has increased. This distinction has largely been due to the nature of our primary lending niche (multi-family loans collateralized by non-luxury apartment buildings in New York City that are rent-regulated and feature below-market rents), and to our conservative underwriting practices that require, among other things, low LTVs.

Reflecting the strength of the underlying collateral for these loans and the collateral structure, a relatively small percentage of our non-performing multi-family loans have resulted in losses over time. Low LTVs provide a greater likelihood of full recovery and reduce the possibility of incurring a severe loss on a credit. Furthermore, in many cases, low LTVs result in our having fewer loans with a potential for the borrower to walk away from the property. Although borrowers may default on loan payments, they have a greater incentive to protect their equity in the collateral property and to return their loans to performing status.

Given that our CRE loans are underwritten in accordance with underwriting standards that are similar to those that apply to our multi-family credits, an increase in non-performing CRE loans historically has not resulted in a corresponding increase in losses on such loans.

In addition, at December 31, 2013, one-to-four family loans, ADC loans, and other loans represented 1.9%, 1.2%, and 2.9%, respectively, of total non-covered loans held for investment, as compared to 0.75%, 1.5%, and 2.3%, respectively, at December 31, 2012. Furthermore, 2.0%, 0.75%, and 0.83%, of one-to-four family loans, ADC loans, and other loans were non-performing at year-end 2013.

In view of these factors, we do not believe that the level of our non-performing non-covered loans will result in a comparable level of loan losses and will not necessarily require a significant increase in our loan loss provision or allowance for non-covered loans in any given period. As indicated, non-performing non-covered loans represented 0.35% of total non-covered loans at December 31, 2013; the ratio of net charge-offs to average loans for the twelve months ended at that date was 0.05%.

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The following tables present the number and amount of non-performing multi-family and CRE loans by originating bank at December 31, 2013 and 2012:

As of December 31, 2013 (dollars in thousands)	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
	Number	Amount	Number	Amount
New York Community Bank	21	\$ 58,093	23	\$ 15,898
New York Commercial Bank	1	302	5	8,652
Total for New York Community Bancorp	22	\$ 58,395	28	\$ 24,550

As of December 31, 2012 (dollars in thousands)	Non-Performing Multi-Family Loans		Non-Performing Commercial Real Estate Loans	
	Number	Amount	Number	Amount
New York Community Bank	73	\$ 162,513	37	\$ 45,418
New York Commercial Bank	2	947	8	11,445
Total for New York Community Bancorp	75	\$ 163,460	45	\$ 56,863

The following table presents information about our five largest non-performing loans at December 31, 2013, all of which are non-covered held-for-investment loans:

Type of Loan	Loan No. 1 Multi-Family	Loan No. 2 CRE	Loan No. 3 Multi-Family	Loan No. 4 CRE	Loan No. 5 C&I
Origination Date	5/23/11 ⁽¹⁾	12/1/10 ⁽²⁾	6/14/07	9/12/05	12/17/04
Origination Balance	\$50,708,107	\$6,121,180	\$4,320,000	\$4,300,000	\$8,176,198
Full Commitment Balance	\$50,708,107	\$6,121,180	\$4,320,000	\$4,300,000	\$8,176,198
Balance at December 31, 2013	\$41,662,673	\$6,121,180	\$3,933,041	\$2,860,688	\$2,462,000
Associated Allowance	None	None	None	None	None
Non-Accrual Date	May 2013	December 2010	December 2012	September 2013	September 2012
Origination LTV Ratio	85%	78%	80%	73%	39%
Current LTV Ratio	75%	68%	86%	55%	N/A
Last Appraisal	February 2013	September 2013	October 2013	November 2013	N/A

(1) Loan No. 1 consists of various loans with origination dates extending as far back as 2006 that were restructured into a TDR on May 23, 2011.

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

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 -40 for each.

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The borrower is an owner of real estate and is based in Connecticut. This loan is collateralized by 32 multi-family complexes with 1,120 residential units in Hartford and New Britain, Connecticut.

- No. 2 - The borrower is an owner of real estate and is based in New York. This loan is collateralized by a 114,000-square foot commercial building in Plainview, New York.
- No. 3 - The borrower is an owner of real estate and is based in Connecticut. This loan consists of a multi-family building with 71 residential units in New Haven, Connecticut.
- No. 4 - The borrower is an owner of real estate and is based in New Jersey. This loan is collateralized by a 33,040-square foot medical/professional office building in Raritan, New Jersey.

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No. 5 - The borrower, who is in bankruptcy, was previously an owner and operator of fuel terminals and a fuel distribution business, and was based in New York. As of the date of this filing, proceeds from asset sales are pending distribution.

Troubled Debt Restructurings

In an effort to proactively manage delinquent loans, we have selectively extended concessions to certain borrowers such as rate reductions and extension of maturity dates, as well as forbearance agreements, when such borrowers have exhibited financial difficulty. As of December 31, 2013, loans on which concessions were made with respect to rate reductions and/or extension of maturity dates amounted to \$72.9 million; loans in connection with which forbearance agreements were reached amounted to \$7.4 million. At December 31, 2013, the Company had a success rate of 83.0% for multi-family loans and a success rate of 100.0% for CRE and all other loans.

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.

In accordance with GAAP, we are required to account for certain loan modifications or restructurings as TDRs. In general, a modification or restructuring of a loan constitutes a TDR if we grant a concession to a borrower experiencing financial difficulty. Loans modified as TDRs are placed on non-accrual status until we determine that future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate performance according to the restructured terms for at least six consecutive months.

Loans modified as TDRs totaled \$80.3 million at December 31, 2013, including accruing loans of \$13.4 million and non-accrual loans of \$66.9 million. At the prior year-end, loans modified as TDRs totaled \$260.3 million, including accruing loans and non-accrual loans of \$105.0 million and \$155.3 million, respectively. The significant decline in TDRs was indicative of the improvement in the New York City real estate market, the ability of our loan work-out group to restore non-performing loans to performing status, and the transfer of a non-accrual TDR to OREO.

Analysis of Troubled Debt Restructurings

The following table presents information regarding our TDRs as of December 31, 2013:

<i>(in thousands)</i>	Accruing	Non-Accrual	Total
Multi-family	\$ 10,083	\$ 50,548	\$ 60,631
Commercial real estate	2,198	15,626	17,824
One-to-four family			
Acquisition, development, and construction			
Commercial and industrial	1,129	758	1,887
Total	\$ 13,410	\$ 66,932	\$ 80,342

The following table presents information regarding our TDRs as of December 31, 2012:

<i>(in thousands)</i>	Accruing	Non-Accrual	Total
Multi-family	\$ 66,092	\$ 114,556	\$ 180,648
Commercial real estate	37,457	39,127	76,584
One-to-four family		1,101	1,101
Acquisition, development, and construction		510	510
Commercial and industrial	1,463		1,463
Total	\$ 105,012	\$ 155,294	\$ 260,306

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The following table sets forth the changes in TDRs over the twelve months ended December 31, 2013:

<i>(in thousands)</i>	Accruing	Non-Accrual	Total
Balance at December 31, 2012	\$ 105,012	\$ 155,294	\$ 260,306
New TDRs		13,436	13,436
Charge-offs		(10,597)	(10,597)
Transferred from accruing to non-accrual	(49,594)	49,594	
Transferred to other real estate owned		(42,842)	(42,842)
Loan payoffs, including dispositions and principal pay-downs	(42,008)	(97,953)	(139,961)
Balance at December 31, 2013	\$ 13,410	\$ 66,932	\$ 80,342

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. No additional credit was provided in 2013. In addition, the terms of our restructured loans typically would not restrict us from cancelling outstanding commitments for other credit facilities to a borrower in the event of non-payment of a restructured loan.

Except for the non-accrual loans and TDRs disclosed in this filing, we did not have any potential problem loans at December 31, 2013 that would have caused management to have serious doubts as to the ability of a borrower to comply with present loan repayment terms and that would have resulted in such disclosure if that were the case.

Table of Contents**Asset Quality Analysis (Excluding Covered Loans, Covered OREO, 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, 2013. Covered loans are considered to be performing due to the application of the yield accretion method, as discussed elsewhere in this report. Therefore, covered loans are not reflected in the amounts or ratios provided in this table.

<i>(dollars in thousands)</i>	2013	2012	At December 31, 2011	2010	2009
Allowance for Losses on Non-Covered Loans:					
Balance at beginning of year	\$ 140,948	\$ 137,290	\$ 158,942	\$ 127,491	\$ 94,368
Provision for losses on non-covered loans	18,000	45,000	79,000	91,000	63,000
Charge-offs:					
Multi-family	(12,922)	(27,939)	(71,187)	(27,042)	(15,261)
Commercial real estate	(3,489)	(5,046)	(11,900)	(3,359)	(530)
One-to-four family	(351)	(574)	(1,208)	(931)	(322)
Acquisition, development, and construction	(1,503)	(5,974)	(9,153)	(9,884)	(5,990)
Other loans	(7,092)	(6,685)	(12,462)	(19,569)	(7,828)
Total charge-offs	(25,357)	(46,218)	(105,910)	(60,785)	(29,931)
Recoveries	8,355	4,876	5,258	1,236	54
Net charge-offs	(17,002)	(41,342)	(100,652)	(59,549)	(29,877)
Balance at end of year	\$ 141,946	\$ 140,948	\$ 137,290	\$ 158,942	\$ 127,491
Non-Performing Non-Covered Assets:					
Non-accrual non-covered mortgage loans:					
Multi-family	\$ 58,395	\$ 163,460	\$ 205,064	\$ 327,892	\$ 393,113
Commercial real estate	24,550	56,863	68,032	162,400	70,618
One-to-four family	10,937	10,945	11,907	17,813	14,171
Acquisition, development, and construction	2,571	12,091	29,886	91,850	79,228
Total non-accrual non-covered mortgage loans	96,453	243,359	314,889	599,955	557,130
Other non-accrual non-covered loans	7,084	17,971	10,926	24,476	20,938
Loans 90 days or more past due and still accruing interest					
Total non-performing non-covered loans ⁽¹⁾	\$ 103,537	\$ 261,330	\$ 325,815	\$ 624,431	\$ 578,068
Non-covered other real estate owned ⁽²⁾	71,392	29,300	84,567	28,066	15,205
Total non-performing non-covered assets	\$ 174,929	\$ 290,630	\$ 410,382	\$ 652,497	\$ 593,273
Asset Quality Measures:					
Non-performing non-covered loans to total non-covered loans	0.35%	0.96%	1.28%	2.63%	2.47%
Non-performing non-covered assets to total non-covered assets	0.40	0.71	1.07	1.77	1.41
Allowance for losses on non-covered loans to non-performing non-covered loans	137.10	53.93	42.14	25.45	22.05
Allowance for losses on non-covered loans to total non-covered loans	0.48	0.52	0.54	0.67	0.55
Net charge-offs during the period to average loans outstanding during the period ⁽³⁾	0.05	0.13	0.35	0.21	0.13

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Loans 30-89 Days Past Due:

Multi-family	\$ 33,678	\$ 19,945	\$ 46,702	\$ 121,188	\$ 155,790
Commercial real estate	1,854	1,679	53,798	8,207	42,324
One-to-four family	1,076	2,645	2,712	5,723	5,019
Acquisition, development, and construction		1,178	6,520	5,194	48,838
Other loans	481	2,138	1,925	10,728	21,036
Total loans 30-89 days past due ⁽⁴⁾	\$ 37,089	\$ 27,585	\$ 111,657	\$ 151,040	\$ 273,007

- (1) The December 31, 2013, 2012, 2011, and 2010 amounts exclude loans 90 days or more past due of \$211.5 million, \$312.6 million, \$347.4 million, and \$360.8 million, respectively, that are covered by FDIC loss sharing agreements.
- (2) The December 31, 2013, 2012, and 2011 amounts exclude OREO of \$37.5 million, \$45.1 million, and \$71.4 million, respectively, that is covered by FDIC loss sharing agreements.
- (3) Average loans include covered loans.
- (4) The December 31, 2013, 2012, 2011, and 2010 amounts exclude loans 30 to 89 days past due of \$57.9 million, \$81.2 million, \$112.0 million, and \$130.5 million, respectively, that are covered by FDIC loss sharing agreements.

Table of Contents**Summary of the Allowance for Losses on Non-Covered Loans**

The following table sets forth the allocation of the consolidated allowance for losses on non-covered loans at each year-end in the five years ended December 31, 2013.

	2013		2012		2011		2010		2009	
	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for
<i>(dollars in thousands)</i>										
Multi-family loans	\$ 83,594	69.41%	\$ 79,618	68.18%	\$ 66,745	68.28%	\$ 75,314	70.88%	\$ 75,567	71.59%
Commercial real estate loans	34,702	24.70	38,426	27.27	43,262	26.85	42,145	22.94	32,079	21.34
One-to-four family loans	1,755	1.88	1,519	0.75	972	0.50	1,190	0.72	1,530	0.92
Acquisition, development, and construction loans	7,789	1.15	8,418	1.46	11,016	1.75	20,302	2.40	8,276	2.85
Other loans	14,106	2.86	12,967	2.34	15,295	2.62	19,991	3.06	10,039	3.30
Total loans	\$ 141,946	100.00%	\$ 140,948	100.00%	\$ 137,290	100.00%	\$ 158,942	100.00%	\$ 127,491	100.00%

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

Table of Contents**Covered Loans and Covered Other Real Estate Owned**

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

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

In connection with the AmTrust and Desert Hills loss sharing agreements, we established FDIC loss share receivables of \$740.0 million and \$69.6 million, which were the acquisition date fair values of the respective loss sharing agreements (i.e., the expected reimbursements from the FDIC over the terms of the agreements). The loss share receivables may increase if the losses increase, and may decrease if the losses fall short of the expected amounts. Increases in estimated reimbursements will be recognized in income in the same period that they are identified and that the allowance for losses on the related covered loans is recognized. In 2013, indemnification income of \$10.2 million was recorded in

Non-interest income as a result of an increase in expected reimbursements from the FDIC under our loss sharing agreements. This benefit partially offset a provision for losses on covered loans of \$12.8 million.

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

The loss share receivables may also increase due to accretion, or decrease due to amortization. In 2013 and 2012, we recorded net amortization of \$19.8 million and \$2.1 million, respectively. Accretion of the FDIC loss share receivable relates to the difference between the discounted, versus the undiscounted, expected cash flows of covered loans subject to the FDIC loss sharing agreements. Amortization occurs when the expected cash flows from the covered loan portfolio improve, thus reducing the amounts receivable from the FDIC. These cash flows were discounted to reflect the uncertainty of the timing and receipt of the loss sharing reimbursements from the FDIC. In the twelve months ended December 31, 2013, we received FDIC reimbursements of \$64.2 million, as compared to \$141.0 million in the prior year.

Table of Contents**Asset Quality Analysis (Including Covered Loans and Covered OREO)**

The following table presents information regarding our non-performing assets and loans past due at December 31, 2013 and December 31, 2012, including covered loans and covered OREO (collectively, covered assets):

<i>(dollars in thousands)</i>	At or For the Year Ended December 31,	
	2013	2012
Covered Loans 90 Days or More Past Due:		
Multi-family	\$	\$
Commercial real estate	1,607	2,501
One-to-four family	201,425	297,265
Acquisition, development, and construction	1,029	1,249
Other	7,424	11,558
Total covered loans 90 days or more past due	\$ 211,485	\$ 312,573
Covered other real estate owned	37,477	45,115
Total covered non-performing assets	\$ 248,962	\$ 357,688

Total Non-Performing Assets (including covered assets):

Non-performing loans:		
Multi-family	\$ 58,395	\$ 163,460
Commercial real estate	26,157	59,364
One-to-four family	212,362	308,210
Acquisition, development, and construction	3,600	13,340
Other non-performing loans	14,508	29,529
Total non-performing loans	315,022	573,903
Other real estate owned	108,869	74,415
Total non-performing assets (including covered assets)	\$ 423,891	\$ 648,318

Asset Quality Ratios (including covered loans and the allowance for losses on covered loans):

Total non-performing loans to total loans	0.97%	1.88%
Total non-performing assets to total assets	0.91	1.47
Allowances for loan losses to total non-performing loans	65.40	33.50
Allowances for loan losses to total loans	0.63	0.63

Covered Loans 30-89 Days Past Due:

Multi-family	\$	\$ 517
Commercial real estate		137
One-to-four family	52,250	75,129
Acquisition, development, and construction		463
Other loans	5,679	4,940
Total covered loans 30-89 days past due	\$ 57,929	\$ 81,186

Total Loans 30-89 Days Past Due (including covered loans):

Multi-family	\$ 33,678	\$ 20,462
Commercial real estate	1,854	1,816

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One-to-four family	53,326	77,774
Acquisition, development, and construction		1,641
Other loans	6,160	7,078
Total loans 30-89 days past due (including covered loans)	\$ 95,018	\$ 108,771

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

The following table presents a geographical analysis of our non-performing loans at December 31, 2013:

<i>(in thousands)</i>	Non-Performing Loans		Total
	Non-Covered Loan Portfolio	Covered Loan Portfolio	
Florida	\$ 125	\$ 73,910	\$ 74,035
Connecticut	49,727	4,199	53,926
New York	29,796	16,545	46,341
New Jersey	23,368	16,176	39,544
California		15,768	15,768
Ohio		10,964	10,964
Massachusetts		10,023	10,023
Arizona		8,611	8,611
Illinois		8,314	8,314
All other states	521	46,975	47,496
Total non-performing loans	\$ 103,537	\$ 211,485	\$ 315,022

Securities

At December 31, 2013, securities represented \$8.0 billion, or 17.0%, of total assets, an increase from \$4.9 billion, or 11.1%, of total assets, at the prior year-end.

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

Our general investment strategy is to purchase liquid investments with various maturities to ensure that our overall interest rate risk position stays within the required limits of our investment policies. We generally limit our investments to GSE obligations (defined as GSE certificates; GSE collateralized mortgage obligations, or CMOs; and GSE debentures). At December 31, 2013 and 2012, GSE obligations represented 95.5% and 91.3%, respectively, of total securities. The remainder of the portfolio at those dates was comprised of corporate bonds, trust preferred securities, corporate equities, municipal obligations, and a private label CMO. None of our securities investments are backed by subprime or Alt-A loans.

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

At December 31, 2013, held-to-maturity securities represented \$7.7 billion, or 96.5%, of total securities, an increase from \$4.5 billion, representing 91.3%, at December 31, 2012. At year-end 2013, the fair value of securities held to maturity represented 97.1% of their carrying value, as compared to 104.9% at the prior year-end, with the decrease reflecting the rise in market interest rates. Mortgage-related securities and other securities accounted for \$4.4 billion and \$3.3 billion, respectively, of held-to-maturity securities at December 31, 2013, as compared to \$3.2 billion and \$1.3 billion, respectively, at December 31, 2012. Included in other securities at the respective year-ends were GSE obligations of \$7.5 billion and \$4.3 billion; capital trust notes of \$75.7 million and \$109.9 million; and corporate bonds of \$72.9 million and \$72.5 million, respectively. The estimated weighted average life of the held-to-maturity securities portfolio was 8.2 years and 4.6 years at the corresponding

dates, with the difference being attributable to our purchase of securities with longer average lives in 2013.

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At December 31, 2013, available-for-sale securities represented \$280.7 million, or 3.5%, of total securities, as compared to \$429.3 million, or 8.7%, at December 31, 2012. Included in the respective year-end amounts were mortgage-related securities of \$96.2 million and \$177.3 million, and other securities of \$184.5 million and \$252.0 million. At December 31, 2013 and 2012, the estimated weighted average life of the available-for-sale securities portfolio was 7.3 years and 9.4 years, respectively.

Federal Home Loan Bank Stock

The Community Bank and the Commercial Bank are members of the FHLB-NY, one of 12 regional banks comprising the FHLB system. While each regional bank manages its customer relationships, the 12 FHLBs use their combined size and strength to obtain their funding at the lowest possible cost.

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

At December 31, 2013, the Community Bank held \$542.2 million of FHLB stock, including \$517.9 million of stock in the FHLB-NY, \$23.1 million of stock in the FHLB-Cincinnati, and \$1.2 million of stock in the FHLB-San Francisco. The Commercial Bank had \$19.2 million of FHLB stock at the same date, all of which was with the FHLB-NY. FHLB stock continued to be valued at par, with no impairment required, at that date.

In 2013 and 2012, dividends from the three FHLBs to the Community Bank totaled \$18.2 million and \$19.9 million, respectively. Dividends from the FHLB-NY to the Commercial Bank were \$343,000 and \$387,000 in the corresponding years.

Bank-Owned Life Insurance

At December 31, 2013, our investment in bank-owned life insurance (BOLI) was \$893.5 million, as compared to \$867.3 million at December 31, 2012. The increase was attributable to the rise in the cash surrender value of the underlying policies.

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 Income and Comprehensive Income.

FDIC Loss Share Receivable

In connection with our loss sharing agreements with the FDIC with respect to the loans and OREO acquired in connection with the AmTrust and Desert Hills transactions, we recorded FDIC loss share receivables of \$492.7 million and \$566.5 million, respectively, at December 31, 2013 and 2012. The loss share receivables represent the present values of the reimbursements we expected to receive under the combined loss sharing agreements at those dates.

Goodwill and Core Deposit Intangibles

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

Goodwill totaled \$2.4 billion at both December 31, 2013 and 2012. Reflecting amortization, CDI declined \$15.8 million year-over-year, to \$16.2 million.

Sources of Funds

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

On a consolidated basis, our funding primarily stems from a combination of the following sources: the deposits we gather through our branch network or acquire in business combinations, as well as brokered deposits; borrowed funds, primarily in the form of wholesale borrowings; the

cash flows generated through the repayment and sale of loans; and the cash flows generated through the repayment and sale of securities.

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In 2013, loan repayments and sales totaled \$16.2 billion, as compared to \$18.5 billion in 2012. Repayments and sales accounted for \$9.2 billion and \$7.0 billion, respectively, of the 2013 total and for \$7.7 billion and \$10.8 billion, respectively, of the total in 2012. The reduction in cash flows from loans is indicative of the decline in residential mortgage loan production in a year when mortgage interest rates rose.

In 2013, cash flows from the repayment and sale of securities respectively totaled \$740.1 million and \$822.9 million, while the purchase of securities amounted to \$4.6 billion during the year. In 2012, cash flows from the repayment and sale of securities respectively totaled \$2.9 billion and \$822.6 million, while the purchase of securities amounted to \$4.1 billion. The decline in cash flows from the repayment of securities was due to the higher interest rate environment, which resulted in more of our securities being called.

Consistent with our business model, the cash flows from loans and securities were primarily deployed into loan production and, to a lesser extent, the purchase of GSE obligations and other securities.

Deposits

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

While the vast majority of our deposits have been acquired through business combinations or gathered through our branch network, brokered deposits have also been part of our deposit mix. Depending on the availability and pricing of such wholesale funding sources, we typically refrain from pricing our retail deposits at the higher end of the market, in order to contain or reduce our funding costs.

Deposits rose \$783.5 million year-over-year, to \$25.7 billion, representing 55.0% of total assets at December 31, 2013. NOW and money market accounts represented \$10.5 billion of the current year-end balance, having risen \$1.8 billion from the balance at year-end 2012, while savings accounts represented \$5.9 billion, having risen \$1.7 billion year-over-year. Deposit growth was tempered by a \$2.2 billion decline in CDs to \$6.9 billion, and by a \$483.3 million decline in non-interest-bearing accounts to \$2.2 billion.

Included in the year-end 2013 balances of NOW and money market accounts, CDs, and non-interest-bearing accounts were brokered deposits of \$3.6 billion, \$212.1 million, and \$260.5 million, as compared to \$3.7 billion, \$793.8 million, and \$189.2 million, respectively, at December 31, 2012.

Borrowed Funds

Borrowed funds consist primarily of wholesale borrowings (i.e., FHLB advances, repurchase agreements, and federal funds purchased) and, to a far lesser extent, other borrowings (i.e., junior subordinated debentures and preferred stock of subsidiaries). Largely reflecting a \$1.7 billion rise in wholesale borrowings to \$14.7 billion, borrowed funds rose to \$15.1 billion at December 31, 2013 from \$13.4 billion at December 31, 2012.

Wholesale Borrowings

At December 31, 2013 and 2012, wholesale borrowings respectively totaled \$14.7 billion and \$13.1 billion, representing 31.6% and 29.6% of total assets at those dates. FHLB advances accounted for \$10.9 billion of the year-end 2013 balance, as compared to \$8.8 billion at the prior year-end. In addition to FHLB-NY advances, the year-end 2013 balance included FHLB-Cincinnati advances of \$595.9 million that were assumed in the AmTrust acquisition in December 2009.

The Community Bank and the Commercial Bank are both members of, and have lines of credit with, the FHLB-NY. Pursuant to blanket collateral agreements with the Banks, our FHLB advances and overnight advances are secured by pledges of certain eligible collateral in the form of loans and securities.

Also included in wholesale borrowings at December 31, 2013 were repurchase agreements of \$3.4 billion, reflecting a \$700.0 million decrease from the year-earlier balance, due to maturities. 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

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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.

In late December 2012, we began the process of repositioning certain wholesale borrowings, and extended that process into January 2013. All told, we reduced the weighted average interest rate on \$6.0 billion of borrowed funds by 117 basis points, including \$2.4 billion in the first quarter of 2013, and extended the weighted average call and maturity dates by approximately four years.

At December 31, 2013, \$4.0 billion of our wholesale borrowings were callable in 2014. Given the current interest rate environment, we do not expect our callable wholesale borrowings to be called.

Other Borrowings

Other borrowings totaled \$362.4 million at December 31, 2013, comparable to the balance at December 31, 2012. Included in the current year-end amount were junior subordinated debentures of \$358.1 million and preferred stock of subsidiaries of \$4.3 million.

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

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

Liquidity

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

We monitor our liquidity daily to ensure that sufficient funds are available to meet our financial obligations. Our most liquid assets are cash and cash equivalents, which totaled \$644.6 million and \$2.4 billion, respectively, at December 31, 2013 and 2012. In 2013, our loan and securities portfolios were meaningful sources of liquidity, with cash flows from the repayment and sale of loans totaling \$16.2 billion and cash flows from the repayment and sale of securities totaling \$1.6 billion.

Additional liquidity stems from the deposits we gather through our branches or acquire in business combinations, and from our use of wholesale funding sources, including brokered deposits and wholesale borrowings. In addition, we have access to the Banks' approved lines of credit with various counterparties, including the FHLB-NY. The availability of these wholesale funding sources is generally based on the amount of mortgage loan collateral available under a blanket lien we have pledged to the respective institutions and, to a lesser extent, the amount of available securities that may be pledged to collateralize our borrowings. At December 31, 2013, our available borrowing capacity with the FHLB-NY was \$5.4 billion. In addition, the Community Bank and the Commercial Bank had \$278.2 million in available-for-sale securities, combined, at that date.

Furthermore, in the fourth quarter of 2012, the Community Bank entered into an agreement with the Federal Reserve Bank of New York (the FRB-NY) that enables it to access the discount window as a further means of enhancing its liquidity if need be. In connection with this agreement, the Community Bank has pledged certain loans to collateralize any funds it may borrow. At December 31, 2013, the maximum amount the Community Bank could borrow from the FRB-NY was \$861.4 million; there were no borrowings against this line of credit at that date.

Our primary investing activity is loan production, and in 2013, the volume of loans originated totaled \$17.4 billion. During this time, the net cash used in investing activities totaled \$5.2 billion. Our financing activities provided net cash of \$2.0 billion and our operating activities provided net cash of \$1.4 billion.

CDs due to mature in one year or less from December 31, 2013 totaled \$4.0 billion, representing 58.2% of total CDs at that date. Our ability to retain these CDs and to attract new deposits depends on numerous factors, including customer satisfaction, the rates of interest we pay on our deposits, the types of products we offer, and the attractiveness of their terms. However, there are times when we may choose not to compete for deposits, depending on the availability of lower-cost funding, the competitiveness of the market and its impact on pricing, and our need for such deposits to fund loan demand.

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

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

Under New York State Banking Law, a New York State-chartered stock-form savings bank or commercial bank may declare and pay dividends out of its net profits, unless there is an impairment of capital. However, the approval of the Superintendent is required if the total of all dividends declared in a calendar year would exceed the total of a bank's net profits for that year, combined with its retained net profits for the preceding two years. In 2013, the Banks paid dividends totaling \$450.0 million to the Parent Company, leaving \$126.3 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, 2013 included \$126.2 million in cash and cash equivalents and \$2.5 million of available-for-sale securities. If either of the Banks were to apply to the Superintendent for approval to make a dividend or capital distribution in excess of the dividend amounts permitted under the regulations, there can be no assurance that such application would be approved.

Contractual Obligations and Off-Balance-Sheet Commitments

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

For example, we offer CDs with contractual terms to our customers, and borrow funds under contract from the FHLB and various brokerage firms. These contractual obligations are reflected in the Consolidated Statements of Condition under Deposits and Borrowed funds, respectively. At December 31, 2013, we had CDs of \$6.9 billion and long-term debt (defined as borrowed funds with an original maturity in excess of one year) of \$11.4 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 \$178.7 million at December 31, 2013.

Contractual Obligations

The following table sets forth the maturity profile of the aforementioned contractual obligations:

<i>(in thousands)</i>	Certificates of Deposit	Long-Term Debt ⁽¹⁾	Operating Leases	Total
One year or less	\$ 4,031,954	\$ 102,017	\$ 29,702	\$ 4,163,673
One to three years	2,481,523	482,719	55,115	3,019,357
Three to five years	364,805	3,613,197	37,333	4,015,335
More than five years	53,814	7,190,969	56,560	7,301,343
Total	\$ 6,932,096	\$ 11,388,902	\$ 178,710	\$ 18,499,708

(1) Includes FHLB advances, repurchase agreements, junior subordinated debentures, and preferred stock of subsidiaries.

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At December 31, 2013, we also had commitments to extend credit in the form of mortgage and other loan originations. 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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At December 31, 2013, commitments to originate loans totaled \$2.1 billion, including mortgage loans of \$1.6 billion and other loans of \$529.6 million, with unadvanced lines of credit included in the latter amount. Loans held for sale represented \$231.5 million of the outstanding mortgage loan commitments; the remaining \$1.4 billion were held-for-investment loans. The majority of our loan commitments were expected to be funded within 90 days of year-end. We also had off-balance-sheet commitments to issue commercial, performance stand-by, and financial stand-by letters of credit of \$101.6 million, \$13.0 million, and \$99.1 million, respectively.

We had no commitments to purchase securities at the end of 2013.

The following table sets forth our off-balance-sheet commitments relating to outstanding loan commitments and letters of credit at December 31, 2013:

(in thousands)

Mortgage Loan Commitments:	
Multi-family and commercial real estate	\$ 1,117,974
One-to-four family	289,847
Acquisition, development, and construction	171,763
Total mortgage loan commitments	\$ 1,579,584
Other loan commitments	529,625
Total loan commitments	\$ 2,109,209
Commercial, performance stand-by, and financial stand-by letters of credit	213,722
Total commitments	\$ 2,322,931

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

Derivative Financial Instruments

We use various financial instruments, including derivatives, in connection with our strategies to reduce market risk resulting from changes in interest rates. Our derivative financial instruments consist of financial forward and futures contracts, interest rate lock commitments (IRLCs), swaps, and options. These derivatives relate to our mortgage banking operation, MSR's, and other related risk management activities, and seek to mitigate or reduce our exposure to losses from adverse changes in interest rates. These activities will vary in scope based on the level and volatility of interest rates, the types of assets held, and other changing market conditions. At December 31, 2013, we held derivative financial instruments with a notional value of \$1.5 billion. (Please see Note 15, Derivative Financial Instruments, in Item 8, Financial Statements and Supplementary Data for a further discussion of our use of such financial instruments.)

Capital Position

At December 31, 2013, stockholders' equity totaled \$5.7 billion, reflecting a \$79.4 million increase from the year-earlier balance after the distribution of four quarterly cash dividends totaling \$440.3 million. The year-end 2013 balance represented 12.29% of total assets and was equivalent to a book value per share of \$13.01. At the prior year-end, stockholders' equity represented 12.81% of total assets and was equivalent to a book value per share of \$12.88.

Tangible stockholders' equity also rose year-over-year, by \$95.2 million, to \$3.3 billion at December 31, 2013. The current year-end balance represented 7.42% of tangible assets and was equivalent to a book value per share of \$7.45. At the prior year-end, tangible stockholders' equity represented 7.65% of tangible assets and a tangible book value per share of \$7.26.

We calculate book value per share by dividing the amount of stockholders' equity and tangible stockholders' equity at the end of a period by the number of shares outstanding at the same date. At December 31, 2013, there were 440,809,365 shares outstanding; at the prior year-end, the number of outstanding shares was 439,050,966.

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We calculate tangible stockholders' equity by subtracting the amount of goodwill and CDI recorded at the end of a period from the amount of stockholders' equity recorded at the same date. At December 31, 2013 and 2012, we recorded goodwill of \$2.4 billion; CDI totaled \$16.2 million and \$32.0 million, at the respective dates. Excluding AOCL from the respective calculations, the ratio of adjusted tangible stockholders' equity to adjusted tangible assets was 7.50% at the end of this December and 7.79% at December 31, 2012. (Please see the discussion and reconciliations of stockholders' equity and tangible stockholders' equity, total assets and tangible assets, and the related capital measures that appear on the last page of this discussion and analysis of financial condition and results of operations.)

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At December 31, 2013, AOCL totaled \$36.5 million, reflecting a \$25.2 million decrease from the balance at December 31, 2012. The reduction in AOCL was the result of a \$12.3 million decline in the net unrealized gain on available-for-sale securities, to \$277,000; a \$7.9 million decline in the net unrealized loss on the non-credit portion of OTTI to \$5.6 million; and a \$29.6 million decline in the net unrealized loss on pension and post-retirement obligations, to \$31.2 million.

As reflected in the following table, our capital measures continued to exceed the minimum federal requirements for a bank holding company at December 31, 2013, as they did at December 31, 2012. The table sets forth our total risk-based, Tier 1 risk-based, and leverage capital amounts and ratios on a consolidated basis, as well as the respective minimum regulatory capital requirements, at the respective dates:

Regulatory Capital Analysis

At December 31, 2013 (dollars in thousands)	Actual		Minimum Required
	Amount	Ratio	Ratio
Total risk-based capital	\$ 3,870,921	13.56%	8.00%
Tier 1 risk-based capital	3,664,082	12.84	4.00
Leverage capital	3,664,082	8.39	4.00

At December 31, 2012 (dollars in thousands)	Actual		Minimum Required
	Amount	Ratio	Ratio
Total risk-based capital	\$ 3,800,221	14.11%	8.00%
Tier 1 risk-based capital	3,605,671	13.38	4.00
Leverage capital	3,605,671	8.84	4.00

In addition, the capital ratios for the Community Bank and the Commercial Bank continued to exceed the minimum levels required for classification as well capitalized institutions at December 31, 2013, as defined under the Federal Deposit Insurance Corporation Improvement Act of 1991, and as further discussed in Note 18, Regulatory Matters, in Item 8, Financial Statements and Supplementary Data.

Basel III Capital Rules

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

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

They define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios;

They address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios;

They replace the existing risk-weighting approach, which was derived from the Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 Basel II capital accords; and

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They implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.

The Basel III Capital Rules will be effective for the Company and the Banks on January 1, 2015, subject to a phase-in period.

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

Introduce a new capital measure called Common Equity Tier 1 (CET1);

Specify that Tier 1 capital consists of CET1 and Additional Tier 1 Capital instruments meeting specified requirements;

Define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1, and not to the other components of capital; and

Expand the scope of the deductions/adjustments from capital as compared to existing regulations.

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

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

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

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

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

4.5% CET1 to risk-weighted assets;

6.0% Tier 1 capital to risk-weighted assets; and

8.0% Total capital to risk-weighted assets.

When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Company and the Banks to maintain:

a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer designed to absorb losses during periods of economic stress (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a

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minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation);

a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);

a minimum ratio of Total capital (i.e., Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum Total capital ratio of 10.5% upon full implementation); and

a minimum leverage capital ratio of 4.0%, calculated as the ratio of Tier 1 capital to average assets (as compared to a current minimum leverage capital ratio of 3.0% for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority's risk-adjusted measure for market risk).

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Management believes that, as of December 31, 2013, the Company and the Banks would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis if such requirements were effective as of that date.

RESULTS OF OPERATIONS: 2013 and 2012

Earnings Summary

We recorded earnings of \$475.5 million, or \$1.08 per diluted share, in 2013, as compared to \$501.1 million, or \$1.13 per diluted share, in 2012. While net interest income rose year-over-year, fueled by interest-earning asset growth and record prepayment penalty income, the increase was exceeded by a decline in mortgage banking income, as residential mortgage interest rates rose and the demand for one-to-four family mortgage loans declined.

In addition to the increase in net interest income, the decline in mortgage banking income was tempered by a decrease in our provisions for both covered and non-covered loan losses, and by a reduction in our non-interest expense. Largely reflecting a resultant decline in pre-tax income, our income tax expense also decreased year-over-year.

Net Interest Income

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

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

While the target fed funds rate generally impacts the cost of our short-term borrowings and deposits, the yields on our held-for-investment loans and other interest-earning assets are typically impacted by intermediate-term market interest rates. For example, in 2013 and 2012, the five-year CMT averaged 1.17% and 0.76%, respectively; the ten-year CMT averaged 2.35% and 1.80% in the respective years.

Net interest income is also influenced by the level of prepayment penalty income generated, primarily in connection with the prepayment of our multi-family and CRE loans. Since prepayment penalty income is recorded as interest income, an increase or decrease in its level will also be reflected in the average yields on our loans and other interest-earning assets, and therefore, in our interest rate spread and net interest margin.

Net interest income rose \$6.6 million year-over-year, to \$1.2 billion, in the twelve months ended December 31, 2013. While interest income fell \$83.0 million during this time, to \$1.7 billion, the decrease was exceeded by an \$89.6 million decline in interest expense to \$541.5 million. Notwithstanding the increase in our net interest income, our margin declined to 3.01% in 2013 from 3.21% in 2012. The factors contributing to the year-over-year rise in our net interest income and the year-over-year decline in our net interest margin are described below:

Prepayment penalty income contributed \$136.8 million to our 2013 interest income, as compared to \$120.4 million in 2012. The 2013 amount contributed 35 basis points to the year's net interest margin; the 2012 amount contributed 33 basis points.

The average balance of interest-earning assets rose \$2.6 billion year-over-year, to \$38.7 billion, the result of a \$965.7 million increase in average loans to \$31.9 billion and a \$1.6 billion increase in average securities and money market accounts to \$6.8 billion. The benefit of increased interest-earning asset growth was exceeded by the impact of a 55-basis point decline in the average yield on such assets, as the average yield on loans fell 50 basis points, to 4.67%, and the average yield on securities and money market investments fell 49 basis points, to 3.23%. While prepayment penalty income added four more basis points to the average yield on loans in 2013 than it did in the year-earlier period, the benefit was exceeded by the impact of the replenishment of the balance sheet with lower-yielding loans.

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While the five-year CMT rose in 2013, the yields on the loans we produced, and the securities in which we invested, were nonetheless lower than the yields on the loans and securities that repaid or matured during the year.

The average balance of interest-bearing liabilities rose \$1.8 billion year-over-year to \$35.9 billion, as average interest-bearing deposits rose \$1.3 billion to \$22.7 billion and average borrowings rose \$511.4 million to \$13.3 billion. The impact of the year-over-year rise was exceeded by the benefit of a 34-basis point decline in the average cost of interest-bearing liabilities, primarily reflecting an 80-basis point decline in the average cost of borrowed funds to 3.01%.

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

Furthermore, the level of prepayment penalty income recorded when a loan prepays is a function of the remaining principal balance as well as the number of years remaining on the loan. The number of years dictates the number of prepayment penalty points that are charged on the remaining principal balance, based on a sliding scale of five percentage points to one, as discussed under **Multi-Family Loans** and **Commercial Real Estate Loans** earlier in this report. Among the loans repaying in 2013 was a \$475.0 million loan to a single borrower, which accounted for \$14.3 million of the prepayment penalty income recorded; in 2012, two loans to a single borrower accounted for \$17.9 million of the prepayment penalty income recorded during that year.

Table of Contents**Net Interest Income Analysis**

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.

	2013		For the Years Ended December 31,			2012		2011		Average Yield/ Cost
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest		
<i>(dollars in thousands)</i>										
ASSETS:										
Interest-earning assets:										
Mortgage and other loans, net ⁽¹⁾	\$ 31,871,860	\$ 1,487,662	4.67%	\$ 30,906,145	\$ 1,597,504	5.17%	\$ 29,079,468	\$ 1,638,651	5.64%	
Securities and money market investments ⁽²⁾⁽³⁾	6,804,991	220,436	3.23	5,210,297	193,597	3.72	5,608,502	228,013	4.07	
Total interest-earning assets	38,676,851	1,708,098	4.41	36,116,442	1,791,101	4.96	34,687,970	1,866,664	5.38	
Non-interest-earning assets	5,719,412			6,377,013			6,443,040			
Total assets	\$ 44,396,263			\$ 42,493,455			\$ 41,131,010			
LIABILITIES AND STOCKHOLDERS EQUITY:										
Interest-bearing liabilities:										
NOW and money market accounts	\$ 9,433,403	\$ 35,884	0.38%	\$ 8,833,412	\$ 36,609	0.41%	\$ 8,641,022	\$ 39,285	0.45%	
Savings accounts	5,309,817	21,950	0.41	4,089,019	13,677	0.33	3,946,965	15,488	0.39	
Certificates of deposit	7,910,982	83,805	1.06	8,405,143	93,880	1.12	7,420,397	102,400	1.38	
Total interest-bearing deposits	22,654,202	141,639	0.63	21,327,574	144,166	0.68	20,008,384	157,173	0.79	
Borrowed funds	13,282,743	399,843	3.01	12,771,311	486,914	3.81	13,136,067	509,070	3.88	
Total interest-bearing liabilities	35,936,945	541,482	1.51	34,098,885	631,080	1.85	33,144,451	666,243	2.01	
Non-interest-bearing deposits	2,597,356			2,575,841			2,222,280			
Other liabilities	241,517			287,674			262,640			
Total liabilities	38,775,818			36,962,400			35,629,371			
Stockholders equity	5,620,445			5,531,055			5,501,639			
	\$ 44,396,263			\$ 42,493,455			\$ 41,131,010			

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Total liabilities and
stockholders' equity

Net interest income/interest rate spread	\$ 1,166,616	2.90%	\$ 1,160,021	3.11%	\$ 1,200,421	3.37%
Net interest margin		3.01%		3.21%		3.46%
Ratio of interest-earning assets to interest-bearing liabilities		1.08x		1.06x		1.05x

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

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

<i>(in thousands)</i>	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Compared to Year Ended December 31, 2012			Compared to Year Ended December 31, 2011		
	Increase/(Decrease)			Increase/(Decrease)		
	Due to			Due to		
	Volume	Rate	Net	Volume	Rate	Net
INTEREST-EARNING ASSETS:						
Mortgage and other loans, net	\$ 52,218	\$ (162,060)	\$ (109,842)	\$ 129,798	\$ (170,945)	\$ (41,147)
Securities and money market investments	46,892	(20,053)	26,839	(15,559)	(18,857)	(34,416)
Total	99,110	(182,113)	(83,003)	114,239	(189,802)	(75,563)
INTEREST-BEARING LIABILITIES:						
NOW and money market accounts	\$ 3,462	\$ (4,187)	\$ (725)	\$ 901	\$ (3,577)	\$ (2,676)
Savings accounts	4,621	3,652	8,273	584	(2,395)	(1,811)
Certificates of deposit	(5,368)	(4,707)	(10,075)	19,526	(28,046)	(8,520)
Borrowed funds	20,463	(107,534)	(87,071)	(13,991)	(8,165)	(22,156)
Total	23,178	(112,776)	(89,598)	7,020	(42,183)	(35,163)
Change in net interest income	\$ 75,932	\$ (69,337)	\$ 6,595	\$ 107,219	\$ (147,619)	\$ (40,400)

Provisions for Loan Losses**Provision for Losses on Non-Covered Loans**

The provision for losses on non-covered loans is based on management's periodic assessment of the adequacy of the allowance for losses on such loans which, in turn, is based on its evaluation of inherent losses in the held-for-investment loan portfolio in accordance with GAAP. This evaluation considers several factors, including the current and historical performance of the portfolio; its inherent risk characteristics; the level of non-performing non-covered loans and charge-offs; delinquency levels and trends; local economic and market conditions; declines in real estate values; and the levels of unemployment and vacancy rates.

As a result of management's assessment of these factors, including the year-over-year decline in non-performing non-covered loans and assets, we reduced our provision for losses on non-covered loans to \$18.0 million in 2013 from \$45.0 million in the prior year. Nonetheless, the allowance for losses on non-covered loans rose \$998,000 year-over-year, to \$141.9 million, as the \$27.0 million reduction in the provision for non-covered loan losses occurred in tandem with a \$24.3 million decrease in net charge-offs to \$17.0 million.

Provision for Losses on Covered Loans

A provision for losses on covered loans is recorded when the cash flows from certain loan portfolios acquired in our FDIC-assisted acquisitions are expected to be less than the cash flows we expected at the time of acquisition, as a result of a deterioration in credit quality. If we had reason to believe that the cash flows from acquired loans would exceed our original expectations, we would reverse the previously established covered loan loss allowance by recording a recovery of the provision for non-covered loan losses, and increase our interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.

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In 2013 and 2012, we recorded provisions for losses on covered loans of \$12.8 million and \$18.0 million, respectively, reflecting a general improvement in the credit quality of the loans acquired in our FDIC-assisted transactions.

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

Table of Contents**Non-Interest Income**

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

Our primary source of non-interest income is mortgage banking income, which includes income from the origination of one-to-four family loans for sale, and income from the servicing of these and other one-to-four family loans. Largely reflecting the rise in residential mortgage interest rates, and the resultant decline in refinancing activity, mortgage banking income declined to \$78.3 million in 2013 from \$178.6 million in 2012. Income from originations accounted for the bulk of the decrease in mortgage banking income, falling to \$50.9 million from \$193.2 million in the prior year. The impact of the decrease in income from originations was somewhat offset by a rise in servicing income to \$27.4 million from a \$14.6 million servicing loss in 2012.

Our other recurring sources of non-interest income are fee income (in the form of retail deposit fees and charges on loans); income from our investment in BOLI; and other income, which is derived from various sources, including the sale of third-party investment products in our branches, and the revenues from our wholly-owned subsidiary, Peter B. Cannell & Co., Inc., an investment advisory firm. In 2013, the non-interest income produced by fee income, BOLI income, and other income together totaled \$109.9 million, a \$5.3 million increase from the year-earlier amount.

In 2013 and 2012, we also generated non-interest income in the form of net securities gains, which rose \$19.0 million year-over-year to \$21.0 million, and in the form of FDIC indemnification income, which fell \$4.2 million year-over-year, to \$10.2 million. In 2012, our non-interest income was slightly reduced by a \$2.3 million loss on debt redemption; no comparable loss was recorded in 2013.

Reflecting these factors, non-interest income fell \$78.5 million year-over-year, to \$218.8 million, representing 15.8% of the total revenues we produced in 2013.

The following table summarizes our sources of non-interest income in 2013, 2012, and 2011:

Non-Interest Income Analysis

<i>(in thousands)</i>	For the Years Ended December 31,		
	2013	2012	2011
Mortgage banking income	\$ 78,283	\$ 178,643	\$ 80,674
Fee income	38,179	38,348	44,874
BOLI income	29,938	30,502	28,384
Net gain on sale of securities	21,036	2,041	36,608
FDIC indemnification income	10,206	14,390	17,633
Gain on business disposition			9,823
Loss on OTTI of securities	(612)		(18,124)
Loss on debt redemptions		(2,313)	
Other income:			
Peter B. Cannell & Co., Inc.	16,588	14,837	14,022
Third-party investment product sales	15,487	15,422	13,387
Other	9,725	5,483	8,044
Total other income	41,800	35,742	35,453
Total non-interest income	\$ 218,830	\$ 297,353	\$ 235,325

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

Non-Interest Expense

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Non-interest expense has two primary components: operating expenses, which include compensation and benefits, occupancy and equipment, and general and administrative (G&A) expenses; and the amortization of the CDI stemming from certain of our business combinations prior to 2009. In 2013, our non-interest expense fell \$5.9 million from the year-earlier level to \$607.6 million, the result of a \$2.1 million decline in operating expenses to \$591.8 million, and a \$3.9 million decline in the amortization of CDI to \$15.8 million. Included in 2013 operating expenses were compensation and benefits expense of \$313.2 million, occupancy and equipment expense of \$97.3 million, and G&A expense of \$181.3 million.

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While compensation and benefits expense rose \$16.3 million year-over-year and occupancy and equipment expense rose \$6.5 million, the combination of these increases was exceeded by a \$24.9 million reduction in G&A expense. The decline in G&A expense was primarily due to a decrease in our FDIC deposit insurance assessments, together with a reduction in the expenses incurred in managing and selling foreclosed real estate.

The rise in compensation and benefits was primarily due to normal salary increases, incentive stock award grants, and the expansion of certain back-office departments to address the increase in regulation resulting from the roll-out of the Dodd-Frank Act.

Income Tax Expense

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

Primarily reflecting a \$33.8 million decline in pre-tax income to \$747.1 million, income tax expense fell \$8.2 million year-over-year to \$271.6 million in 2013. During this time, the effective tax rate rose to 36.35% from 35.83%.

RESULTS OF OPERATIONS: 2012 and 2011

Earnings Summary

In 2012, our earnings rose \$21.1 million year-over-year, to \$501.1 million, equivalent to a \$0.04 increase in diluted earnings per share to \$1.13. The increase was primarily due to a \$98.0 million, or 121.4%, rise in mortgage banking income to \$178.6 million, which more than offset the impact of a \$40.4 million, or 3.4%, decline in net interest income to \$1.2 billion, and a \$12.7 million, or 2.1%, increase in non-interest expense to \$613.5 million.

The increase in mortgage banking income was attributable to the decline in mortgage interest rates from the levels in 2011, which triggered a significant increase in the production of one-to-four family loans for sale through most of 2012. At the same time, the decline in market interest rates was largely responsible for the decline in net interest income, as our balance sheet was replenished with assets that featured lower yields. Reflecting the increase in refinancing activity in our multi-family market, prepayment penalty income contributed a record \$120.4 million to our 2012 net interest income, tempering the impact of the decline in asset yields.

Partly reflecting the aforementioned improvement in the quality of our assets, we also reduced our provision for losses on non-covered loans from \$79.0 million in 2011 to \$45.0 million in 2012. In addition, the provision for losses on covered loans fell \$3.4 million year-over-year, to \$18.0 million. In connection with the latter decline, we recorded FDIC indemnification income of \$14.4 million in non-interest income, down \$3.2 million from the year-earlier amount.

Primarily reflecting the increase in mortgage banking income, non-interest income rose from \$235.3 million in 2011 to \$297.4 million in 2012. In addition to the decline in FDIC indemnification income, the benefit of the increase in mortgage banking income was tempered by a \$4.1 million decline in the combined total of fee income, BOLI income, and other income to \$104.6 million; a \$34.6 million decline in net securities gains to \$2.0 million; and a \$2.3 million loss on the redemption of trust preferred securities in the fourth quarter of the year.

Reflecting these factors, and others discussed in the following pages, pre-tax income rose \$46.3 million year-over-year to \$780.9 million, and the effective tax rate rose from 34.7% in 2011 to 35.8% in 2012.

Net Interest Income

In 2012, we generated net interest income of \$1.2 billion, which was \$40.4 million, or 3.4%, less than the year-earlier amount. While interest expense declined \$35.2 million year-over-year, to \$631.1 million, the benefit was exceeded by the impact of a \$75.6 million decrease in interest income to \$1.8 billion. Similarly, our net interest margin declined to 3.21% in 2012 from 3.46% in the prior year.

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The following factors contributed to the changes in net interest income and margin in the twelve months ended December 31, 2012:

The five-year CMT rate averaged 1.52% in the twelve months ended December 31, 2011, and declined to 0.76% and 1.80%, respectively, in 2012. The result was an increase in refinancing activity and property transactions in the markets for our multi-family and CRE loans. Although prepayment penalty income rose dramatically as refinancing activity increased, our balance sheet was replenished with loans that featured lower yields. The average yield on loans declined to 5.17% in 2012 from 5.64% in 2011, and the average yield on interest-earning assets fell to 4.96% from 5.38%.

The reduction in interest-earning asset yields was substantially tempered by a \$33.8 million, or 35.0%, increase in prepayment penalty income to \$120.4 million in 2012.

In addition, prepayment penalty income added 33 basis points to our net interest margin, as compared to 25 basis points in the prior year.

The year-over-year declines in our net interest income and margin were also tempered by a \$1.4 billion increase in the average balance of interest-earning assets to \$36.1 billion, including a \$1.8 billion increase in the average balance of loans to \$30.9 billion.

In addition, the year-over-year decline in our net interest income and margin were tempered by a 16-basis point decline in the average cost of our interest-bearing liabilities to 1.85%, even as the average balance of such funds rose \$954.4 million to \$34.1 billion. The degree to which we reduced our average cost of funds was partially due to our having received a payment of \$24.0 million from Aurora Bank, FSB, on June 28, 2012 for having assumed certain of their deposits, as well as the downward repricing of our own depository accounts.

Provisions for Loan Losses

Provision for Losses on Non-Covered Loans

In 2012, we reduced our provision for losses on non-covered loans to \$45.0 million, from \$79.0 million in the prior year. Nonetheless, the allowance for losses on non-covered loans rose \$3.7 million to \$140.9 million at the end of December, as the \$34.0 million reduction in the provision for non-covered loan losses occurred in tandem with a \$59.3 million decrease in net charge-offs to \$41.3 million.

Provision for Losses on Covered Loans

Primarily reflecting a recovery of \$3.3 million in the fourth quarter, the provision for losses on covered loans fell \$3.4 million year-over-year to \$18.0 million in the twelve months ended December 31, 2012.

Non-Interest Income

Non-interest income rose \$62.0 million, or 26.4%, from the level recorded in 2011 to \$297.4 million in 2012. Mortgage banking income accounted for \$178.6 million of the 2012 total, and exceeded the year-earlier level by \$98.0 million or 121.4%. The increase was largely due to the rise in income from originations, as the low level of mortgage interest rates encouraged a high level of refinancing activity and home purchases through most of the year. While income from originations rose \$113.1 million year-over-year to \$193.2 million, we also recorded a servicing loss of \$14.6 million in 2012. By comparison, income from originations totaled \$80.2 million in 2011, and was complemented by servicing income of \$517,000.

In 2012, the non-interest income produced by fee income, BOLI income, and other income together totaled \$104.6 million, reflecting a \$4.1 million decline from the year-earlier amount.

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We also generated non-interest income in the form of net securities gains and FDIC indemnification income, which fell from \$36.6 million and \$17.6 million, respectively, in 2011 to \$2.0 million and \$14.4 million, respectively, in 2012. In addition, our non-interest income was reduced in 2012 by a \$2.3 million loss on the redemption of certain trust preferred securities in the fourth quarter, and in 2011 by an \$18.1 million OTTI loss on certain securities. The OTTI loss was somewhat offset by a \$9.8 million gain on the disposition of our insurance premium financing business.

Table of Contents**Non-Interest Expense**

In 2012, non-interest expense rose \$12.7 million year-over-year, to \$613.5 million, the net effect of a \$19.2 million increase in operating expenses to \$593.8 million and a \$6.4 million reduction in CDI amortization to \$19.6 million.

Compensation and benefits expense accounted for \$296.9 million of 2012 operating expenses, which was 1.2% higher than the \$293.3 million we recorded in the prior year. Occupancy and equipment expense rose \$3.8 million year-over-year, to \$90.7 million, while G&A expenses rose \$11.8 million to \$206.2 million.

The increase in G&A expense was due to a combination of factors, including higher deposit insurance assessments, a rise in OREO write-downs, and an increase in expenses related to our mortgage banking business as one-to-four family loan production rose year-over-year.

Income Tax Expense

In 2012, income tax expense rose \$25.3 million year-over-year to \$279.8 million as pre-tax income rose \$46.3 million to \$780.9 million, and the effective tax rate rose to 35.8% from 34.7%. The increase in the effective tax rate reflects the increase in pre-tax income as well as the expiration of certain tax credits.

QUARTERLY FINANCIAL DATA

The following table sets forth selected unaudited quarterly financial data for the years ended December 31, 2013 and 2012:

<i>(in thousands, except per share data)</i>	2013				2012			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Net interest income	\$ 297,325	\$ 294,231	\$ 299,884	\$ 275,176	\$ 290,001	\$ 284,950	\$ 296,656	\$ 288,414
(Recovery of) provisions for loan losses	(2,829)	14,467	9,618	9,502	1,720	12,820	33,448	15,000
Non-interest income	38,810	50,724	53,745	75,551	55,495	81,657	98,205	61,996
Non-interest expense	149,474	150,327	151,665	156,096	154,550	153,321	155,429	150,177
Income before income taxes	189,490	180,161	192,346	185,129	189,226	200,466	205,984	185,233
Income tax expense	69,335	65,961	69,829	66,454	66,383	71,668	74,772	66,980
Net income	\$ 120,155	\$ 114,200	\$ 122,517	\$ 118,675	\$ 122,843	\$ 128,798	\$ 131,212	\$ 118,253
Basic earnings per share	\$0.27	\$0.26	\$0.28	\$0.27	\$0.28	\$0.29	\$0.30	\$0.27
Diluted earnings per share	\$0.27	\$0.26	\$0.28	\$0.27	\$0.28	\$0.29	\$0.30	\$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 ACCOUNTING PRONOUNCEMENTS

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

Table of Contents**RECONCILIATIONS OF STOCKHOLDERS EQUITY AND TANGIBLE STOCKHOLDERS EQUITY, TOTAL ASSETS AND TANGIBLE ASSETS, AND THE RELATED CAPITAL MEASURES**

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

We calculate tangible stockholders' equity by subtracting from stockholders' equity the sum of our goodwill and CDI, and calculate tangible assets by subtracting the same sum from our total assets. To calculate our ratio of tangible stockholders' equity to tangible assets, we divide our tangible stockholders' equity by our tangible assets, both of which include AOCL. AOCL consists of after-tax net unrealized losses on securities and pension and post-retirement obligations, and is recorded in our Consolidated Statements of Condition. We also calculate our ratio of tangible stockholders' equity to tangible assets excluding AOCL, as its components are impacted by changes in market conditions, including interest rates, which fluctuate. This ratio is referred to earlier in this report and below as the ratio of adjusted tangible stockholders' equity to adjusted tangible assets.

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

Reconciliations of our stockholders' equity, tangible stockholders' equity, and adjusted tangible stockholders' equity; our total assets, tangible assets, and adjusted tangible assets; and the related capital measures at December 31, 2013 and December 31, 2012 follow:

<i>(dollars in thousands)</i>	December 31,	
	2013	2012
Stockholders' Equity	\$ 5,735,662	\$ 5,656,264
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles	(16,240)	(32,024)
Tangible stockholders' equity	\$ 3,283,291	\$ 3,188,109
Total Assets	\$ 46,688,287	\$ 44,145,100
Less: Goodwill	(2,436,131)	(2,436,131)
Core deposit intangibles	(16,240)	(32,024)
Tangible assets	\$ 44,235,916	\$ 41,676,945
Stockholders' equity to total assets	12.29%	12.81%
Tangible stockholders' equity to tangible assets	7.42%	7.65%
Tangible Stockholders' Equity	\$ 3,283,291	\$ 3,188,109
Add back: Accumulated other comprehensive loss, net of tax	36,493	61,705
Adjusted tangible stockholders' equity	\$ 3,319,784	\$ 3,249,814
Tangible Assets	\$ 44,235,916	\$ 41,676,945
Add back: Accumulated other comprehensive loss, net of tax	36,493	61,705
Adjusted tangible assets	\$ 44,272,409	\$ 41,738,650
Adjusted stockholders' equity to adjusted tangible assets	7.50%	7.79%

Table of Contents**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 2013, we continued to pursue the core components of our business model in order to reduce our interest rate risk: (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 continued to deploy the cash flows from loan and securities repayments and sales to fund our loan production, as well as our investments in GSE securities; (3) We continued to capitalize on the historically low level of the target federal funds rate to reduce our funding costs; and (4) We repositioned certain wholesale borrowings early in the first quarter, extending the weighted average call and maturity dates and reducing our cost of funds.

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

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

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

To mitigate the prepayment risk inherent in MSRs, we could sell the servicing of the loans we originate, and thus minimize the potential for earnings volatility.

We also invest in exchange-traded derivative financial instruments that are expected to experience opposite and offsetting changes in fair value as related to the value of our MSRs.

Table of Contents**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, 2013, our one-year gap was a negative 13.66%, as compared to a negative 3.69% at December 31, 2012. The difference in our one-year gap was primarily attributable to the growth in our loan and securities portfolios, which was largely funded by short-term wholesale borrowings, and a decline in the amount of securities expected to be called.

The table on the following page sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at December 31, 2013 which, based on certain assumptions stemming from our historical experience, are expected to reprice or mature in each of the future time periods shown. Except as stated below, the amounts of assets and liabilities shown as repricing or maturing during a particular time period were determined in accordance with the earlier of (1) the term to repricing, or (2) the contractual terms of the asset or liability. The table provides an approximation of the projected repricing of assets and liabilities at December 31, 2013 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 14; for multi-family and CRE loans, prepayment rates are forecasted at weighted average CPRs of 23 and 15, 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 incorporates our historical deposit experience. Based on the results of this analysis, savings accounts were assumed to decay at 43% for the first five years, 7% for years six through ten, and 50% for the years thereafter. NOW accounts were assumed to decay at 46% for the first five years, 24% for years six through ten, and 30% for the years thereafter. Including those accounts having specified repricing dates, money market accounts were assumed to decay at 95% for the first five years and 5% 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.

As of December 31, 2013, the impact of a 100-basis point decline in market interest rates would have increased our projected prepayment rates by a constant prepayment rate of 1.66. Conversely, the impact of a 100-basis point increase in market interest rates would have reduced our projected prepayment rates by a constant prepayment rate of 2.72.

Table of Contents**Interest Rate Sensitivity Analysis**

(dollars in thousands)	At December 31, 2013						
	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⁾	\$ 3,767,422	\$ 5,401,667	\$ 10,872,552	\$ 7,795,806	\$ 4,726,995	\$ 265,543	\$ 32,829,985
Mortgage-related securities ⁽²⁾⁽³⁾	58,207	138,788	388,161	222,943	3,264,773	431,336	4,504,208
Other securities and money market investments ⁽²⁾	676,893	1,603	4,435	66,779	2,714,965	549,013	4,013,688
Total interest-earning assets	4,502,522	5,542,058	11,265,148	8,085,528	10,706,733	1,245,892	41,347,881
INTEREST-BEARING LIABILITIES:							
NOW and money market accounts	4,308,949	1,306,014	1,159,375	1,603,089	1,150,332	1,009,188	10,536,947
Savings accounts	712,797	1,444,484	179,769	198,926	432,922	2,952,539	5,921,437
Certificates of deposit	1,141,959	2,889,995	2,481,523	364,805	50,688	3,126	6,932,096
Borrowed funds	4,516,678	100,754	200,743	3,314,159	6,828,424	144,244	15,105,002
Total interest-bearing liabilities	10,680,383	5,741,247	4,021,410	5,480,979	8,462,366	4,109,097	38,495,482
Interest rate sensitivity gap per period ⁽⁴⁾	\$ (6,177,861)	\$ (199,189)	\$ 7,243,738	\$ 2,604,549	\$ 2,244,367	\$ (2,863,205)	\$ 2,852,399
Cumulative interest rate sensitivity gap	\$ (6,177,861)	\$ (6,377,050)	\$ 866,688	\$ 3,471,237	\$ 5,715,604	\$ 2,852,399	
Cumulative interest rate sensitivity gap as a percentage of total assets	(13.23)%	(13.66)%	1.86%	7.43%	12.24%	6.11%	
Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities	42.16%	61.17%	104.24%	113.39%	116.62%	107.41%	

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

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

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

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

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

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

The following table sets forth our NPV as of December 31, 2013:

(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
	\$ 47,565,311	\$ 41,934,143	\$ 5,631,168	\$	%
+100	46,755,778	41,455,532	5,300,246	(330,922)	(5.88)
+200	46,032,094	41,056,255	4,975,839	(655,329)	(11.64)

(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 parameters approved by the Boards of Directors of the Company and the Banks.

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

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

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Based on the information and assumptions in effect at December 31, 2013, the following table reflects the estimated percentage change in future net interest income for the next twelve months, assuming the changes in interest rates noted:

Change in Interest Rates (in basis points) ⁽¹⁾⁽²⁾	Estimated Percentage Change in Future Net Interest Income
+100 over one year	(2.95)%
+200 over one year	(4.87)

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

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

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

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

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

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

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

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

Based on our current interest rate risk position, our analyses indicate that a 100-basis point increase in interest rates within the range of assumptions could result in an increase in our NPV, while our net interest income analysis could result in a simultaneous decrease, due to the following factors:

Different time measurement periods: The net interest income analysis is measured over a twelve-month time period, whereas the NPV analysis is measured over the life of each applicable instrument.

Different rate change sensitivities: In the net interest income analysis, the interest rate curve is projected to move in a parallel fashion over a twelve-month period, while the NPV analysis assumes an immediate rate shock.

Growth assumptions: The net interest income analysis reflects new loan, security, deposit, and borrowing growth assumptions, whereas the NPV analysis is a point-in-time analysis that does not incorporate any new growth assumptions.

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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, 2013, our analysis indicated that an immediate inversion of the yield curve would be expected to result in a 4.97% decrease in net interest income; conversely, an immediate steepening of the yield curve would be expected to result in a 3.28% increase.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

<i>(in thousands, except share data)</i>	December 31,	
	2013	2012
ASSETS:		
Cash and cash equivalents	\$ 644,550	\$ 2,427,258
Securities:		
Available for sale (\$79,905 and \$196,300 pledged, respectively)	280,738	429,266
Held-to-maturity (\$4,945,905 and \$4,084,380 pledged, respectively) (fair value of \$7,445,244 and \$4,705,960, respectively)	7,670,282	4,484,262
Total securities	7,951,020	4,913,528
Non-covered loans held for sale	306,915	1,204,370
Non-covered loans held for investment, net of deferred loan fees and costs	29,837,989	27,284,464
Less: Allowance for losses on non-covered loans	(141,946)	(140,948)
Non-covered loans held for investment, net	29,696,043	27,143,516
Covered loans	2,788,618	3,284,061
Less: Allowance for losses on covered loans	(64,069)	(51,311)
Covered loans, net	2,724,549	3,232,750
Total loans, net	32,727,507	31,580,636
Federal Home Loan Bank stock, at cost	561,390	469,145
Premises and equipment, net	273,299	264,149
FDIC loss share receivable	492,674	566,479
Goodwill	2,436,131	2,436,131
Core deposit intangibles	16,240	32,024
Mortgage servicing rights	241,018	144,713
Bank-owned life insurance	893,522	867,250
Other real estate owned (includes \$37,477 and \$45,115, respectively, covered by loss sharing agreements)	108,869	74,415
Other assets	342,067	369,372
Total assets	\$ 46,688,287	\$ 44,145,100
LIABILITIES AND STOCKHOLDERS EQUITY:		
Deposits:		
NOW and money market accounts	\$ 10,536,947	\$ 8,783,795
Savings accounts	5,921,437	4,213,972
Certificates of deposit	6,932,096	9,120,914
Non-interest-bearing accounts	2,270,512	2,758,840
Total deposits	25,660,992	24,877,521
Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	10,872,576	8,842,974
Repurchase agreements	3,425,000	4,125,000
Federal funds purchased	445,000	100,000
Total wholesale borrowings	14,742,576	13,067,974
Other borrowings	362,426	362,217

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Total borrowed funds	15,105,002	13,430,191
Other liabilities	186,631	181,124
Total liabilities	40,952,625	38,488,836
Stockholders' equity:		
Preferred stock at par \$0.01 (5,000,000 shares authorized; none issued)		
Common stock at par \$0.01 (600,000,000 shares authorized; 440,873,285 and 439,133,951 shares issued, and 440,809,365 and 439,050,966 shares outstanding, respectively)	4,409	4,391
Paid-in capital in excess of par	5,346,017	5,327,111
Retained earnings	422,761	387,534
Treasury stock, at cost (63,920 and 82,985 shares, respectively)	(1,032)	(1,067)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain on securities available for sale, net of tax of \$171 and \$8,514, respectively	277	12,614
Net unrealized loss on the non-credit portion of other-than-temporary impairment (OTTI) losses on securities, net of tax of \$3,586 and \$8,614, respectively	(5,604)	(13,525)
Net unrealized loss on pension and post-retirement obligations, net of tax of \$21,126 and \$41,242, respectively	(31,166)	(60,794)
Total accumulated other comprehensive loss, net of tax	(36,493)	(61,705)
Total stockholders' equity	5,735,662	5,656,264
Total liabilities and stockholders' equity	\$ 46,688,287	\$ 44,145,100

See accompanying notes to the consolidated financial statements.

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

<i>(in thousands, except per share data)</i>	Years Ended December 31,		
	2013	2012	2011
INTEREST INCOME:			
Mortgage and other loans	\$ 1,487,662	\$ 1,597,504	\$ 1,638,651
Securities and money market investments	220,436	193,597	228,013
Total interest income	1,708,098	1,791,101	1,866,664
INTEREST EXPENSE:			
NOW and money market accounts	35,884	36,609	39,285
Savings accounts	21,950	13,677	15,488
Certificates of deposit	83,805	93,880	102,400
Borrowed funds	399,843	486,914	509,070
Total interest expense	541,482	631,080	666,243
Net interest income	1,166,616	1,160,021	1,200,421
Provision for losses on non-covered loans	18,000	45,000	79,000
Provision for losses on covered loans	12,758	17,988	21,420
Net interest income after provisions for loan losses	1,135,858	1,097,033	1,100,001
NON-INTEREST INCOME:			
Total loss on OTTI of securities	(612)		(18,124)
Less: Non-credit portion of OTTI recorded in other comprehensive income (before taxes)			
Net loss on OTTI recognized in earnings	(612)		(18,124)
Mortgage banking income	78,283	178,643	80,674
Fee income	38,179	38,348	44,874
Bank-owned life insurance	29,938	30,502	28,384
Net gain on sale of securities	21,036	2,041	36,608
FDIC indemnification income	10,206	14,390	17,633
Gain on business disposition			9,823
Loss on debt redemption		(2,313)	
Other	41,800	35,742	35,453
Total non-interest income	218,830	297,353	235,325
NON-INTEREST EXPENSE:			
Operating expenses:			
Compensation and benefits	313,196	296,874	293,344
Occupancy and equipment	97,252	90,738	86,903
General and administrative	181,330	206,221	194,436
Total operating expenses	591,778	593,833	574,683
Amortization of core deposit intangibles	15,784	19,644	26,066
Total non-interest expense	607,562	613,477	600,749

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Income before income taxes	747,126	780,909	734,577
Income tax expense	271,579	279,803	254,540
Net income	\$ 475,547	\$ 501,106	\$ 480,037
Other comprehensive income (loss), net of tax:			
Change in net unrealized gain/loss on securities available for sale, net of tax of \$4,765; \$8,473; and \$366, respectively	(7,043)	12,533	(540)
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of \$5,028; \$65; and \$4,857, respectively	7,921	102	7,251
Change in pension and post-retirement obligations, net of tax of \$20,116; \$807; and \$14,993, respectively	29,628	(1,190)	(21,881)
Less: Reclassification adjustment for sales of available-for-sale securities and loss on OTTI of securities, net of tax of \$3,578; \$801; and \$7,439, respectively	(5,294)	(1,240)	(11,045)
Total other comprehensive income (loss), net of tax	25,212	10,205	(26,215)
Total comprehensive income, net of tax	\$ 500,759	\$ 511,311	\$ 453,822
Basic earnings per share	\$1.08	\$1.13	\$1.09
Diluted earnings per share	\$1.08		