NEW YORK COMMUNITY BANCORP INC
Form 10-Q/A
August 12, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

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

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013

Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

615 Merrick Avenue, Westbury, New York 11590

(Address of principal executive offices)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. Large Accelerated Filer X Accelerated Filer __ Non-accelerated Filer __ Smaller Reporting Company __

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes __ No X

440,873,285
Number of shares of common stock outstanding at

August 1, 2013

EXPLANATORY NOTE

New York Community Bancorp, Inc. is filing this amendment (the Form 10-Q/A) to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 (the Form 10-Q), filed with the U.S. Securities and Exchange Commission (SEC) on August 9, 2013, solely to correct a typographical error in introductory language immediately preceding the accretable yield table that appears on page 19 of that Form 10-Q in Part 1 Item 1 Financial Statements Notes to the Unaudited Consolidated Financial Statements Note 5. Loans Covered Loans. The introductory language, which previously referred to a three-month period, has been revised to refer to a six-month period as follows: Changes in the accretable yield for covered loans for the six months ended June 30, 2013 were as follows. In addition, the Company s Exhibit 101 to the original 10-Q Filing which contained the XBRL (eXtensible Business Reporting Language) Interactive Data File contained the typographical error and has been filed herewith as corrected.

No other changes have been made to the original Form 10-Q.

This Form 10-Q/A should be read in conjunction with the original Form 10-Q, continues to speak as of the date of the Form 10-Q, and does not modify or update disclosures in the original Form 10-Q except as noted above. Accordingly, this Form 10-Q/A does not reflect events occurring after the filing of the Form 10-Q or modify or update any related disclosures. In particular, any forward-looking statements included in this Form 10-Q/A represent management s view as of the filing date of the Form 10-Q.

NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)

	June 30, 2013 (unaudited)	December 31, 2012
Assets:		
Cash and cash equivalents	$ 1,319,710	$ 2,427,258
Securities:		
Available-for-sale ($86,531 and $196,300 pledged, respectively)	315,090	429,266
Held-to-maturity ($4,551,901 and $4,084,380 pledged, respectively) (fair value of $5,540,835 and $4,705,960, respectively)	5,626,605	4,484,262
Total securities	5,941,695	4,913,528
Non-covered loans held for sale	756,601	1,204,370
Non-covered loans held for investment, net of deferred loan fees and costs	28,051,342	27,284,464
Less: Allowance for losses on non-covered loans	(140,689)	(140,948)
Non-covered loans held for investment, net	27,910,653	27,143,516
Covered loans	3,032,172	3,284,061
Less: Allowance for losses on covered loans	(60,431)	(51,311)
Covered loans, net	2,971,741	3,232,750
Total loans, net	31,638,995	31,580,636
Federal Home Loan Bank stock, at cost	482,173	469,145
Premises and equipment, net	265,321	264,149
FDIC loss share receivable	531,787	566,479
Goodwill	2,436,131	2,436,131
Core deposit intangibles, net	23,422	32,024
Mortgage servicing rights	215,055	144,713
Bank-owned life insurance	880,435	867,250
Other real estate owned (includes $39,108 and $45,115, respectively, covered by loss sharing agreements)	123,586	74,415
Other assets	327,528	369,372
Total assets	$ 44,185,838	$ 44,145,100
Liabilities and Stockholders Equity:		
Deposits:		
NOW and money market accounts	$ 9,437,891	$ 8,783,795
Savings accounts	5,423,628	4,213,972
Certificates of deposit	7,906,158	9,120,914
Non-interest-bearing accounts	2,520,185	2,758,840
Total deposits	25,287,862	24,877,521
Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	9,104,698	8,842,974
Repurchase agreements	3,425,000	4,125,000
Fed funds purchased	100,000	100,000
Total wholesale borrowings	12,629,698	13,067,974
Other borrowings	362,319	362,217
Total borrowed funds	12,992,017	13,430,191

Other liabilities	217,498	181,124
Total liabilities	38,497,377	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; 440,867,068 and 439,133,951 shares issued, and 440,858,405 and 439,050,966 shares outstanding, respectively)	4,409	4,391
Paid-in capital in excess of par	5,333,295	5,327,111
Retained earnings	408,680	387,534
Treasury stock, at cost (8,663 and 82,985 shares, respectively)	(118)	(1,067)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain on securities available for sale, net of tax	6,001	12,614
Net unrealized loss on the non-credit portion of other-than-temporary impairment (OTTI) losses on securities, net of tax	(5,984)	(13,525)
Net unrealized loss on pension and post-retirement obligations, net of tax	(57,822)	(60,794)
Total accumulated other comprehensive loss, net of tax	(57,805)	(61,705)
Total stockholders equity	5,688,461	5,656,264
Total liabilities and stockholders equity	$ 44,185,838	$ 44,145,100

See accompanying notes to the unaudited consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Interest Income:				
Mortgage and other loans	$ 388,156	$ 406,481	$ 755,155	$ 804,665
Securities and money market investments	48,418	48,499	94,226	96,953
Total interest income	436,574	454,980	849,381	901,618
Interest Expense:				
NOW and money market accounts	9,777	9,357	18,952	18,090
Savings accounts	5,206	3,565	9,227	7,061
Certificates of deposit	21,782	23,489	44,017	47,209
Borrowed funds	99,925	121,913	202,125	244,188
Total interest expense	136,690	158,324	274,321	316,548
Net interest income	299,884	296,656	575,060	585,070
Provision for losses on non-covered loans	5,000	15,000	10,000	30,000
Provision for losses on covered loans	4,618	18,448	9,120	18,448
Net interest income after provisions for loan losses	290,266	263,208	555,940	536,622
Non-Interest Income:				
Mortgage banking income	23,216	58,323	49,325	93,488
Fee income	9,961	9,433	18,733	19,191
Bank-owned life insurance	7,337	6,802	14,590	16,387
Gain on sales of securities	123	141	16,745	859
FDIC indemnification income	3,694	14,759	7,296	14,759
Other	9,414	8,747	22,607	15,517
Total non-interest income	53,745	98,205	129,296	160,201
Non-Interest Expense:				
Operating expenses:				
Compensation and benefits	77,400	73,591	160,906	147,208
Occupancy and equipment	24,159	23,249	47,759	45,133
General and administrative	45,925	53,669	90,494	103,186
Total operating expenses	147,484	150,509	299,159	295,527
Amortization of core deposit intangibles	4,181	4,920	8,602	10,079
Total non-interest expense	151,665	155,429	307,761	305,606
Income before income taxes	192,346	205,984	377,475	391,217
Income tax expense	69,829	74,772	136,283	141,752

Net income	$ 122,517	$ 131,212	$ 241,192	$ 249,465
Other comprehensive income, net of tax:				
Change in net unrealized gain/loss on securities available for sale, net of tax of $2,845; $2,096; $2,382; and $3,473, respectively	(4,203)	3,094	(3,518)	5,185
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of $4,768; $16; $4,785; and $31, respectively	7,513	26	7,541	49
Change in pension and post-retirement obligations, net of tax of $1,008; $1,044; $2,016; and $2,086, respectively	1,486	1,537	2,972	3,074
Less: Reclassification adjustment for sales of available for sale securities, net of tax of $50; $57; $2,098; and $332, respectively	(73)	(84)	(3,095)	(527)
Total other comprehensive income, net of tax	4,723	4,573	3,900	7,781
Total comprehensive income, net of tax	$ 127,240	$ 135,785	$ 245,092	$ 257,246
Basic earnings per share	$ 0.28	$ 0.30	$ 0.55	$ 0.56
Diluted earnings per share	$ 0.28	$ 0.30	$ 0.55	$ 0.56

See accompanying notes to the unaudited consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share data)

(unaudited)

		For the Six Months Ended June 30, 2013
Common Stock (Par Value: $0.01):		
Balance at beginning of year	$	4,391
Shares issued for restricted stock awards (1,729,950 shares)		18
Shares issued for exercise of stock options (3,167 shares)		--
Balance at end of period		4,409
Paid-in Capital in Excess of Par:		
Balance at beginning of year		5,327,111
Shares issued for restricted stock awards, net of forfeitures		(5,093)
Compensation expense related to restricted stock awards		10,963
Tax effect of stock plans		314
Balance at end of period		5,333,295
Retained Earnings:		
Balance at beginning of year		387,534
Net income		241,192
Dividends paid on common stock ($0.50 per share)		(220,034)
Exercise of stock options		(12)
Balance at end of period		408,680
Treasury Stock:		
Balance at beginning of year		(1,067)
Purchase of common stock (313,493 shares)		(4,197)
Exercise of stock options (5,344 shares)		71
Shares issued for restricted stock awards (382,471 shares)		5,075
Balance at end of period		(118)
Accumulated Other Comprehensive Loss, net of tax:		
Balance at beginning of year		(61,705)
Other comprehensive income, net of tax		3,900
Balance at end of period		(57,805)
Total stockholders equity	$	5,688,461

See accompanying notes to the unaudited consolidated financial statements.

3

NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Six Months Ended June 30, 2013	2012
Cash Flows from Operating Activities:		
Net income	$ 241,192	$ 249,465
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for loan losses	19,120	48,448
Depreciation and amortization	13,919	12,139
Accretion of premiums and discounts, net	(1,071)	(742)
Amortization of core deposit intangibles	8,602	10,079
Net gain on sale of securities	(16,745)	(859)
Net gain on sale of loans	(42,973)	(92,976)
Stock plan-related compensation	10,963	10,375
Deferred tax expense	7,905	13,512
Changes in operating assets and liabilities:		
(Increase) decrease in other assets	(66,401)	51,779
Increase in other liabilities	41,363	71,671
Origination of loans held for sale	(4,426,828)	(5,094,278)
Proceeds from sale of loans originated for sale	4,869,711	5,117,092
Net cash provided by operating activities	658,757	395,705
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	506,277	1,378,707
Proceeds from repayment of securities available for sale	50,875	370,667
Proceeds from sale of securities held to maturity	191,142	--
Proceeds from sale of securities available for sale	414,186	330,859
Purchase of securities held to maturity	(1,814,586)	(1,415,389)
Purchase of securities available for sale	(357,000)	(379,890)
Net (purchase) redemption of Federal Home Loan Bank stock	(13,028)	65,959
Net increase in loans	(477,389)	(704,639)
Purchase of premises and equipment, net	(15,091)	(11,955)
Net cash used in investing activities	(1,514,614)	(365,681)
Cash Flows from Financing Activities:		
Net increase in deposits	410,341	2,722,519
Net increase (decrease) in short-term borrowed funds	300,000	(1,277,000)
Net decrease in long-term borrowed funds	(738,174)	(94,801)
Tax effect of stock plans	314	(35)
Cash dividends paid on common stock	(220,034)	(219,217)
Treasury stock purchases	(4,197)	(2,554)
Net cash received from stock option exercises	59	--
Net cash (used in) provided by financing activities	(251,691)	1,128,912
Net (decrease) increase in cash and cash equivalents	(1,107,548)	1,158,936

Cash and cash equivalents at beginning of period	2,427,258	2,001,737
Cash and cash equivalents at end of period	$ 1,319,710	$ 3,160,673
Supplemental information:		
Cash paid for interest	$275,018	$311,632
Cash paid for income taxes	102,718	171,965
Non-cash investing and financing activities:		
Transfers to other real estate owned from loans	77,516	59,208

See accompanying notes to the unaudited consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

Organization

Formerly known as Queens County Bancorp, Inc., New York Community Bancorp, Inc. (on a stand-alone basis, the Parent Company or, collectively with its subsidiaries, the Company) was organized under Delaware law on July 20, 1993 and is the holding company for New York Community Bank and New York Commercial Bank (hereinafter referred to as the Community Bank and the Commercial Bank, respectively, and collectively as the Banks). In addition, for the purpose of these Consolidated Financial Statements, the Community Bank and the Commercial Bank refer not only to the respective banks but also to their respective subsidiaries.

The Community Bank is the primary banking subsidiary of the Company. Founded on April 14, 1859 and formerly known as Queens County Savings Bank, the Community Bank converted from a state-chartered mutual savings bank to the capital stock form of ownership on November 23, 1993, at which date the Company issued its initial offering of common stock (par value: $0.01 per share) at a price of $25.00 per share. The Commercial Bank was established on December 30, 2005.

Reflecting nine stock splits, the Company s initial offering price adjusts to $0.93 per share. All share and per share data presented in this report have been adjusted to reflect the impact of the stock splits.

The Company changed its name to New York Community Bancorp, Inc. on November 21, 2000 in anticipation of completing the first of eight business combinations that expanded its footprint well beyond Queens County to encompass all five boroughs of New York City, Long Island, and Westchester County in New York, and seven counties in the northern and central parts of New Jersey. The Company expanded beyond this region to south Florida, northeast Ohio, and central Arizona through its FDIC-assisted acquisition of certain assets and its assumption of certain liabilities of AmTrust Bank (AmTrust) in December 2009, and extended its Arizona franchise through its FDIC-assisted acquisition of certain assets and its assumption of certain liabilities of Desert Hills Bank (Desert Hills) in March 2010. On June 28, 2012, the Company completed its 11th transaction when it assumed the deposits of Aurora Bank FSB.

Reflecting this strategy of growth through acquisitions, the Community Bank currently operates 239 branches, four of which operate directly under the Community Bank name. The remaining 235 Community Bank branches operate through seven divisional banks Queens County Savings Bank, Roslyn Savings Bank, Richmond County Savings Bank, and Roosevelt Savings Bank (in New York), Garden State Community Bank in New Jersey, AmTrust Bank in Florida and Arizona, and Ohio Savings Bank in Ohio.

The Commercial Bank currently operates 35 branches in Manhattan, Queens, Brooklyn, Westchester County, and Long Island (all in New York), including 18 branches that operate under the name Atlantic Bank.

Basis of Presentation

The following is a description of the significant accounting and reporting policies that the Company and its wholly-owned subsidiaries follow in preparing and presenting their consolidated financial statements, which conform to U.S. generally accepted accounting principles (GAAP) and to general practices within the banking industry. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in the near term are used in connection with the determination of the allowances for loan losses; the valuation of loans held for sale; the evaluation of goodwill for impairment; the evaluation of other-than-temporary impairment (OTTI) on securities; and the evaluation of the need for a valuation allowance on the Company s deferred tax assets. The current economic environment has increased the degree of uncertainty inherent in these material estimates.

The unaudited consolidated financial statements include the accounts of the Company and other entities in which the Company has a controlling financial interest. All inter-company accounts and transactions are eliminated in consolidation. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s 2012 Annual Report on Form 10-K. The Company currently has unconsolidated subsidiaries in the form of wholly-owned statutory business trusts, which were formed to issue guaranteed capital debentures (capital securities). Please see Note 7, Borrowed Funds, for additional information regarding these trusts.

When necessary, reclassifications are made to prior-year amounts to conform to the current-year presentation.

Note 2. Computation of Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the same method as basic EPS, however, the computation reflects the potential dilution that would occur if outstanding in-the-money stock options were exercised and converted into common stock.

Unvested stock-based compensation awards containing non-forfeitable rights to dividends are considered participating securities, and therefore are included in the two-class method for calculating EPS. Under the two-class method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. The Company grants restricted stock to certain employees under its stock-based compensation plans. Recipients receive cash dividends during the vesting periods of these awards (i.e., including on the unvested portion of such awards). Since these dividends are non-forfeitable, the unvested awards are considered participating securities and therefore have earnings allocated to them.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except share and per share data)	**2013**	**2012**	**2013**	**2012**
Net income	$122,517	$131,212	$241,192	$249,465
Less: Dividends paid on and earnings allocated to participating securities	(791)	(1,246)	(1,525)	(2,339)
Earnings applicable to common stock	$121,726	$129,966	$239,667	$247,126
Weighted average common shares outstanding	439,452,048	437,820,639	439,079,827	437,644,249
Basic earnings per common share	$0.28	$0.30	$0.55	$0.56
Earnings applicable to common stock	$121,726	$129,966	$239,667	$247,126
Weighted average common shares outstanding	439,452,048	437,820,639	439,079,827	437,644,249
Potential dilutive common shares(1)	3,298	4,063	3,445	4,698
Total shares for diluted earnings per share computation	439,455,346	437,824,702	439,083,272	437,648,947
Diluted earnings per common share and common share equivalents	$0.28	$0.30	$0.55	$0.56

(1) Options to purchase 253,500 shares of the Company s common stock that were outstanding in the three and six months ended June 30, 2013, at a weighted average exercise price of $22.14, were excluded from the respective computations of diluted EPS because their inclusion would have had an antidilutive effect. Options to purchase 4,981,879 shares of the Company s common stock that were outstanding in the three and six months ended June 30, 2012, at a weighted average exercise price of $15.40, were excluded from the respective computations of diluted EPS because their inclusion also would have had an antidilutive effect.

Note 3. Reclassifications Out of Accumulated Other Comprehensive Loss

(in thousands)	For the Six Months Ended June 30, 2013	
Details About Accumulated Other Comprehensive Loss	Amount Reclassified from Accumulated Other Comprehensive Loss [1]	Affected Line Item in the Consolidated Statement of Income and Comprehensive Income
Unrealized gains on available-for-sale securities	$ 5,193	Gain on sales of securities
	(2,098)	Tax expense
	$ 3,095	Net gain on sales of securities, net of tax
Amortization of defined benefit pension items:		
Prior-service costs	$ 124	(2)
Actuarial losses	(5,030)	(2)
	(4,906)	Total before tax
	1,982	Tax benefit
	$ (2,924)	Amortization of defined benefit pension items, net of tax
Total reclassifications for the period	$ 171	

(1) Amounts in parentheses indicate expense items.
(2) These accumulated other comprehensive loss components are included in the computation of net periodic (credit) expense. (Please see Note 9, Pension and Other Post-Retirement Benefits, for additional information).

Note 4. Securities

The following table summarizes the Company s portfolio of securities available for sale at June 30, 2013:

	June 30, 2013			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates [1]	$ 27,848	$ 1,543	$ 2	$ 29,389
GSE CMOs [2]	62,160	970	--	63,130
Private label CMOs	13,465	--	95	13,370
Total mortgage-related securities	$ 103,473	$ 2,513	$ 97	$ 105,889
Other Securities:				
Municipal bonds	$ 1,077	$ 103	$ --	$ 1,180
Capital trust notes	32,666	4,471	2,478	34,659
Preferred stock	118,205	4,406	898	121,713
Common stock	49,619	2,776	746	51,649
Total other securities	$ 201,567	$ 11,756	$ 4,122	$ 209,201
Total securities available for sale [3]	$ 305,040	$ 14,269	$ 4,219	$ 315,090

(1) Government-sponsored enterprises
(2) Collateralized mortgage obligations
(3) At June 30, 2013, the non-credit portion of OTTI recorded in accumulated other comprehensive loss (AOCL) was $570,000 (before taxes).

As of June 30, 2013, the fair value of marketable equity securities included corporate preferred stock of $121.7 million and common stock of $51.6 million, with the latter primarily consisting of an investment in a large cap equity fund and certain other funds that are Community Reinvestment Act (CRA) eligible.

The following table summarizes the Company s portfolio of securities available for sale at December 31, 2012:

	December 31, 2012			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates	$ 85,488	$ 7,197	$ 6	$ 92,679
GSE CMOs	62,236	4,924	--	67,160
Private label CMOs	17,276	140	--	17,416
Total mortgage-related securities	$ 165,000	$ 12,261	$ 6	$ 177,255
Other Securities:				
Municipal bonds	$ 46,288	$ 128	$ 120	$ 46,296
Capital trust notes	35,231	7,363	4,159	38,435
Preferred stock	118,205	6,843	30	125,018
Common stock	43,984	1,191	2,913	42,262

Total other securities	$ 243,708	$ 15,525	$ 7,222	$ 252,011
Total securities available for sale [(1)]	$ 408,708	$ 27,786	$ 7,228	$ 429,266

(1) At December 31, 2012, the non-credit portion of OTTI recorded in AOCL was $570,000 (before taxes).

The following tables summarize the Company s portfolio of securities held to maturity at June 30, 2013 and December 31, 2012:

	June 30, 2013				
(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$ 1,541,696	$ 1,541,696	$ 33,051	$ 34,912	$ 1,539,835
GSE CMOs	1,567,381	1,567,381	40,563	11,169	1,596,775
Other mortgage-related securities	3,054	3,054	--	--	3,054
Total mortgage-related securities	$ 3,112,131	$ 3,112,131	$ 73,614	$ 46,081	$ 3,139,664
Other Securities:					
GSE debentures	$ 2,304,716	$ 2,304,716	$ 7,722	$ 116,622	$ 2,195,816
Corporate bonds	72,698	72,698	9,651	--	82,349
Municipal bonds	61,396	61,396	17	3,257	58,156
Capital trust notes	84,908	75,664	1,180	11,994	64,850
Total other securities	$ 2,523,718	$ 2,514,474	$ 18,570	$ 131,873	$ 2,401,171
Total securities held to maturity [(1)]	$ 5,635,849	$ 5,626,605	$ 92,184	$ 177,954	$ 5,540,835

(1) Held-to-maturity securities are reported at a carrying amount equal to amortized cost less the non-credit portion of OTTI recorded in AOCL. At June 30, 2013, the non-credit portion of OTTI recorded in AOCL was $9.2 million (before taxes).

	December 31, 2012				
(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$ 1,253,769	$ 1,253,769	$ 87,860	$ 5	$ 1,341,624
GSE CMOs	1,898,228	1,898,228	104,764	--	2,002,992
Other mortgage-related securities	3,220	3,220	--	--	3,220
Total mortgage-related securities	$ 3,155,217	$ 3,155,217	$ 192,624	$ 5	$ 3,347,836
Other Securities:					
GSE debentures	$ 1,129,618	$ 1,129,618	$ 15,739	$ --	$ 1,145,357
Corporate bonds	72,501	72,501	12,504	--	85,005
Municipal bonds	16,982	16,982	245	--	17,227
Capital trust notes	131,513	109,944	14,588	13,997	110,535
Total other securities	$ 1,350,614	$ 1,329,045	$ 43,076	$ 13,997	$ 1,358,124
Total securities held to maturity [(1)]	$ 4,505,831	$ 4,484,262	$ 235,700	$ 14,002	$ 4,705,960

(1) At December 31, 2012, the non-credit portion of OTTI recorded in AOCL was $21.6 million (before taxes).

The Company had $482.2 million and $469.1 million of Federal Home Loan Bank (FHLB) stock, at cost, at June 30, 2013 and December 31, 2012, respectively. The Company is required to maintain this investment in order to have access to the funding resources provided by the FHLB.

The following table summarizes the gross proceeds, gross realized gains, and gross realized losses from the sale of available-for-sale securities during the six months ended June 30, 2013 and 2012:

	For the Six Months Ended June 30,	
(in thousands)	**2013**	**2012**
Gross proceeds	$ 414,186	$ 330,859
Gross realized gains	5,193	859
Gross realized losses	--	--

In addition, during the six months ended June 30, 2013, the Company sold held-to-maturity securities with gross proceeds of $191.1 million and gross realized gains of $11.6 million. These sales occurred because the Company had collected a substantial portion (at least 85%) of the initial principal balance.

The $99.5 million market value of the capital trust note portfolio at June 30, 2013 included three pooled trust preferred securities. The following table details the pooled trust preferred securities that had at least one credit rating below investment grade as of June 30, 2013:

(dollars in thousands)	**INCAPS Funding I** Class B-2 Notes	**Alesco Preferred Funding VII Ltd.** Class C-1 Notes	**Preferred Term Securities II** Mezzanine Notes
Book value	14,964	553	452
Fair value	19,319	574	952
Unrealized gain (loss)	4,355	21	500
Lowest credit rating assigned to security	CCC	C	C
Number of banks/insurance companies currently performing	19	52	10
Actual deferrals and defaults as a percentage of original collateral	9%	17%	26%
Expected deferrals and defaults as a percentage of remaining performing collateral	22	25	46
Expected recoveries as a percentage of remaining performing collateral	--	--	--
Excess subordination as a percentage of remaining performing collateral	22	--	--

As of June 30, 2013, after taking into account the Company s best estimates of future deferrals, defaults, and recoveries, two of its pooled trust preferred securities had no excess subordination in the classes it owns and one had excess subordination of 22%. Excess subordination is calculated after taking into account the projected deferrals, defaults, and recoveries noted in the table above, and indicates whether there is sufficient additional collateral to cover the outstanding principal balance of the class owned.

In the following table, the beginning balance represents the credit loss component for debt securities for which OTTI occurred prior to January 1, 2013. For credit-impaired debt securities, OTTI recognized in earnings after that date is presented as an addition in two components, based upon whether the current period is the first time a debt security was credit-impaired (initial credit impairment) or is not the first time a debt security was credit-impaired (subsequent credit impairment).

(in thousands)	**For the Six Months Ended June 30, 2013**
Beginning credit loss amount as of December 31, 2012	$ 219,978
Add: Initial other-than-temporary credit losses	--
Subsequent other-than-temporary credit losses	--
Amount previously recognized in AOCL	--
Less: Realized losses for securities sold	--
Securities intended or required to be sold	--
Increases in expected cash flows on debt securities	4,256
Ending credit loss amount as of June 30, 2013	$ 215,722

The following table summarizes the carrying amounts and estimated fair values of held-to-maturity debt securities, and the amortized costs and estimated fair values of available-for-sale debt securities, at June 30, 2013, by contractual maturity. Mortgage-related securities held to maturity and available for sale, all of which have prepayment provisions, are distributed to a maturity category based on the ends of the estimated average lives of such securities. Principal and amortization prepayments are not shown in maturity categories as they occur, but are considered in the determination of estimated average life.

	At June 30, 2013								
(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations	Average Yield	State, County, and Municipal	Average Yield [(1)]	Other Debt Securities [(2)]	Average Yield	Fair Value
Held-to-Maturity Securities:									
Due within one year	$ --	--%	$ --	--%	$ --	--%	$ --	--%	$ --
Due from one to five years	--	--	60,502	4.17	1,486	2.96	--	--	69,250
Due from five to ten years	2,100,609	3.08	894,214	2.52	--	--	46,830	4.04	3,004,703
Due after ten years	1,011,522	3.51	1,350,000	2.62	59,910	2.85	101,532	5.52	2,466,882
Total debt securities held to maturity	$ 3,112,131	3.22%	$ 2,304,716	2.62%	$ 61,396	2.85%	$ 148,362	5.05%	$ 5,540,835
Available-for-Sale Securities: [(3)]									
Due within one year	$ 65	3.88%	$ --	--%	$ 125	5.90%	$ --	--%	$ 193
Due from one to five years	7,351	7.02	--	--	533	6.36	--	--	8,357
Due from five to ten years	19,061	3.65	--	--	419	6.59	--	--	20,415
Due after ten years	76,996	4.47	--	--	--	--	32,666	4.27	112,763
Total debt securities available for sale	$ 103,473	4.50%	$ --	--%	$ 1,077	6.39%	$ 32,666	4.27%	$ 141,728

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

(2) Includes corporate bonds and capital trust notes. Included in capital trust notes are $15.5 million and $452,000 of pooled trust preferred securities available for sale and held to maturity, respectively, all of which are due after ten years. The remaining capital trust notes consist of single-issue trust preferred securities.

(3) As equity securities have no contractual maturity, they have been excluded from this table.

At June 30, 2013, the Company had commitments to purchase $413.1 million of securities, all of which were GSE securities.

The following tables present held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of June 30, 2013:

At June 30, 2013	Less than Twelve Months		Twelve Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Debt Securities:						
GSE debentures	$ 2,120,642	$ 116,622	$ --	$ --	$ 2,120,642	$ 116,622
GSE Certificates	896,722	34,912	--	--	896,722	34,912
GSE CMOs	390,518	11,169	--	--	390,518	11,169
Municipal notes/bonds	56,653	3,257	--	--	56,653	3,257
Capital trust notes	24,441	560	34,721	11,434	59,162	11,994
Total temporarily impaired held-to-maturity debt securities	$ 3,488,976	$ 166,520	$ 34,721	$ 11,434	$ 3,523,697	$ 177,954
Temporarily Impaired Available-for-Sale Securities:						
Debt Securities:						
GSE certificates	$ --	$ --	$ 198	$ 2	$ 198	$ 2
Private label CMOs	13,370	95	--	--	13,370	95
Corporate bonds	--	--	--	--	--	--
State, county, and municipal	--	--	--	--	--	--
Capital trust notes	1,955	45	4,979	2,433	6,934	2,478
Total temporarily impaired available-for-sale debt securities	$ 15,325	$ 140	$ 5,177	$ 2,435	$ 20,502	$ 2,575
Equity securities	78,970	963	994	681(1)	79,964	1,644
Total temporarily impaired available-for-sale securities	$ 94,295	$ 1,103	$ 6,171	$ 3,116	$ 100,466	$ 4,219

(1) The twelve months or longer unrealized losses on equity securities of $681,000 at June 30, 2013 relate to an investment in a financial institution. The principal balance of the investment was $1.7 million at that date.

The following tables present held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of December 31, 2012:

At December 31, 2012	Less than Twelve Months		Twelve Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Debt Securities:						
GSE debentures	$ --	$ --	$ --	$ --	$ --	$ --
GSE certificates	2,238	5	--	--	2,238	5
GSE CMOs	--	--	--	--	--	--
Corporate bonds	--	--	--	--	--	--
Capital trust notes	--	--	32,148	13,997	32,148	13,997
Total temporarily impaired held-to-maturity debt securities	$ 2,238	$ 5	$ 32,148	$ 13,997	$ 34,386	$ 14,002
Temporarily Impaired Available-for-Sale Securities:						
Debt Securities:						
GSE certificates	$ 297	$ 5	$ 53	$ 1	$ 350	$ 6
Private label CMOs	--	--	--	--	--	--
Corporate bonds	--	--	--	--	--	--
State, county, and municipal	45,096	120	--	--	45,096	120
Capital trust notes	--	--	4,371	4,159	4,371	4,159
Total temporarily impaired available-for-sale debt securities	$ 45,393	$ 125	$ 4,424	$ 4,160	$ 49,817	$ 4,285
Equity securities	15,262	30	28,989	2,913(1)	44,251	2,943
Total temporarily impaired available-for-sale securities	$ 60,655	$ 155	$ 33,413	$ 7,073	$ 94,068	$ 7,228

(1) The twelve months or longer unrealized losses on equity securities of $2.9 million at December 31, 2012 relate to available-for-sale equity securities that consisted of a large cap equity fund and investments in certain financial institutions. The principal balance of the large cap equity fund was $30.2 million and the twelve months or longer unrealized loss was $2.2 million at that date. The principal balance of investments in financial institutions totaled $1.7 million and the twelve months or longer unrealized loss was $709,000 at that date.

An OTTI loss on impaired securities must be fully recognized in earnings if an investor has the intent to sell the debt security, or if it is more likely than not that the investor will be required to sell the debt security before recovery of its amortized cost. However, even if an investor does not expect to sell a debt security, it must evaluate the expected cash flows to be received and determine if a credit loss has occurred. In the event that a credit loss occurs, only the amount of impairment associated with the credit loss is recognized in earnings. Amounts relating to factors other than credit losses are recorded in AOCL. Financial Accounting Standards Board (FASB) guidance also requires additional disclosures regarding the calculation of credit losses, as well as factors considered by the investor in reaching a conclusion that an investment is not other-than-temporarily impaired.

Available-for-sale securities in unrealized loss positions are analyzed as part of the Company s ongoing assessment of OTTI. When the Company intends to sell such available-for-sale securities, the Company recognizes an impairment loss equal to the full difference between the amortized cost basis and the fair value of those securities. When the Company does not intend to sell available-for-sale equity or debt securities in an unrealized loss position, potential OTTI is considered based on a variety of factors, including the length of time and extent to which the fair value has been less than the cost; adverse conditions specifically related to the industry, the geographic area or financial condition of the issuer, or the underlying collateral of a security; the payment structure of the security; changes to the rating of the security by a rating agency; the volatility of the fair value changes; and changes in fair value of the security after the balance sheet date. For debt securities, the Company estimates cash flows over the remaining life of the underlying collateral to assess whether credit losses exist and, where applicable, to determine if any adverse changes in cash flows have occurred. The Company s cash flow estimates take into account expectations of relevant market and economic data as of the end of the reporting period. As of June 30, 2013, the Company did not intend to sell the securities with an unrealized loss position in AOCL, and it was more likely than not that the Company would not be required to sell these securities before recovery of their amortized cost basis. The Company believes that the securities with an unrealized loss position in AOCL were not other-than-temporarily impaired as of June 30, 2013.

Other factors considered in determining whether or not an impairment is temporary include the length of time and the extent to which fair value has been below cost; the severity of the impairment; the cause of the impairment; the financial condition and near-term prospects of the issuer; activity in the market of the issuer that may indicate adverse credit conditions; and the forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums).

Management s assertion regarding its intent not to sell, or that it is not more likely than not that the Company will be required to sell a security before its anticipated recovery, is based on a number of factors, including a quantitative estimate of the expected recovery period (which may extend to maturity), and management s intended strategy with respect to the identified security or portfolio. If management does have the intent to sell, or believes it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the unrealized loss is charged directly to earnings in the Consolidated Statement of Income and Comprehensive Income.

The unrealized losses on the Company s GSE debentures at June 30, 2013 were primarily caused by movements in market interest rates and spread volatility, rather than credit risk. The Company purchased these investments either at par or at a discount or premium relative to their face amount, and the contractual cash flows of these investments are guaranteed by the GSEs. Accordingly, it is expected that these securities will not be settled at a price that is less than the amortized cost of the Company s investment. Because the Company does not have the intent to sell the investments, and it is not more likely than not that the Company will be required to sell them before the anticipated recovery of fair value, which may be at maturity, the Company did not consider these investments to be other-than-temporarily impaired at June 30, 2013.

The Company reviews quarterly financial information related to its investments in capital trust notes, as well as other information that is released by each of the financial institutions that issued the notes, to determine their continued creditworthiness. The contractual terms of these investments do not permit settling the securities at prices that are less than the amortized costs of the investments; therefore, the Company expects that these investments will not be settled at prices that are less than their amortized costs. The Company continues to monitor these investments and currently estimates that the present value of expected cash flows is not less than the amortized cost of the securities. Because the Company does not have the intent to sell the investments, and it is not more likely than not that the Company will be required to sell them before the anticipated recovery of fair value, which may be at maturity, it did not consider these investments to be other-than-temporarily impaired at June 30, 2013. It is possible that these securities will perform worse than is currently expected, which could lead to adverse changes in cash flows from these securities and potential OTTI losses in the future. Events that may occur in the future at the financial institutions that issued these securities could trigger material unrecoverable declines in the fair values of the Company s investments and therefore could result in future potential OTTI losses. Such events include, but are not limited to, government intervention; deteriorating asset quality and credit metrics; significantly higher levels of default and loan loss provisions; losses in value on the underlying collateral; deteriorating credit enhancement; net operating losses; and further illiquidity in the financial markets.

At June 30, 2013, the Company s equity securities portfolio consisted of perpetual preferred stock, common stock, and mutual funds. The Company considers a decline in the fair value of available-for-sale equity securities to be other than temporary if the Company does not expect to recover the entire amortized cost basis of the security. The unrealized losses on the Company s equity securities at the end of June 2013 were primarily caused by market volatility. The Company evaluated the near-term prospects of a recovery of fair value for each security in the portfolio, together with the severity and duration of impairment to date. Based on this evaluation, and the Company s ability and intent to hold these investments for a reasonably sufficient period of time to realize a near-term forecasted recovery of fair value, the Company did not consider these investments to be other-than-temporarily impaired at June 30, 2013. Nonetheless, it is possible that these equity securities will perform worse than is currently expected, which could lead to adverse changes in their fair values, or the failure of the securities to fully recover in value as presently forecasted by management. This would cause the Company to potentially record OTTI losses in future periods. Events that could trigger material declines in the fair values of these securities include, but are not limited to, deterioration in the equity markets; a decline in the quality of the loan portfolios of the issuers in which the Company has invested; and the recording of higher loan loss provisions and net operating losses by such issuers.

The investment securities designated as having a continuous loss position for twelve months or more at June 30, 2013 consisted of six capital trust notes, two mortgage-backed securities, and one equity security. At December 31, 2012, the investment securities designated as having a continuous loss position for twelve months or more consisted of seven capital trust notes, three equity securities, and one mortgage-backed security. At June 30, 2013 and December 31, 2012, the combined market value of the respective securities represented unrealized losses of $14.6 million and $21.1 million. At June 30, 2013, the fair value of securities having a continuous loss position for twelve months or more was 26.2% below the collective amortized cost of $55.4 million. At December 31, 2012, the fair value of such securities was 24.5% below the collective amortized cost of $86.1 million.

Note 5. Loans

The following table sets forth the composition of the loan portfolio at June 30, 2013 and December 31, 2012:

	June 30, 2013		**December 31, 2012**	
(dollars in thousands)	Amount	Percent of Non-Covered Loans Held for Investment	Amount	Percent of Non-Covered Loans Held for Investment
Non-Covered Loans Held for Investment:				
Mortgage Loans:				
Multi-family	$ 19,218,540	68.54%	$ 18,595,833	68.18%
Commercial real estate	7,310,119	26.07	7,436,598	27.27
Acquisition, development, and construction	417,948	1.49	397,917	1.46
One-to-four family	375,585	1.35	203,435	0.75
Total mortgage loans held for investment	27,322,192	97.45	26,633,783	97.66
Other Loans:				
Commercial and industrial	671,074	2.39	590,044	2.16
Other	44,985	0.16	49,880	0.18
Total other loans held for investment	716,059	2.55	639,924	2.34
Total non-covered loans held for investment	$ 28,038,251	100.00%	$ 27,273,707	100.00%
Net deferred loan origination costs	13,091		10,757	
Allowance for losses on non-covered loans	(140,689)		(140,948)	
Non-covered loans held for investment, net	$ 27,910,653		$ 27,143,516	
Covered loans	3,032,172		3,284,061	
Allowance for losses on covered loans	(60,431)		(51,311)	
Total covered loans, net	$ 2,971,741		$ 3,232,750	
Loans held for sale	756,601		1,204,370	

Total loans, net	$ 31,638,995	$ 31,580,636

Non-Covered Loans

Non-Covered Loans Held for Investment

The vast majority of the loans the Company originates for investment are multi-family loans, most of which are collateralized by non-luxury apartment buildings in New York City that feature below-market rents. In addition, the Company originates commercial real estate (CRE) loans, most of which are collateralized by properties located in New York City and, to a lesser extent, on Long Island and in New Jersey.

The Company also originates acquisition, development, and construction (ADC) loans, one-to-four family loans, and commercial and industrial (C&I) loans for investment. ADC loans are primarily originated for multi-family and residential tract projects in New York City and on Long Island, while secured and unsecured in-market C&I loans are made to small and mid-size businesses in New York City, on Long Island, in New Jersey, and, to a lesser extent, in Arizona. In-market C&I loans are typically made for working capital, business expansion, and the purchase of machinery and equipment. In June 2013, the Company began the funding of asset-based, equipment financing, and dealer floor plan loans to nationally recognized borrowers throughout the U.S. All of these C&I loans are senior debt-secured.

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

ADC loans typically involve a higher degree of credit risk than loans secured by improved or owner-occupied real estate. Accordingly, borrowers are required to provide a guarantee of repayment and completion, and loan proceeds are disbursed as construction progresses, as certified by in-house or third-party engineers. The risk of loss on an ADC loan is largely dependent upon the accuracy of the initial appraisal of the property s value upon completion of construction or development; the estimated cost of construction, including interest; and the estimated time to complete and/or sell or lease such property. The Company seeks to minimize these risks by maintaining conservative lending policies and rigorous underwriting standards. However, if the estimate of value proves to be inaccurate, the cost of completion is greater than expected, the length of time to complete and/or sell or lease the collateral property is greater than anticipated, or if there is a downturn in the local economy or real estate market, the property could have a value upon completion that is insufficient to assure full repayment of the loan. This could have a material adverse effect on the quality of the ADC loan portfolio, and could result in significant losses or delinquencies.

The Company seeks to minimize the risks involved in in-market 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.

To minimize the risk involved in specialty finance C&I lending, the Company participates in broadly syndicated asset-based, equipment financing, and dealer floor plan loans that are presented by an approved list of select, nationally recognized sources with whom it has established long-term funding relationships. The loans, 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, participate in stable industries, and are located nationwide. To further minimize the risk involved in specialty finance lending, the Company re-underwrites each transaction; in addition, it retains outside counsel to conduct a further review of the underlying documentation.

The ability of the Company s borrowers to repay their loans, and the value of the collateral securing such loans, could be adversely impacted by continued or more significant economic weakness in its local markets as a result of increased unemployment, declining real estate values, or increased residential and office vacancies. This not only could result in the Company experiencing an increase in charge-offs and/or non-performing assets, but also could necessitate an increase in the provision for losses on non-covered loans. These events, if they were to occur, would have an adverse impact on the Company s results of operations and its capital.

While the vast majority of the one-to-four family loans the Company holds for investment are loans that were acquired in merger transactions prior to 2009, the portfolio also includes hybrid jumbo one-to-four family loans that the Company has been originating for investment since 2012. Such loans feature conservative loan-to-value ratios and are made to borrowers with a strong record of repaying their debt.

Loans Held for Sale

The Community Bank s mortgage banking operation is one of the largest aggregators of one-to-four family loans for sale in the nation. Community banks, credit unions, mortgage companies, and mortgage brokers use its proprietary web-accessible mortgage banking platform to originate and close one-to-four family loans in all 50 states. These loans are generally sold, servicing retained, to GSEs. To a much lesser extent, the Community Bank uses its mortgage banking platform to originate fixed-rate jumbo loans under contract for sale to other financial institutions. Although the volume of jumbo loan originations has been immaterial to date, and the Company does not expect the origination of such loans to represent a material portion of the held-for-sale loans it produces, it decided to originate jumbo loans to complement its position in the residential loan origination marketplace. The Company also services mortgage loans for various third parties, primarily including those it sells to GSEs. The unpaid principal balance of serviced loans was $20.5 billion at June 30, 2013 and $17.6 billion at December 31, 2012.

Asset Quality

The following table presents information regarding the quality of the Company s non-covered loans held for investment at June 30, 2013:

(in thousands)	Loans 30-89 Days Past Due	Non-Accrual Loans	Loans 90 Days or More Delinquent and Still Accruing Interest	Total Past Due Loans	Current Loans	Total Loans Receivable
Multi-family	$ 23,195	$ 112,904	$ --	$ 136,099	$ 19,082,441	$ 19,218,540
Commercial real estate	12,432	30,329	--	42,761	7,267,358	7,310,119
Acquisition, development, and construction	--	6,737	--	6,737	411,211	417,948
One-to-four family	2,738	10,881	--	13,619	361,966	375,585
Commercial and industrial	814	4,767	--	5,581	665,493	671,074
Other	546	1,475	--	2,021	42,964	44,985
Total	$ 39,725	$ 167,093	$ --	$ 206,818	$ 27,831,433	$ 28,038,251

The following table presents information regarding the quality of the Company s non-covered loans held for investment at December 31, 2012:

(in thousands)	Loans 30-89 Days Past Due	Non-Accrual Loans	Loans 90 Days or More Delinquent and Still Accruing Interest	Total Past Due Loans	Current Loans	Total Loans Receivable
Multi-family	$ 19,945	$ 163,460	$ --	$ 183,405	$ 18,412,428	$ 18,595,833
Commercial real estate	1,679	56,863	--	58,542	7,378,056	7,436,598
Acquisition, development, and construction	1,178	12,091	--	13,269	384,648	397,917
One-to-four family	2,645	10,945	--	13,590	189,845	203,435
Commercial and industrial	262	17,372	--	17,634	572,410	590,044
Other	1,876	599	--	2,475	47,405	49,880
Total	$ 27,585	$ 261,330	$ --	$ 288,915	$ 26,984,792	$ 27,273,707

The following table summarizes the Company s portfolio of non-covered held-for-investment loans by credit quality indicator at June 30, 2013:

(in thousands)	Multi-Family	Commercial Real Estate	Acquisition, Development, and	One-to-Four Family	Total Mortgage	Commercial and	Other	Total Other Loan Segment

			Construction		Segment	Industrial		
Credit Quality Indicator:								
Pass	$19,015,112	$ 7,228,098	$ 410,897	$ 366,868	$ 27,020,975	$ 652,336	$ 43,510	$ 695,846
Special mention	60,273	32,753	--	276	93,302	11,913	--	11,913
Substandard	141,954	48,768	7,051	8,441	206,214	6,825	1,475	8,300
Doubtful	1,201	500	--	--	1,701	--	--	--
Total	$19,218,540	$ 7,310,119	$ 417,948	$ 375,585	$ 27,322,192	$ 671,074	$ 44,985	$ 716,059

The following table summarizes the Company s portfolio of non-covered held-for-investment loans by credit quality indicator at December 31, 2012:

(in thousands)	Multi-Family	Commercial Real Estate	Acquisition, Development, and Construction	One-to-Four Family	Total Mortgage Segment	Commercial and Industrial	Other	Total Other Loan Segment
Credit Quality Indicator:								
Pass	$18,285,333	$ 7,337,315	$ 383,557	$ 195,232	$ 26,201,437	$ 561,541	$ 49,281	$ 610,822
Special mention	55,280	26,523	--	294	82,097	10,211	--	10,211
Substandard	253,794	72,260	11,277	7,909	345,240	18,292	599	18,891
Doubtful	1,426	500	3,083	--	5,009	--	--	--
Total	$18,595,833	$ 7,436,598	$ 397,917	$ 203,435	$ 26,633,783	$ 590,044	$ 49,880	$ 639,924

The preceding classifications follow regulatory guidelines and can be generally described as follows: pass loans are of satisfactory quality; special mention loans have a potential weakness or risk that may result in the deterioration of future repayment; substandard loans are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged (these loans have a well-defined weakness and there is a distinct possibility that the Company will sustain some loss); and doubtful loans, based on existing circumstances, have weaknesses that make collection or liquidation in full highly questionable and improbable. In addition, one-to-four family residential loans are classified utilizing an inter-regulatory agency methodology that incorporates the extent of delinquency and the loan-to-value ratios. These classifications are the most current available and generally have been updated within the last twelve months.

Troubled Debt Restructurings

The Company is required to account for certain held-for-investment loan modifications or restructurings as Troubled Debt Restructurings (TDRs). In general, a modification or restructuring of a loan constitutes a TDR if the Company grants a concession to a borrower experiencing financial difficulty. Loans modified as TDRs are placed on non-accrual status until the Company determines that future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate performance according to the restructured terms for a period of at least six consecutive months.

The following table presents information regarding the Company s TDRs as of June 30, 2013 and December 31, 2012:

	June 30, 2013			December 31, 2012		
(in thousands)	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Loan Category:						
Multi-family	$10,608	$ 93,604	$104,212	$ 66,092	$114,556	$180,648
Commercial real estate	2,232	16,625	18,857	37,457	39,127	76,584
Acquisition, development, and construction	--	--	--	--	510	510
Commercial and industrial	1,329	--	1,329	1,463	--	1,463
One-to-four family	--	--	--	--	1,101	1,101
Total	$14,169	$110,229	$124,398	$105,012	$155,294	$260,306

The $35.2 million decline in accruing CRE loans noted in the preceding table was due to the pay-off of a single CRE loan in the first quarter of 2013. The $22.5 million decline in non-accrual CRE loans was primarily due to the pay-off of a $22.0 million loan relationship.

In an effort to proactively manage delinquent loans, the Company has selectively extended to certain borrowers concessions such as rate reductions, extension of maturity dates, and forbearance agreements. As of June 30, 2013, loans on which concessions were made with respect to rate reductions and/or extension of maturity dates amounted to $114.2 million; loans on which forbearance agreements were reached amounted to $10.2 million.

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 judgment by Company personnel regarding the likelihood that the concession will result in the maximum recovery for the Company.

In the six months ended June 30, 2013, the Company classified two loans (both CRE loans) totaling $1.7 million as non-accrual TDRs. While other concessions were granted to the borrowers, the interest rates on the loans were maintained. As a result, these TDRs did not have a financial impact on the Company s results of operations.

During the six months ended June 30, 2013, there were no payment defaults on any loans that had been modified as TDRs during the preceding twelve months. A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

The Company does not consider a payment to be in default when the loan is in forbearance, or otherwise granted a delay of payment, when the agreement to forebear or allow a delay of payment is part of a modification. Subsequent to the modification, the loan is not considered to be in default until payment is contractually past due in accordance with the modified terms. However, the Company does consider a loan with multiple modifications or forbearance periods to be in default, and would also consider a loan to be in default if it were in bankruptcy or was partially charged off subsequent to modification.

Covered Loans

The following table presents the carrying value of covered loans acquired in the AmTrust and Desert Hills acquisitions as of June 30, 2013:

(dollars in thousands)	**Amount**	**Percent of Covered Loans**
Loan Category:		
One-to-four family	$ 2,753,300	90.8%
All other loans	278,872	9.2
Total covered loans	$ 3,032,172	100.0%

The Company refers to the loans acquired in the AmTrust and Desert Hills acquisitions as covered loans because the Company is being reimbursed for a substantial portion of losses on these loans under the terms of the FDIC loss sharing agreements. Covered loans are accounted for under Accounting Standards Codification (ASC) Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality (ASC 310-30), and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the lives of the loans. Under ASC 310-30, purchasers are permitted to aggregate acquired loans into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

At June 30, 2013 and December 31, 2012, the unpaid principal balances of covered loans were $3.6 billion and $3.9 billion, respectively. The carrying values of such loans were $3.0 billion and $3.3 billion, respectively, at the corresponding dates.

At the respective acquisition dates, the Company estimated the fair values of the AmTrust and Desert Hills loan portfolios, which represented the expected cash flows from the portfolios, discounted at market-based rates. In estimating such fair value, the Company (a) calculated the contractual amount and timing of undiscounted principal and interest payments (the undiscounted contractual cash flows); and (b) estimated the expected amount and timing of undiscounted principal and interest payments (the undiscounted expected cash flows). The amount by which the undiscounted expected cash flows exceed the estimated fair value (the accretable yield) is accreted into interest income over the lives of the loans. The amount by which the undiscounted contractual cash flows exceed the undiscounted expected cash flows is referred to as the non-accretable difference. The non-accretable difference represents an estimate of the credit risk in the loan portfolios at the respective acquisition dates.

The accretable yield is affected by changes in interest rate indices for variable rate loans, changes in prepayment assumptions, and changes in expected principal and interest payments over the estimated lives of the loans. Changes in interest rate indices for variable rate loans increase or decrease the amount of interest income expected to be collected, depending on the direction of interest rates. Prepayments affect the estimated lives of covered loans and could change the amount of interest income and principal expected to be collected. Changes in expected principal and interest payments over the estimated lives of covered loans are driven by the credit outlook and actions that may be taken with borrowers.

The Company periodically evaluates the estimates of the cash flows it expects to collect. Expected future cash flows from interest payments are based on variable rates at the time of the periodic evaluation. Estimates of expected cash flows that are impacted by changes in interest rate indices for variable rate loans and prepayment assumptions are treated as prospective yield adjustments and included in interest income.

Changes in the accretable yield for covered loans for the six months ended June 30, 2013 were as follows:

(in thousands)	**Accretable Yield**
Balance at beginning of period	$1,201,172
Reclassification to non-accretable difference	(164,717)
Accretion	(80,326)

Balance at end of period	$956,129

In the preceding table, the line item reclassification to non-accretable difference includes changes in cash flows that the Company expects to collect due to changes in prepayment assumptions and changes in interest rates on variable rate loans. As of the Company s last periodic evaluation, prepayment assumptions increased and, accordingly, future expected interest cash flows decreased. This resulted in a decrease in the accretable yield. In addition, partially contributing to the decreases in the expected cash flows were additional decreases in expected cash flows from interest payments due to declining coupon rates. As a result, the Company s covered variable rate loans continue to reset at lower interest rates.

In connection with the AmTrust and Desert Hills transactions, the Company has acquired other real estate owned (OREO), all of which is covered under FDIC loss sharing agreements. Covered OREO is initially recorded at its estimated fair value on the acquisition date, based on independent appraisals less the estimated selling costs. Any subsequent write-downs due to declines in fair value are charged to non-interest expense, and partially offset by loss reimbursements under the FDIC loss sharing agreements. Any recoveries of previous write-downs are credited to non-interest expense and partially offset by the portion of the recovery that is due to the FDIC.

The FDIC loss share receivable represents the present value of the estimated losses on covered loans and OREO to be reimbursed by the FDIC. The estimated losses were based on the same cash flow estimates used in determining the fair value of the covered loans. The FDIC loss share receivable is reduced as losses on covered loans are recognized and as loss sharing payments are received from the FDIC. Realized losses in excess of acquisition-date estimates will result in an increase in the FDIC loss share receivable. Conversely, if realized losses are lower than the acquisition-date estimates, the FDIC loss share receivable will be reduced.

The following table presents information regarding the Company s covered loans 90 days or more past due at June 30, 2013 and December 31, 2012:

(in thousands)	**June 30, 2013**	**December 31, 2012**
Covered Loans 90 Days or More Past Due:		
One-to-four family	$255,260	$297,265
Other loans	12,561	15,308
Total covered loans 90 days or more past due	$267,821	$312,573

The following table presents information regarding the Company s covered loans that were 30 to 89 days past due at June 30, 2013 and December 31, 2012:

(in thousands)	**June 30, 2013**	**December 31, 2012**
Covered Loans 30-89 Days Past Due:		
One-to-four family	$61,213	$75,129
Other loans	4,178	6,057
Total covered loans 30-89 days past due	$65,391	$81,186

At June 30, 2013, the Company had $65.4 million of covered loans that were 30 to 89 days past due, and covered loans of $267.8 million that were 90 days or more past due but considered to be performing due to the application of the yield accretion method under ASC 310-30. The remaining portion of the Company s covered loan portfolio totaled $2.7 billion at June 30, 2013 and was considered current at that date. ASC 310-30 allows the Company to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Loans that may have been classified as non-performing loans by AmTrust or Desert Hills were no longer classified as non-performing because, at the respective dates of acquisition, the Company believed that it would fully collect the new carrying value of these loans. The new carrying value represents the contractual balance, reduced by the portion that is expected to be uncollectible (i.e., the non-accretable difference) and by an accretable yield (discount) that is recognized as interest income. It is important to note that management s judgment is required in reclassifying loans subject to ASC 310-30 as performing loans, and such judgment is dependent on having a reasonable expectation about the timing and amount of the cash flows to be collected, even if the loan is contractually past due.

The primary credit quality indicator for covered loans is the expectation of underlying cash flows. The Company recorded provisions for losses on covered loans of $4.6 million and $9.1 million, respectively, in the three and six months ended June 30, 2013. These provisions were largely due to credit deterioration in the acquired portfolios of one-to-four family and home equity loans, and were largely offset by FDIC indemnification income of $3.7 million and $7.3 million, respectively, recorded in non-interest income for the three and six months ended June 30, 2013. The first quarter 2013 provision was largely due to credit deterioration in the acquired portfolios of one-to-four family and home equity loans, and was largely offset by FDIC indemnification income of $3.6 million recorded in non-interest income in the same quarter.

Note 6. Allowance for Loan Losses

The following tables provide additional information regarding the Company s allowances for losses on covered and non-covered loans by segment (i.e., mortgage and other), based upon the method of evaluating loan impairment:

(in thousands)	Mortgage	Other	Total
Allowance for Loan Losses at June 30, 2013:			
Loans individually evaluated for impairment	$ --	$ --	$ --
Loans collectively evaluated for impairment	123,915	16,774	140,689
Acquired loans with deteriorated credit quality	39,086	21,345	60,431
Total	$ 163,001	$ 38,119	$ 201,120

(in thousands)	Mortgage	Other	Total
Allowance for Loan Losses at December 31, 2012:			
Loans individually evaluated for impairment	$ 1,486	$ 1,199	$ 2,685
Loans collectively evaluated for impairment	126,448	11,815	138,263
Acquired loans with deteriorated credit quality	32,593	18,718	51,311
Total	$ 160,527	$ 31,732	$ 192,259

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

(in thousands)	Mortgage	Other	Total
Loans Receivable at June 30, 2013:			
Loans individually evaluated for impairment	$ 178,154	$ 6,601	$ 184,755
Loans collectively evaluated for impairment	27,144,038	709,458	27,853,496
Acquired loans with deteriorated credit quality	2,753,300	278,872	3,032,172
Total	$ 30,075,492	$ 994,931	$ 31,070,423

(in thousands)	Mortgage	Other	Total
Loans Receivable at December 31, 2012:			
Loans individually evaluated for impairment	$ 309,694	$ 17,702	$ 327,396
Loans collectively evaluated for impairment	26,324,088	622,223	26,946,311
Acquired loans with deteriorated credit quality	2,976,067	307,994	3,284,061
Total	$ 29,609,849	$ 947,919	$ 30,557,768

Allowance for Losses on Non-Covered Loans

The following table summarizes activity in the allowance for losses on non-covered loans, by segment, for the six months ended June 30, 2013 and 2012:

	For the Six Months Ended June 30,					
		2013			2012	
(in thousands)	**Mortgage**	**Other**	**Total**	**Mortgage**	**Other**	**Total**
Balance, beginning of period	$127,934	$13,014	$140,948	$121,995	$15,295	$137,290
Charge-offs	(6,024)	(7,019)	(13,043)	(28,982)	(2,813)	(31,795)
Recoveries	2,306	478	2,784	442	1,977	2,419
Provision for losses on non-covered loans	(301)	10,301	10,000	30,839	(839)	30,000
Balance, end of period	$123,915	$16,774	$140,689	$124,294	$13,620	$137,914

Please see Critical Accounting Policies for additional information regarding the Company s allowance for losses on non-covered loans.

The following table presents additional information regarding the Company s impaired non-covered loans at June 30, 2013:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance:					
Multi-family	$ 131,457	$ 138,190	$ --	$ 165,906	$ 1,768
Commercial real estate	41,811	44,096	--	60,658	1,062
Acquisition, development, and construction	4,886	6,030	--	7,399	--
One-to-four family	--	--	--	734	--
Commercial and industrial	6,601	34,033	--	8,246	54
Total impaired loans with no related allowance	$ 184,755	$ 222,349	$ --	$ 242,943	$ 2,884

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