FRESH DEL MONTE PRODUCE INC
Form 10-K
February 21, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 30, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number 1-14706

FRESH DEL MONTE PRODUCE INC.
(Exact Name of Registrant as Specified in Its Charter)

The Cayman Islands	N/A
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S Employer Identification No.)
c/o Intertrust SPV (Cayman) Limited 190 Elgin Avenue George Town, Grand Cayman, KY1-9005 Cayman Islands	N/A
(Address of Registrant's Principal Executive Offices)	(Zip Code)

(305) 520-8400
(Registrant's telephone number including area code)

Please send copies of notices and communications from the Securities and Exchange Commission to:

c/o Del Monte Fresh Produce Company
241 Sevilla Avenue
Coral Gables, Florida 33134
(Address of Registrant's U.S. Executive Offices)

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

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary Shares, par value $0.01 per share	New York Stock Exchange

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

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

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

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 o

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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. o

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. (Check one):

Large accelerated filer x Accelerated filer o

Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of Ordinary Shares held by non-affiliates at July 1, 2016, the last business day of the registrant's most recently completed second quarter, and was $1,777,243,901 based on the number of shares held by non-affiliates of the registrant and the reported closing price of Ordinary Shares on July 1, 2016 of $54.02.

As of February 10, 2017, there were 51,271,200 ordinary shares of Fresh Del Monte Produce Inc. issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the 2017 Annual General Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year are incorporated by reference in Part III of this report.

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Forward-Looking Statements

In this Annual Report (the “Report”), references to “$” and “dollars” are to United States dollars. References in this Report to "Fresh Del Monte", “we”, “our” and “us” refer to Fresh Del Monte Produce Inc. and its subsidiaries, unless the context indicates otherwise. Percentages and certain amounts contained herein have been rounded for ease of presentation. Any discrepancies in any table between totals and the sums of amounts listed are due to rounding. As used herein, references to our results for 2014, 2015 and 2016 or for the years ended 2014, 2015 and 2016 are to fiscal years ended December 26, 2014, January 1, 2016 and December 30, 2016, respectively.

This report, information included in future filings by us and information contained in written material, press releases and oral statements, issued by or on behalf of us contains, or may contain, statements that constitute forward-looking statements. In this report, these statements appear in a number of places and include statements regarding the intent, beliefs or current expectations of us or our officers (including statements preceded by, followed by or that include the words “believes”, “expects”, “anticipates” or similar expressions) with respect to various matters, including our plans and future performance. These forward-looking statements involve risks and uncertainties. Fresh Del Monte’s actual plans and performance may differ materially from those in the forward-looking statements as a result of various factors, including (i) the uncertain global economic environment and the timing and strength of a recovery in the markets we serve, and the extent to which adverse economic conditions continue to affect our sales volume and results, including our ability to command premium prices for certain of our principal products, or increase competitive pressures within the industry, (ii) the impact of governmental initiatives in the United States and abroad to spur economic activity, including the effects of significant government monetary or other market interventions on inflation, price controls and foreign exchange rates, (iii) the impact of governmental trade restrictions, including adverse governmental regulation that may impact our ability to access certain markets such as uncertainty surrounding the recent vote in the United Kingdom to leave the European Union (often referred as Brexit), including spillover effects to other Eurozone countries, (iv) our anticipated cash needs in light of our liquidity, (v) the continued ability of our distributors and suppliers to have access to sufficient liquidity to fund their operations, (vi) trends and other factors affecting our financial condition or results of operations from period to period, including changes in product mix or consumer demand for branded products such as ours, particularly as consumers remain price-conscious in the current economic environment; anticipated price and expense levels; the impact of crop disease, severe weather conditions, such as flooding, or natural disasters, such as earthquakes, on crop quality and yields and on our ability to grow, procure or export our products; the impact of prices for petroleum-based products and packaging materials; and the availability of sufficient labor during peak growing and harvesting seasons, (vii) the impact of pricing and other actions by our competitors, particularly during periods of low consumer confidence and spending levels, (viii) the impact of foreign currency fluctuations, (ix) our plans for expansion of our business (including through acquisitions) and cost savings, (x) our ability to successfully integrate acquisitions into our operations, (xi) the impact of impairment or other charges associated with exit activities, crop or facility damage or otherwise, (xii) the timing and cost of resolution of pending and future legal and environmental proceedings or investigations, (xiii) the impact of changes in tax accounting or tax laws (or interpretations thereof), and the impact of settlements of adjustments proposed by the Internal Revenue Service or other taxing authorities in connection with our tax audits, and (xiv) the cost and other implications of changes in regulations applicable to our business, including potential legislative or regulatory initiatives in the United States or elsewhere directed at mitigating the effects of climate change. All forward-looking statements in this report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements.

The forward-looking statements are not guarantees of future performance and involve risks and uncertainties. It is important to note that our actual results may differ materially from those in the forward-looking statements as a result of various factors. The accompanying information contained in this Report, identifies important factors that could cause our actual results to differ materially from those in the forward-looking statements.

The volume data included in this Report has been obtained from our records. Except for volume data for Fresh Del Monte, the market share, volume and consumption data contained in this Report have been compiled by us based upon data and other information obtained from third-party sources, primarily from the Food and Agriculture Organization of the United Nations (the “FAO”), and from our surveys of customers and other company-compiled data. Except as otherwise indicated, volume data contained in this Report is shown in millions of 40-pound equivalent boxes.

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PART I

Item 1. Business

History and Development of Fresh Del Monte

Our legal name is Fresh Del Monte Produce Inc., and our commercial name is Del Monte Fresh Produce. We are an exempted holding company, incorporated under the laws of the Cayman Islands on August 29, 1996. At December 30, 2016, the close of our most recent fiscal year, members of the Abu-Ghazaleh family directly owned approximately 35.6% of our outstanding Ordinary Shares.

Our principal executive office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands. The address of our U.S. executive office is Del Monte Fresh Produce Company, 241 Sevilla Avenue, Coral Gables, Florida 33134. Our telephone number at our U.S. executive office is (305) 520-8400. Our Internet address is http://www.freshdelmonte.com. The electronic version of this Annual Report on Form 10-K, along with other information about us, our operations and our results and other documents filed with the Securities and Exchange Commission ("SEC") can be found on our Web site. Information on our Web site is not a part of this Report on Form 10-K.

Our global business, conducted through our subsidiaries, is primarily the worldwide sourcing, transportation and marketing of fresh and fresh-cut produce together with prepared food products in Europe, Africa and the Middle East. We source our fresh produce products (bananas, pineapples, melons, tomatoes, grapes, apples, pears, peaches, plums, nectarines, cherries, citrus, avocados, blueberries and kiwi) primarily from Central and South America, Africa, the Philippines, North America and Europe. We source our prepared food products primarily from Africa, Europe and the Middle East. Our products are sourced from company-owned operations, through joint venture arrangements and through supply contracts with independent producers. We distribute our products in North America, Europe, Asia, the Middle East, Africa and South America.

On April 28, 2016, we acquired the remaining 60% noncontrolling interest in one of our Del Monte Gold® Extra Sweet pineapple producers for $45.0 million in cash. The purchase of the noncontrolling interest in this pineapple producer allows us to take management control and facilitates its expansion and integration with our operations and improve efficiency.

During June 2016, we purchased a blueberry farm in Chile of approximately 320 acres, which includes agricultural production land, packing houses and farm equipment. The purchase price for this business was $7.1 million. During November and December 2016, we also acquired two apple and grape farms in Chile for approximately $3.5 million. These three non-tropical fruit acquisitions allow us to increase our company-owned production and improve the efficiency of our operation.

Our capital expenditures totaled $146.7 million in 2016. Approximately $75.7 million of our 2016 capital expenditures were related to the banana segment. Banana segment capital expenditures consisted primarily of approximately $34.8 million for expansion of our production operations in the Philippines and approximately $20.8 million for expansion and improvements to our production operations in Central America and Brazil. The remainder of our banana segment capital expenditures of approximately $20.1 million were principally for a new distribution center in South Korea and additional ripening room capacity and other improvements to our distribution centers in North America and the Middle East, including information technology expenditures. Approximately $63.1 million of our 2016 capital expenditures were related to the other fresh produce segment. This consisted principally of $23.6 million for expansion of pineapple operations in Costa Rica and the Philippines and $12.0 million for expansion and improvements to our non-tropical fruit operation in Chile. Also, included in our capital expenditures for the other fresh produce segment in 2016 were approximately $22.5 million for expansion and improvements to our fresh-cut operation and distribution facilities in North America and the Middle East and a new tomato operation in Jordan and approximately $5.0 million for new fresh-cut operations in France and South Korea. Approximately $7.9 million of our 2016 capital expenditures were related to our prepared food segment, consisting principally of improvements to our production facilities in Kenya and the Middle East.

Our capital expenditures totaled $131.6 million in 2015. Approximately $59.1 million of our 2015 capital expenditures were related to the banana segment. Banana segment capital expenditures consisted primarily of approximately $26.1 million for improvements and expansion of our production operations in Central America and approximately $21.6 million for expansion of our production operations in the Philippines. The remainder of our banana segment capital expenditures of approximately $11.4 million were principally for additional ripening room capacity and other improvements to our distribution centers in North America and Asia. Approximately $46.6 million of our 2015 capital expenditures were related to the other fresh produce segment. This consisted principally of $30.0 million for expansion and improvements to our fresh-cut fruit operations in North America, the Middle East and Asia and our production operations in Chile. Also, included in our capital expenditures related to the other fresh produce segment was $16.6 million for improvements and expansion of our pineapple operation in Costa Rica and the Philippines.

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Approximately $25.9 million of our capital expenditures in 2015 were related to the prepared food segment, consisting principally of $13.5 million for improvements to production facilities in Kenya and Greece, $6.9 million for a juice plant in Costa Rica and $5.5 million for improvements to our production facilities in the Middle East. Included in the capital expenditures above were approximately $5.5 million for information technology systems.

The principal capital expenditures planned for 2017 consist primarily of the expansion and improvement of production facilities in Costa Rica, the Philippines, Chile, Guatemala, Mexico, Kenya and Panama. In addition, we also plan capital expenditures for expansion and improvements of our distribution and fresh-cut facilities in the United States, Europe and the Middle East.

Business Overview

We are one of the world’s leading vertically integrated producers, marketers and distributors of high-quality fresh and fresh-cut fruit and vegetables, as well as a leading producer and distributor of prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa and the Middle East. We market our products worldwide under the DEL MONTE® brand, a symbol of product innovation, quality, freshness and reliability since 1892. Our global sourcing and logistics network allows us to provide consistent delivery of high-quality fresh produce, juices, beverages, processed fruit and vegetables and value-added services to our customers.

We have leading market positions in the following product categories. We believe we are:

- the largest marketer of fresh pineapples worldwide;
- the third-largest marketer of bananas worldwide;
- a leading marketer of branded fresh-cut fruit in the United States, Japan, the United Kingdom, United Arab Emirates and Saudi Arabia;
- a leading year-round marketer of branded grapes in the United States;
- a leading marketer of avocados in the United States;
- a leading grower, re-packer and marketer of tomatoes in the United States;
- a leading marketer of branded non-tropical fruit in selected markets; and
- a leading marketer for branded canned fruit in the European Union (the "EU"), other European markets, and the Middle East.

We source and distribute our fresh produce products globally. Our products are grown primarily in Central and South America, Africa and the Philippines. We also source products from North America and Europe. Our products are sourced from company-controlled farms and independent growers. At year end 2016, we transported our fresh produce to markets using our fleet of 12 owned and six chartered refrigerated vessels, and we operated four port facilities in the United States. We also operated 40 distribution centers, generally with cold storage and banana ripening facilities in our key markets worldwide, including the United States, Japan, South Korea, the United Arab Emirates, Saudi Arabia, Hong Kong, Germany and France. We also operate 18 fresh-cut facilities in the United States, the United Kingdom, France, Japan, the United Arab Emirates and Saudi Arabia, some of which are located within our distribution centers. Through our vertically integrated network, we manage the transportation and distribution of our products in a continuous temperature-controlled environment. This enables us to preserve quality and freshness, and to optimize product shelf life, while ensuring timely and year-round distribution. Furthermore, our position as a volume producer and shipper of bananas allows us to lower our average per-box logistics cost and to provide regular deliveries of our premium fresh fruit to meet the increasing demand for year-round supply.

We market and distribute our products to retail stores, club stores, wholesalers, distributors and foodservice operators in more than 100 countries around the world. North America is our largest market, accounting for 55% of our net sales in 2016. Europe, the Middle East and Asia regions are our other major markets, accounting for 17%, 14% and 12% of our net sales in 2016, respectively. Our distribution centers and fresh-cut facilities address the growing demand from supermarket chains, club stores, foodservice providers, mass merchandisers and independent grocers to provide value-added services, including the preparation of fresh-cut produce, ripening, customized sorting and packing, just-in-time and direct-store-delivery and in-store merchandising and promotional support. Large national chains are increasingly choosing fewer suppliers who can serve all of their needs on a

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national basis. We believe that there is a significant opportunity for a company like ours with a full fresh and fresh-cut produce line, a well-recognized brand, a consistent supply of quality produce and a national distribution network to become the preferred supplier to these large retail and convenience store chains, and foodservice customers. We believe that we are uniquely positioned as a preferred supplier, and our goal is to expand this status by increasing our leading position in fresh-cut produce, expanding our banana and pineapple business and diversifying our other fresh produce selections. We are a multinational company offering a variety of fresh produce in all major markets along with fresh-cut produce in selected markets and a prepared food product line that includes prepared fruit and vegetables, juices, beverages and snacks in Europe, Africa, the Middle East and countries formerly part of the Soviet Union.

Our strategy is a combination of maximizing revenues from our existing infrastructure, entering new markets and strict cost control initiatives. We plan to continue to capitalize on the growing global demand for fresh produce and expand our reach into existing and new markets. We expect sales growth of fresh produce in key markets by increasing our sales volume and per unit sales prices as permitted by market conditions. Our strategy includes increasing volumes from existing production and distribution facilities in order to improve operating efficiencies and reduce per unit costs. We plan additional investments in production facilities in order to expand our product offering in established markets and continue with our recent expansion in growth markets, such as the Middle East, Africa and countries formerly part of the Soviet Union. We also plan additional investments in our North America, Middle East and Europe distribution and fresh-cut fruit facilities to support our planned growth in these markets.

Products Sourcing and Production

Our products are grown and sourced primarily in Central and South America, Africa and the Philippines. We also source products from North America and Europe. In 2016, 45% of the fresh produce we sold was grown on company-controlled farms and the remaining 55% was acquired primarily through supply contracts with independent growers. Costa Rica is our most significant sourcing location representing approximately 34% of our total sales volume of fresh produce products and where 40% of our property, plant and equipment was located in 2016.

We produce, source, distribute and market a broad array of fresh produce throughout the world, primarily under the DEL MONTE® brand, as well as under other proprietary brands, such as UTC® and Rosy®. We also produce, distribute and market prepared fruits and vegetables, juices, beverages and snacks under the DEL MONTE® brand, as well as other proprietary brands, such as Fruit Express™, Just Juice®, Fruitini® and other regional trademarks in Europe, Africa, the Middle East and countries formerly part of the Soviet Union.

The following table indicates our net sales by product for the last three years:

	Year ended December 30, 2016			January 1, 2016			December 26, 2014		
	(U.S. dollars in millions)								
Net sales by product category:									
Banana	$1,811.5	45	%	$1,867.6	46	%	$1,804.7	46	%
Other fresh produce:									
Gold pineapples	495.1	12	%	524.8	13	%	577.2	15	%
Fresh-cut produce	516.9	13	%	467.0	12	%	381.1	10	%
Non-tropical fruit	256.8	6	%	271.1	7	%	283.9	7	%
Avocados	229.6	6	%	174.8	4	%	130.0	3	%
Melons	111.6	3	%	122.9	3	%	126.8	3	%
Tomatoes	81.2	2	%	107.3	3	%	109.9	3	%

Vegetables	49.3	1	%	52.2	1	%	52.2	1	%
Other fruit, products and services	112.1	3	%	106.2	3	%	83.6	2	%
Total other fresh produce	1,852.6	46	%	1,826.3	45	%	1,744.7	44	%
Prepared food	347.4	9	%	362.6	9	%	378.1	10	%
Total	$4,011.5	100	%	$4,056.5	100	%	$3,927.5	100	%

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See Note 22, “Business Segment Data”, to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data for further information.

Bananas

Bananas are the leading internationally traded fresh fruit in terms of volume and dollar sales and one of the best-selling fresh fruit in the United States. Europe and North America are the world’s largest banana markets and the Middle East has now surpassed Asia as the third largest market. According to the latest published statistics from the FAO, in 2013, Europe, North America, the Middle East and Asia consumed 20.2, 11.2, 4.7 and 3.2 billion pounds of bananas, respectively. Bananas are a key produce department product due to its high turnover and the premium margins obtained by retailers.

Bananas have a relatively short growing cycle and are grown in tropical locations with humid climates and heavy rainfall, such as Central and South America, the Caribbean, the Philippines and Africa. Bananas are grown throughout the year in these locations, although demand and prices fluctuate based on the relative supply of bananas and the availability of seasonal and alternative fruit.

We believe that we are the world’s third-largest marketer of bananas, based on internally generated data. Our banana sales in North America, Europe, Asia and the Middle East accounted for approximately 48%, 17%, 20% and 14% of our net sales of bananas in 2016, respectively. We produced approximately 39% of the banana volume we sold in 2016 on company-controlled farms, and we purchased the remainder from independent growers.

Bananas are one of the best-selling fresh produce items, as well as a high-margin product for many of our customers. Accordingly, our ability to provide our customers with a year-round supply of high-quality DEL MONTE® bananas is important to maintaining our existing customer relationships and attracting new customers. Our position as a volume shipper of bananas has also allowed us to make regular shipments of a wide array of other fresh produce, such as pineapples, melons and plantains, reducing our average per-box logistics costs and maintaining higher quality produce with a longer shelf life.

We produce bananas on company-controlled farms in Costa Rica, Guatemala, the Philippines and Brazil and we purchase bananas from independent growers in Costa Rica, Ecuador, Colombia, Guatemala, Cameroon and the Philippines. Although our supply contracts are primarily long-term, we also make purchases in the spot market, primarily in Ecuador. In Ecuador and Costa Rica there are minimum export prices for the sale of bananas which are established and reviewed on a periodic basis by the respective governments.

Due in part to limitations in the Philippines on foreign ownership of land, we purchase the majority of bananas in the Philippines through long-term contracts with independent growers. Approximately 74% of our Philippine-sourced bananas are supplied by one grower, representing 15% of the Philippines banana industry volume in 2016. In the Philippines, we have leased approximately 5,600 hectares of land where we have planted approximately 4,500 hectares of bananas for the Asia and the Middle East markets.

Gold Pineapples

Pineapples are grown in tropical and sub-tropical locations, including the Philippines, Costa Rica, Hawaii, Thailand, Malaysia, Brazil, Indonesia and various countries in Africa. In contrast to bananas, pineapples have a long growing cycle of 18 months, and require re-cultivation after one to two harvests. Pineapple growing requires a higher level of capital investment, as well as greater agricultural expertise as compared to growing bananas.

The premium pineapples, such as our Del Monte Gold® Extra Sweet pineapple, which has an enhanced taste, golden shell color, bright yellow flesh and higher vitamin C content, has replaced the Champaka and other traditional pineapple varieties in popularity and demand and has led to increased competition.

We believe that we are the leading marketer of fresh pineapples worldwide, based on internally generated data. Pineapple sales in North America, Europe, Asia and the Middle East accounted for 66%, 18%, 11% and 5%, respectively, of our net sales of pineapples in 2016. From 1996 to 2016, our volume of the Del Monte Gold® Extra Sweet pineapple increased from 2.5 million boxes to 27.1 million boxes. Based on the latest available FAO data, for the 10-year period from 2003 to 2013, the volume of pineapple sales in Europe, North America, the Middle East and Asia increased by 96%, 104%, 823% and 70%, respectively. We believe that a substantial portion of this growth is due to our introduction of the Del Monte Gold® Extra Sweet pineapple. As a result of our continued expansion and improvements of our existing pineapple operations, we expect to continue to increase the sales volume of our extra sweet pineapples in the near future with extra sweet pineapples grown in Costa Rica and the Philippines.

The principal production and procurement areas for our gold pineapples are Costa Rica and the Philippines. Given the complexity of pineapple cultivation relative to our bananas, a higher percentage of the fresh pineapples we sell (82% by volume in 2016) is produced on company-controlled farms.

Fresh-Cut Produce

Fresh-cut produce first gained prominence in many U.S. and European markets with the introduction of washed and cut vegetables. While packaged salads continue to lead the category of fresh-cut produce sales, the category has expanded significantly to include pineapples, melons, mangoes, grapes, citrus and assorted vegetable produce items that are washed, cut and packaged in a ready-to-use form. Market expansion has been driven largely by consumer demand for convenient, fresh, healthy and ready-to-eat food alternatives, as well as significant demand from foodservice operators. Within this market, we believe that there has been increasing differentiation between companies active primarily in the packaged salad market and other companies, like us, that can offer a wide variety of fresh-cut fruit and vegetable items.

The majority of fresh-cut produce is sold to consumers through retail and club store settings, as well as non-conventional settings such as convenience stores, gas stations and airports. We believe that outsourcing by food retailers will increase, particularly as food safety regulations become more stringent and retailers demand more value-added services. We believe that this trend should benefit large branded suppliers like us, who are better positioned to invest in state of the art fresh-cut facilities and food safety systems and to service regional and national chains and foodservice operators, as well as supercenters, mass merchandisers, club stores and convenience stores. We also believe that large branded suppliers benefit from merchandising, branding and other marketing strategies for fresh-cut products, similar to those used for branded processed food products, which depend substantially on product differentiation.

We believe that the fresh-cut produce market continues to be one of the fastest-growing categories in the fresh produce segment, largely due to consumer trends favoring healthy and conveniently packaged ready-to-eat foods. We established a platform in this industry through acquisitions and by building upon our existing fresh-cut pineapple business. We believe that our experience in this market coupled with our sourcing and logistics capabilities and the DEL MONTE® brand have enabled us to achieve a leading position in this highly fragmented market. We believe that we are the leading supplier of fresh-cut fruit to the supermarket, convenience and club store channels in the United States. Our fresh-cut fruit products include Del Monte Gold® Extra Sweet pineapples, melons, grapes, citrus, apples, mangoes, kiwis and other fruit items. The fruit we use in our fresh-cut operations are sourced within our integrated system of company-controlled farms and from GAP-certified (good agricultural practices) independent growers. We also offer fresh-cut vegetables for prepared salads. We purchase our vegetables for these purposes from GAP-certified independent growers principally in the United States, Europe and in the Middle East. Our purchase contracts for both fruit and vegetables are typically short-term and vary by produce item. Our fresh-cut products are sold in the United States, Canada, the United Kingdom, the Middle East, Japan and Korea. Worldwide, our fresh-cut product sales volumes increased by 11% during the past year.

Non-Tropical Fruit

Non-tropical fruit includes grapes, apples, pears, peaches, plums, nectarines, cherries, citrus and kiwis. Generally, non-tropical fruit grows on trees, bushes or vines that shed their leaves seasonally. Approximately 40% of our non-tropical fruit net sales are from grapes. Fresh grapes are a favorite quick, easy and healthy snack among consumers young and old. In addition to their taste, a growing body of research on fresh grapes suggests that grapes may offer significant health benefits. Fresh grapes are a well-known fruit worldwide, fitting into almost any lifestyle. For 2016, The Packer, an industry publication, reported that fresh grapes remained a preferred fruit for snacking with nine out of ten consumers surveyed stating that they used grapes as a snack during the past 12 months. The same publication reports that 63% of U.S. customers purchased grapes within the past 12 months. According to the United States Department of Agriculture ("USDA") Economic Research Service, the per capita consumption of fresh grapes in 2015 was 7.9 pounds. Fresh grapes are also processed for the production of wine, raisins, juices and canned products. The higher production cost and higher product value of fresh grapes result from more intensive production practices than are required for grapes grown for processing. While California supplies the majority of total grape volume, imports have made fresh grapes available year-round in the United States, with shipments mostly from South America. Most U.S. production is marketed from May to October. Chilean grapes dominate the market from December to April.

We sell a variety of non-tropical fruit, including all of the types referred to above. In 2016, non-tropical fruit sales in North America, Europe, the Middle East, Asia and South America accounted for approximately 30%, 4%, 42%, 15% and 9%, respectively, of our total net sales of non-tropical fruit. We obtain our supply of non-tropical fruit from company-owned farms in Chile and from independent growers principally in Chile and the United States. In Chile, we purchase non-tropical fruit from independent growers and also produce a variety of non-tropical fruit on approximately 6,100 acres of company-owned or leased land. Purchase contracts for non-tropical fruit are typically made on an annual basis.

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Avocados

Avocados are one of the fastest growing produce items in the United States. According to the latest published statistics from the USDA, for the 10-year period from 2006 to 2016, avocado imports to the United States increased by 238%. Per capita consumption of avocados in the United Sates also increased significantly in the last 10 years. According to the USDA Economic Research Service, per capita consumption of avocados reached approximately 6.9 pounds in 2015, resulting in approximately 2.3 billion pounds of avocados being consumed in the United States. The Packer, reported that avocados were the leading item that 25% of U.S. consumers said they were buying now that they did not buy previously. As a result of this higher consumer demand, our avocado sales volumes have increased significantly in the past few years. During 2016, our avocado sales volumes increased by approximately 21% as compared to the prior year. Our avocados are sourced principally from Mexico. We also obtain our supply of avocados from independent growers in the United States, Chile and Peru. In Mexico, we have our own sourcing operations, ensuring a consistent supply of high-quality avocados during the growing season.

Melons

According to the latest available FAO data, for the 10-year period from 2003 to 2013, the volume of imports of cantaloupes and other melons increased (decreased) in Europe, North America, Asia and the Middle East by 17%, (2%), 84% and 6%, respectively. Based on USDA Economic Research Service, during 2015, total per capita consumption of melons in the United States was approximately 24 pounds, of which seven pounds were cantaloupes. The Packer reported that the likelihood of a cantaloupe purchase increased according to both income and age and 43% of customers purchased cantaloupes within the past 12 months. Melons are one of the highest volume fresh produce items, and this category includes many varieties, such as cantaloupe, honeydew, specialty melons and watermelon. During the summer and fall growing seasons in the United States, Canada and Europe, demand is met in large part by local suppliers of unbranded or regionally branded melons. By contrast, in North America and Europe, imports significantly increase, and melons generally command premium pricing from November to May. Melons are grown in temperate and tropical locations and have a relatively short growing cycle.

We sell a variety of melons including cantaloupe, honeydew, watermelon and specialty melons. Cantaloupes represented approximately 70% of our melon sales volume in 2016. We are a significant producer and distributor of melons from November to May in North America by sourcing melons from our company-controlled farms and independent growers in Central America, where production generally occurs during this period. Melons sold in North America and Europe from November to May generally command a higher price due to fewer operators and the lack of availability of alternative fruit. Melon sales in North America accounted for 99% of our net sales of melons in 2016. Based on volume, we produced 93% of the melons we sold in 2016 on company-controlled farms and purchased the remainder from independent growers.

We are able to provide our customers in North America with a year-round supply of melons from diverse sources. For example, we supply the North America market during its summer season with melons from Arizona, California and the East Coast of the United States. In Arizona, we have our own melon growing operation on approximately 2,300 acres of leased land.

We have devoted significant research and development efforts towards maintaining our expertise in melons, especially cantaloupes. Melon crop yields are highly sensitive to weather conditions and are adversely affected by high levels of rain during the growing period. We have developed specialized melon growing technology that we believe reduce our exposure to the risk of unfavorable weather conditions and significantly increase our yields.

Tomatoes

The United States is the second largest producer of tomatoes in the world, behind China. Mexico and Canada are also important suppliers of fresh tomatoes within North America. For 2016, The Packer, reported that 72% of consumers surveyed purchased tomatoes during the past 12 months. In 2015, the per capita consumption of tomatoes in the United States was approximately 21 pounds.

We source our tomatoes mainly from the United States, Mexico, Canada and Guatemala. The tomato category is highly fragmented with many growers, re-packers and wholesalers in various geographic regions of the United States. As a high volume item, tomatoes are important for our network of distribution and re-packing facilities. This product category allows us to add value through leveraging our purchase volumes to reduce costs and perform the sorting, packaging and custom labeling locally, in addition to delivering on a just-in-time basis to retail chains and foodservice customers. With our fresh-cut fruit and vegetable facilities, we add additional value by incorporating tomatoes into our consumer-packaged products. We have a greenhouse tomato operation in Guatemala where we source volume for the North America market. We also have tomato growing operations in Florida and Virginia on owned land. During 2016, our tomato production in Florida was reduced principally due to market

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conditions. We are focused on improving this business and increasing our operational efficiencies in order to lower our costs, improve quality and increase our profitability.

Vegetables

We distribute and market a variety of vegetables including potatoes, onions, bell peppers and cucumbers. While we sell bulk product, we also use our size and distribution network to find opportunities that add value such as sorting and packaging. We source our vegetables from independent growers in North and Central America and from our own greenhouse operation in Costa Rica. We also use our agricultural production land in Florida and Virginia to grow vegetables for the North America market.

Other Fruit, Products and Services

We produce, distribute and market a variety of other fruit, including strawberries, plantains and mangos, as well as various other varieties of fruit. We source these other fruit items from company controlled farms and independent growers in Costa Rica, Colombia, Guatemala and the United States.

Included in Other Fruit, Products and Services is also our third-party ocean freight business and our third-party plastics and box manufacturing business. Our third-party ocean freight business allows us to generate incremental revenue on vessels' return voyages to our product sourcing locations and when space is available on outbound voyages to our major markets, which reduces our overall shipping costs. Our plastics and box manufacturing business produces bins, trays, bags and boxes. The box manufacturing business is intended mainly to satisfy internal packaging requirements. In the case of the plastic manufacturing business, we principally sell these products to third parties and also use a portion for our own internal packaging requirements.

Prepared Food

We have a royalty-free perpetual license to use the DEL MONTE® Trademark in connection with the production, manufacture, sale and distribution of prepared foods and beverages in over 100 countries throughout Western, Eastern and Central Europe, Africa, the Middle East and countries formerly part of the Soviet Union. In Europe, Del Monte is a premier prepared food brand with an approximate 90 year history associated with fruit-based or fruit-derived products and is the leading brand for canned fruit and pineapple in many Western European markets. The DEL MONTE® brand has had a presence in the United Kingdom, the EU's largest market for prepared food and beverage, since 1926 and is perceived to be a quality brand with high consumer awareness. The DEL MONTE® brand has a reputation with both consumers and retailers for value, quality and reliability.

We produce, distribute and market prepared pineapple, peaches, fruit cocktail, pears, tomatoes, fruit juices and other fruit and vegetables. Our prepared pineapple products are sourced from our own facility in Kenya. Our deciduous prepared food products, which include peaches, fruit cocktail, pears and apricots are principally sourced from our own facility in Greece and from independent producers. Our tomato products are sourced from our own facility in Greece and from independent producers in Europe. We also distribute and market beverages, including ambient juices and juice drinks as well as various snacks. Our prepared food products are sold primarily under the DEL MONTE® label and under the buyers' own label for major retailers. We also produce and market industrial products that are composed of fruit that has been processed in our production facilities in the form of purees, pulps and concentrates for further processing (juice, yogurt, cake manufacture and pizza) and for sale to the foodservice industry worldwide. We expect to continue investing in new product development to increase revenue, maintain our premium price position and market leadership in our product categories. We plan to expand our offerings in the snack category by offering multiple varieties and sizes of fruit and vegetables in plastic pots and pouches with new and improved recipes and various juices, targeting the convenience store and foodservice trade in addition to the traditional retail stores in selected European and Middle East markets. We are focused on improving the European prepared food business and on our higher growth markets in the Middle East and Africa.

Our prepared food segment also includes our Jordanian food business. This business includes a state-of-the-art vertically integrated poultry business, including poultry farms, hatcheries, a feed mill, a slaughterhouse and a meat processing plant in Jordan. Our Jordanian poultry business is the leading provider of poultry products to retail stores and foodservice operators in that country. The meat processing operation provides meat products for the Jordanian market and to other Middle East and North African markets.

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Logistics Operations

We market and distribute our products to retail stores, foodservice operators, wholesalers and distributors in over 100 countries around the world. As a result, we conduct complex logistics operations on a global basis, transporting our products from the countries in which they are grown to the many markets in which they are sold worldwide. Maintaining fresh produce at the appropriate temperature is an important factor in preventing premature ripening and optimizing product quality and freshness. Consistent with our reputation for high-quality fresh produce, we must preserve our fresh produce in a continuous temperature-controlled environment, from the harvest through its distribution.

We have an integrated logistics network, which includes land and sea transportation through a broad range of refrigerated environments in vessels, port facilities, containers, trucks and warehouses. Our objective is to maximize utilization of our logistics network to lower our average per-box logistics cost, while remaining sufficiently flexible to redeploy capacity or shipments to meet fluctuations in demand in our key markets. We believe that our control of the logistics process is a competitive advantage because we are able to continuously monitor and maintain the quality of our produce and ensure timely and regular distribution to customers on a year-round basis. Because logistics costs are also our largest expense other than our cost of products, we devote substantial resources to optimizing our logistic network.

We transport our fresh produce to markets worldwide using our fleet of 12 owned and six chartered vessels, comprised of four refrigerated vessels and two container vessels with refrigerated container capacity. Additionally, we transport our fruit to destinations around the world using third-party container lines that cover the array of destinations that we do not service directly with our own ships. We also spot charter refrigerated vessels during the year based on seasonal requirements. The majority of our chartered vessels are chartered for terms of one to 10 years. We believe that our fleet of owned vessels, combined with longer-term charters, is effective in reducing our ocean freight costs and mitigates our exposure to the volatility of the charter market. We also operate a fleet of approximately 6,000 refrigerated containers, 8% are owned and the remaining 92% are under operating leases. Our logistics system is supported by various information systems. As a vertically integrated food company, managing the entire distribution chain from the field to the customer requires the technology and infrastructure to meet our customers’ complex delivery needs.

Sales and Marketing

The DEL MONTE® brand has been used to identify premium produce products for 125 years and is recognized by consumers worldwide for quality, freshness and reliability. We employ a variety of marketing tools, including but not limited to advertising, public relations and promotions, to reinforce our brand equity with consumers and the trade. Depending on the product and market, we also provide technical, logistical and merchandising support aimed at safeguarding the superior quality of our products to the ultimate consumer. Our sales and marketing activities are conducted by our sales force located at our sales offices worldwide and at each of our distribution centers. Our commercial efforts are supported by marketing professionals located in key markets and regional offices. A key element of our sales and marketing strategy is to use our distribution centers and fresh-cut facilities to provide value-added services to our customers.

We actively support our customers through technical training in the handling of fresh produce, in-store merchandising support, joint promotional activities, market research and inventory and other logistical support. Since most of our customers carry only one branded product for each fresh produce items, our marketing and promotional efforts for fresh produce emphasize trade advertising and in-store promotions.

We have an exclusive worldwide license to the Controlled Ripening Technology (“CRT”), one of the most recent innovations in banana packaging. CRT packaging was created for individual single-serve packages, a 10-pound institutional pack and 40-pound bulk as well as bagged banana boxes. This packaging utilizes state-of-the-art technology to help improve the ripening and handling process while helping retailers increase banana sales, reduce product losses and maximize profits by extending the product’s yellow shelf life.

The level of marketing investment necessary to support the prepared food business is significantly higher than that required for the fresh produce and fresh-cut fruit and vegetable business. We utilize a variety of promotional tools to build the DEL MONTE® brand and engage consumers in key markets in Europe, Africa and the Middle East. In certain European markets, we utilize distributors to perform product distribution, sales and marketing activities for the prepared food business. Under these distribution agreements, the sales, warehousing, logistics, marketing and promotion functions are all performed by the distributor. This strategy of utilizing independent distributors enables us to reduce distribution and sales and marketing expenses. In addition, we plan to expand our prepared food business by entering new markets in Eastern Europe, Africa and the Middle East and by expanding our offerings in the snack category, targeting the convenience store and foodservice trade in selected European and Middle East markets.

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During 2016, one customer, Wal-Mart, Inc. (including its affiliates), accounted for approximately 11% of our total net sales. These sales are reported in our banana, other fresh produce and prepared food segments. No other customer accounted for 10% or more of our net sales. In 2016, the top 10 customers accounted for approximately 31% of our net sales.

Note 22, "Business Segment Data" included in Item 8. Financial Statements and Supplementary Data contains information regarding net sales to external customers attributable to each of our reportable segments and geographic regions, gross profit by each of our reportable segments, total assets attributable to each of our geographic regions, and information concerning the dependence of our reportable segments on foreign operations, for each of the years 2016, 2015 and 2014.

North America

In 2016, 55% of our net sales were in North America. In North America, we have established a highly integrated sales and marketing network that builds on our ability to control transportation and distribution throughout our extensive logistics network. We operate a total of 23 distribution centers and fresh-cut facilities. Our distribution centers have ripening capabilities and/or other value-added services. We also operate four port facilities, which include cold storage facilities.

Our logistics network provides us with a number of sales and marketing advantages. For example, because we are able to maintain the quality of our fresh produce in a continuous temperature-controlled environment, we are under less pressure to fully sell a shipment prior to its arrival at port. We are thus better able to manage the timing of our sales to optimize our margins. Our ability to off-load shipments for cold storage and distribution throughout our network also improves ship utilization by minimizing in-port docking time. Our logistics network also allows us to manage our inventory among distribution centers to effectively respond to changes in customer demand.

We have sales professionals in locations throughout the United States and Canada. We sell to leading grocery stores and other retail chains, wholesalers, mass merchandisers, supercenters, foodservice operators, club stores, convenience stores and distributors in North America. These large customers typically take delivery of our products at the port facilities, which we refer to as FOB delivery. We also service these customers, as well as an increasing number of smaller regional chains and independent grocers, through our distribution centers.

Europe

In 2016, 17% of our net sales were in Europe. We distribute our fresh produce and prepared food products throughout Europe. Our fresh produce products are distributed to leading retail chains, smaller regional customers as well as to wholesalers and distributors through direct sales and distribution centers. In the United Kingdom, we have a sales and marketing office in Staines, England and operate a fresh-cut facility in Wisbech, England. In Germany, we have a sales and marketing office in Hamburg and operate a distribution center in the Frankfurt area. In France, we have a distribution center with banana ripening capabilities and a fresh-cut facility in the Paris area to service our expanding customer base. In the Netherlands, Spain, Portugal, Italy and Poland, we have sales and marketing entities that perform direct sales of our fresh produce products.

Our prepared food products are distributed through independent distributors throughout most of Europe. In the United Kingdom, our prepared food products are distributed using a combination of both independent distributors and our own marketing entity.

Middle East and North Africa

In 2016, 14% of our net sales were in the Middle East and North Africa. We distribute our products through independent distributors and company-operated distribution facilities. In recent years, we have increased our sales in the Middle East market through distributors and established our own direct sales initiatives. Our distribution/manufacturing center in Dubai, United Arab Emirates (“UAE”) is a state-of-the-art facility with just-in-time delivery capabilities that includes banana ripening and cold storage facilities, fresh-cut fruit and vegetable operations, an ultra-fresh juice manufacturing operation and prepared food manufacturing. We distribute these products in the UAE and export them to other Middle East countries. We also operate a distribution center in Abu-Dhabi, UAE that includes banana ripening and cold storage facilities and we operate a lettuce farm on leased land in Ras Al Khaimah, UAE. In Saudi Arabia, through our 60%-owned joint venture, we own two distribution centers with banana ripening, cold storage facilities, fresh-cut fruit and vegetable operations, and prepared food manufacturing capabilities for juices, potatoes and sandwiches. One of the distribution centers is located in Riyadh, the capital city of Saudi Arabia, and the other distribution center is located in Jeddah, the second largest city in the country. These strategically located distribution centers distribute our fresh produce and prepared food products to these growing markets. In Saudi Arabia, we also operate a vegetable farm on leased land that supplies our fresh-cut operations. In the UAE and in Saudi Arabia, we also distribute our products using our own

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innovative retail concept through our Food and Beverage (F&B) stores. These F&B stores are small retail kiosks selling our fresh-cut produce, juice and other prepared food products and are strategically located in airports, schools, hospitals and inside hyper-markets.

In addition, we market and distribute prepared food products in the UAE, Jordan, Saudi Arabia and various other Middle East and North African markets. In Jordan, we own a state-of-the-art vertically integrated poultry business including poultry farms, hatcheries, feed mill, slaughterhouse and a meat processing plant. We are the leading provider of poultry products to retail stores and foodservice operators in that country. In Jordan, we also own a meat processing operation that provides meat products for the local market and for export to other Middle East and North African markets. As part of our vertical integration and expansion strategy in this region, in Jordan, we developed a 10 hectares ultra-modern hydroponically grown tomato operation which provides a consistent supply of tomatoes year round.

In Qatar and Russia, we have sales and marketing offices. In Turkey, our sales office located in Mersin is responsible for sourcing various types of fruit serving our units across the region. We believe that the Middle East, North Africa and countries formerly part of the Soviet Union represent an area for sales growth and development of our fresh and prepared food products. Utilizing our extensive knowledge of this region, we plan to capitalize on this opportunity with increased focus and investments in these markets.

Asia

In 2016, 12% of our net sales were in Asia. We distribute our products in Asia through direct marketing and large distributors. Our principal markets in this region are Japan, South Korea, mainland China and Hong Kong. In Japan, we distribute 100% of the products we sold in 2016 through our own direct sales and marketing organization. In Japan, we operate two fresh-cut facilities. Our products are distributed from four distribution centers located at strategic ports in Japan with cold storage and banana ripening operations.

We also engage in direct sales and marketing activities in South Korea and Hong Kong. In other Asian markets, including mainland China, we sell to local distributors. We have one distribution center and banana ripening facility in Hong Kong. In South Korea, we have three distribution centers that utilize state-of-the art ripening technology which increase our ability to offer value-added services to our customers. In July 2016, we opened a new owned distribution center with our first fresh-cut fruit facility in South Korea.

South America

In South America, we have direct sales and marketing activities in Chile and also utilize local distributors in this region. Our sales in these markets focus mainly on non-tropical fruit including grapes, apples, pears, peaches, plums, cherries, kiwi and nectarines. In Chile, we also distribute our Costa Rican grown Del Monte Gold® Extra Sweet pineapple. In Brazil, we utilize local distributors for our banana sales.

Competition

We compete based on a variety of factors, including the appearance, taste, size, shelf life and overall quality of our fresh produce, price and distribution terms, the timeliness of our deliveries to customers and the availability of our produce items. The fresh produce business is highly competitive, and the effect of competition is intensified because our products are perishable. Competition in the sale of bananas, pineapples, melons and the other fresh fruit and vegetables that we sell comes from competing producers and distributors. Our sales are also affected by the availability of seasonal and alternative produce. While historically our main competitors have been multinational banana and pineapple producers, our significantly increased product offering in recent years has resulted in additional competition from a variety of companies. These companies include local and regional producers and distributors in each of our fresh produce and fresh-cut product categories.

The extent of competition varies by product. In the pineapple and non-tropical fruit markets, we believe that the high degree of capital investment and cultivation expertise required, as well as the longer length of the growing cycle, makes it relatively difficult to enter the market. Increased competition in the production and sale of Del Monte Gold ® Extra Sweet pineapples could adversely affect our results. We expect these competitive pressures to continue.

In the banana market, we continue to face competition from a limited number of large multinational companies. At times, particularly when demand is greater than supply, we also face competition from a large number of relatively small banana producers. Unlike the pineapple and non-tropical fruit markets, there are few barriers to entry into the banana market. Supplies of bananas can be increased relatively quickly due to bananas having a relatively short growing cycle and the limited capital investment required for banana growing. As a result of changes in supply and demand, as well as seasonal factors, banana prices fluctuate significantly.

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In the melon market, we compete with producers and distributors of both branded and unbranded melons. From June to October, the peak North American and European melon-growing season, many growers enter the market with less expensive unbranded or regionally branded melons due to the relative ease of growing melons during this period, the short growth cycle and reduced transportation costs resulting from the proximity of the melon farms to the markets. These factors permit many smaller domestic growers to enter the market. During the offshore growing season from November to May, we compete with growers principally in Central America.

The fresh-cut produce market is highly fragmented, and we compete with a wide variety of local and regional distributors of branded and unbranded fresh-cut produce and, in the case of certain fresh-cut vegetables, a small number of large, branded producers and distributors. However, we believe that our principal competitive challenge is to capitalize on the growing trend of retail chains and independent grocers to outsource their own on-premises fresh-cut operations. We believe that our sales strategy, which emphasizes not only our existing sources of fresh produce, but also a full range of value-added services, strict compliance with food safety standards and our national distribution capability, positions us to increase our share of this market.

The processed fruit and beverage markets are mature markets characterized by high levels of competition and consumer awareness. Consumer choices are driven by price and/or quality. Large retailers with their “buyers own label” (“BOL”) products appeal to price-conscious consumers, while brand names are the key differentiator for quality-focused consumers. In the processed food and beverage markets in Europe, Africa and the Middle East, we compete with various local producers, large retailers with their BOL products, as well as with large international branded companies. It is in the branded section that our processed foods products, specifically, canned fruit and pineapple in many European countries, hold a leading position in these markets. The mature state of the market in Western Europe, together with the strength and sophistication of the large retailers there, account in part for the increasing presence of BOL products in many food and beverage categories. In the past few years, we have faced increased competitive pressure, particularly in the U.K. market, for branded processed food and beverage products. At the same time, our marketing and distribution costs in these European markets have increased. In order to reduce our costs and increase our competitiveness in the processed food business, we use distributors in certain key European markets to perform product distribution and sales and marketing activities. Under these arrangements, the sales, warehousing, logistics, marketing and promotion functions are all performed by the distributor. In the United Kingdom, we have also outsourced our beverage production. This strategy takes advantage of lower cost and established marketing and distribution networks and enables us to reduce costs and increase our competitiveness in these mature markets.

Quality Assurance

To ensure the consistent high quality of our products, we have a quality assurance group that maintains detailed quality specifications for all our products so that they meet or exceed minimum regulatory requirements. Our specifications require extensive sampling of our fresh produce at each stage of the production and distribution process to ensure high quality and proper sizing, as well as to identify the primary sources of any defects. Our fresh produce is evaluated based on both external appearance and internal quality, using size, color, porosity, translucence and sweetness as criteria. Only fresh produce meeting our stringent quality specifications is sold under the DEL MONTE® brand.

We are able to maintain the high quality of our products by growing a substantial portion of our own produce and working closely with our independent growers. We insist that all produce supplied by our independent growers meet the same stringent quality requirements as the produce grown on our farms. Accordingly, we monitor our independent growers to ensure that their produce will meet our agricultural and quality control standards, offer technical assistance on certain aspects of production and packing and, in some cases, manage the farms. The quality assurance process begins on the farms and continues as harvested products enter our packing facilities. Where appropriate, we cool the fresh produce at our packing facilities to maximize quality and optimize shelf life. As an indication of our worldwide commitment to quality, food safety, and sustainability, many of our operations are third party certified in globally recognized standards developed for the safe and sustainable production and distribution of quality foods. These standards include the International Organization for Standardization's ISO 22000 and the Global Food Safety (GFS) Initiative benchmarked standards of Primus GFS, GlobalG.A.P, and Safe Quality Food Level 2 for food quality and food safety. They also include SCS Global Services' Sustainably Grown Certified and the Sustainable Agriculture Network's Rain Forest Alliance for sustainable agriculture and food production. In 2015, our Costa Rica Banana operation was certified as Carbon Neutral by SCS Global Services. All of our operations that produce or handle high risk foods (tomatoes, melons or leafy greens) achieved certification to the Hazard Analysis & Critical Control Points ("HACCP") based safe quality food standard. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Taken together, these certifications reflect our commitment to quality and the strictest standards of food safety.

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Government Regulation

Agriculture and the sale and distribution of fresh produce are subject to extensive regulation by government authorities in the countries where the produce is grown and the countries where it is marketed. We have internal policies and procedures to comply with the most stringent regulations applicable to our products, as well as a technical staff to monitor pesticide usage and compliance with applicable laws and regulations. We believe we are in material compliance with these laws and regulations.

We are also subject to various government regulations in countries where we market our products. The countries in which we market a material amount of our products are the United States, Canada, the countries of the EU, Japan, China, South Korea, Jordan, the UAE and Saudi Arabia. These government regulations include:

- sanitary regulations, particularly in the United States and the EU;

- regulations governing pesticide use and residue levels, particularly in the United States, United Kingdom, Germany and Japan; and

- regulations governing traceability, packaging and labeling, particularly in the United States and the EU.

Any failure to comply with applicable regulations could result in an order barring the sale of part or all of a particular shipment of our products or, in an extreme case, the sale of any of our products for a specified period. In addition, we believe there has been an increasing emphasis on the part of consumers, as well as retailers, wholesalers, distributors and foodservice operators, on food safety issues, which could result in our business and operations being subject to increasingly stringent food safety regulations or guidelines.

European Union Banana Import Regulations

In December 2007, most of the African, Caribbean and Pacific countries (ACP), including Cameroon, signed a bilateral agreement with the EU that allows ACP bananas duty free access to the EU market without quantitative limitation commencing January, 1, 2008. Our Cameroon sourced bananas fall under this agreement.

In December 2009, the EU entered into an agreement with certain Latin America banana exporting countries to settle a long running dispute over banana import tariffs. This agreement was ratified in May 2010. Under this agreement, the EU will gradually reduce import tariffs on bananas from Latin America on an annual basis from the current level of €127 per ton in 2016 to €114 per ton by 2019, except for countries under Free Trade Agreements (FTA's). Countries under FTA's that signed bilateral agreements with the EU in 2012 are benefiting from accelerated but gradual reduction of import duties. The FTA's are in effect for Central American countries, Colombia, and Peru. The duty for FTA countries was €103 per ton in 2016, and the duty is €96 per ton for 2017 and will be reduced to €75 per ton by January 1, 2020. Our Colombia and Central America sourced bananas benefit from this FTA agreement.

Environmental Proceedings

The management, use and disposal of some chemicals and pesticides are inherent aspects of our production operations. These activities and other aspects of production are subject to various environmental laws and regulations, depending upon the country of operation. In addition, in some countries of operation, environmental laws can require the investigation and, if necessary, remediation of contamination related to past or current operations. We are not a party to any dispute or legal proceeding relating to environmental matters where we believe that the risk associated with the dispute or legal proceeding would be material, except as described in Item 3. Legal Proceedings and Note 17, “Litigation” to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data in connection with the Kunia Well Site.

On May 10, 1993, the U.S. Environmental Protection Agency (the "EPA") identified a certain site at our plantation in Hawaii for potential listing on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. See Item 3. Legal Proceedings and Note 17, “Litigation” to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Research and Development, Patents and Licenses, Etc.

Our research and development programs have led to improvements in agricultural and growing practices and product packaging technology. These programs are directed mainly at reducing the cost and risk of pesticides, using natural biological agents to control pests and diseases, testing new varieties of our principal fruit varieties for improved crop yield and resistance to

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wind damage and improving post-harvest handling. We have also been seeking to increase the productivity of low-grade soils for improved banana growth and experimenting with various other types of fresh produce. Our research and development efforts are conducted by our staff of professionals and include studies conducted in laboratories, as well as on-site field analysis and experiments. Our research and development professionals are located at our production facilities and in the United States, and we provide our growers with access to improved technologies and practices. We operate research and development facilities in the United States and Costa Rica where we conduct various research activities relating to the development of new fruit varieties.

Some of the research and development projects include:

- the development of the Del Monte Gold® Extra Sweet pineapple and other pineapple and melon varieties; and

- improved irrigation methods and soil preparation for melon planting.

Our total corporate research and development expenses were $3.3 million for 2016, $3.9 million for 2015 and $4.1 million for 2014, and are included in selling, general and administrative expenses in the Consolidated Financial Statements.

We have the exclusive right to use the DEL MONTE® brand for fresh fruit, fresh vegetables and other fresh and fresh-cut produce and certain other specified products on a royalty-free basis under a worldwide, perpetual license from Del Monte Corporation, an unaffiliated company that owns the DEL MONTE® trademark. Del Monte Corporation and several other unaffiliated companies manufacture, distribute and sell under the DEL MONTE® brand canned or processed fruit, vegetables and other produce, as well as dried fruit, snacks and other products. Our licenses allow us to use the trademark “DEL MONTE®” and the words “DEL MONTE®” in association with any design or logotype associated with the brand. The licenses also give us certain other trademarks and trademark rights, on or in connection with the production, manufacture, sale and distribution of fresh fruit, fresh vegetables, other fresh produce and certain other specified products. In addition, the licenses allow us to use certain patents and trade secrets in connection with the production, manufacture, sale and distribution of our fresh fruit, fresh vegetables, other fresh produce and certain other specified products.

We also have a royalty-free perpetual license to use the DEL MONTE® trademark in connection with the production, manufacture, sale and distribution of all food and beverage products in Europe, Africa, the Middle East and countries formerly part of the Soviet Union.

We also sell produce under several other brands for which we have obtained registered trademarks, including UTC®, Rosy®, Fruit Express®, Just Juice®, Fruitini® and other regional brands.

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Seasonality

In part, as a result of seasonal sales price fluctuations, we have historically realized a greater portion of our net sales and of our gross profit during the first two calendar quarters of the year. The sales price of any fresh produce item fluctuates throughout the year due to the supply of and demand for that particular item, as well as the pricing and availability of other fresh produce items, many of which are seasonal in nature. For example, the production of bananas is continuous throughout the year and production is usually higher in the second half of the year, but the demand for bananas varies because of the availability of other fruit. As a result, demand for bananas is seasonal and generally results in higher sales prices during the first six months of the calendar year. We make most of our sales of non-tropical fruit from October to May. In the melon market, the entry of many growers selling unbranded or regionally branded melons during the peak North American and European melon growing season results in greater supply, and therefore lower selling prices, from June to October. As a result of greater demand during the fourth quarter, the prepared food business is expected to have higher net sales and gross profit during this period. These seasonal fluctuations are illustrated in the following table, which presents certain unaudited quarterly financial information for the periods indicated:

	Year ended	
	December 30, 2016	January 1, 2016
Net sales:		
First quarter	$1,018.1	$1,008.4
Second quarter	1,088.6	1,134.1
Third quarter	950.2	936.1
Fourth quarter	954.6	977.9
Total	$4,011.5	$4,056.5
Gross profit:		
First quarter	$140.7	$100.4
Second quarter	145.4	114.0
Third quarter	118.8	83.3
Fourth quarter	56.5	44.6
Total	$461.4	$342.3

Employees

At year end 2016, we had approximately 38,000 employees worldwide, substantially all of whom are year-round employees. Approximately 88% of these persons are employed in production locations. We believe that our overall relationship with our employees and unions is satisfactory.

Organizational Structure

We are organized under the laws of the Cayman Islands and, as set forth in our Amended and Restated Memorandum of Association, we are a holding company for the various subsidiaries that conduct our business on a worldwide basis. Our significant subsidiaries, all of which are directly or indirectly wholly owned, are:

Subsidiary	Country of Incorporation
Corporacion de Desarrollo Agricola Del Monte S.A.	Costa Rica

Del Monte Fresh Produce Company	United States
Del Monte Fresh Produce International Inc.	Liberia
Del Monte Fresh Produce N.A., Inc.	United States
Del Monte Fund B.V.	Curacao
Del Monte International GmbH	Switzerland
Del Monte Fresh Produce Sarl	Luxembourg

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Web site Access to Reports

We file annual, quarterly and current reports, and amendments to those reports, proxy statements and other information with the SEC. You may access and read our filings without charge through the SEC's Web site at www.sec.gov. You may also read and copy any document we file with the SEC at the SEC's Public Reference Room located at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports can be viewed on the Company's Web site at www.freshdelmonte.com as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Information on our Web site is not a part of this Annual Report on Form 10-K.

In addition, copies of our annual report may be obtained free of charge, upon written request to attention: Investor Relations, c/o Del Monte Fresh Produce Company, 241 Sevilla Avenue, Coral Gables, Florida 33134.

Item 1A. Risk Factors

We are subject to many risks and uncertainties that may affect our future financial performance and our stock price. Some of the risks and uncertainties that may cause our financial performance to vary or that may materially or adversely affect our financial performance or stock price are discussed below.

We could realize losses and suffer liquidity problems due to declines in sales prices for bananas, pineapples and other fresh produce.

Our profitability depends largely upon our profit margins and sales volumes of bananas, pineapples and other fresh produce. In 2014, 2015 and 2016, banana sales accounted for the most significant portion of our total net sales.

Supply of bananas can be increased relatively quickly due to the banana's relatively short growing cycle and the limited capital investment required for banana growing. As a result of imbalances in supply and demand and import regulations, banana prices fluctuate; consequently, our operating results could be adversely affected.

Sales prices for bananas, pineapples and other fresh produce are difficult to predict. It is possible that sales prices for bananas and pineapples will decline in the future, and sales prices for other fresh produce may also decline. In recent years, there has been increasing consolidation among food retailers, wholesalers and distributors. We believe the increasing consolidation among food retailers may contribute to further downward pressure on our sales prices. In the event of a decline in sales prices or sales volumes, we could realize significant losses, experience liquidity problems and suffer a weakening in our financial condition. A significant portion of our costs is fixed, so that fluctuations in the sales prices have an immediate impact on our profitability. Our profitability is also affected by our production costs, which may increase due to factors beyond our control.

Due to fluctuations in the supply of and demand for fresh produce, our results of operations are seasonal, and we realize a greater portion of our net sales and gross profit during the first two quarters of each year.

In part as a result of seasonal sales price fluctuations, we have historically realized a greater portion of our gross profit during the first two quarters of each year. The sales price of any fresh produce item fluctuates throughout the year due to the supply of and demand for that particular item, as well as the pricing and availability of other fresh produce items, many of which are seasonal in nature. For example, the production of bananas is continuous throughout the year and production is usually higher in the second half of the year, but the demand for bananas during that period varies because of the availability of seasonal and alternative fruit. As a result, demand for bananas is seasonal and generally results in higher sales prices during the first six months of each calendar year. In the melon market, the entry of many growers selling unbranded or regionally branded melons during the peak North American and European melon growing season results in greater supply, and therefore, lower sales prices from June to October. In the North American and European regions, we realize most of our sales and gross profit for melons, grapes and non-tropical fruit from November to May.

Crop disease, severe weather, natural disasters and other conditions affecting the environment, including the effects of climate change, could result in substantial losses and weaken our financial condition.

Crop disease, severe weather conditions, such as floods, droughts, windstorms and hurricanes, and natural disasters, such as earthquakes, may adversely affect our supply of one or more fresh produce items, reduce our sales volumes, increase our unit production costs or prevent or impair our ability to ship products as planned. This is particularly true in the case of our premium

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pineapple product, the Del Monte Gold® Extra Sweet pineapple, because a substantial portion of our production is grown in one region in Costa Rica. Since a significant portion of our costs are fixed and contracted in advance of each operating year, volume declines due to production interruptions or other factors could result in increases in unit production costs, which could result in substantial losses and weaken our financial condition. We have experienced crop disease, insect infestation, severe weather and other adverse environmental conditions from time to time, including hurricanes, droughts, floods and earthquakes in our sourcing locations. Severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change. When crop disease, insect infestations, severe weather, earthquakes and other adverse environmental conditions destroy crops planted on our farms or our suppliers' farms or prevent us from exporting them on a timely basis, we may lose our investment in those crops or our purchased fruit cost may increase.

The fresh produce and prepared food markets in which we operate are highly competitive.

The fresh produce and prepared food business is highly competitive, and the effect of competition is intensified because most of our products are perishable. In banana and pineapple markets, we compete principally with a limited number of multinational and large regional producers. In the case of our other fresh fruit and vegetable products, we compete with numerous small producers, as well as regional competitors. Our sales are also affected by the availability of seasonal and alternative fresh produce. The extent of competition varies by product. To compete successfully, we must be able to strategically source fresh produce and prepared food of uniformly high quality and sell and distribute it on a timely and regular basis. In addition, our profitability has depended significantly on the sale of our Del Monte Gold ® Extra Sweet pineapples. Increased competition in the production and sale of Del Monte Gold ® Extra Sweet pineapples could adversely affect our results. We expect these competitive pressures to continue.

We are subject to material currency exchange risks because our operations involve transactions denominated in various currencies.

We conduct operations in many areas of the world involving transactions denominated in various currencies, and our results of operations, as expressed in dollars, may be significantly affected by fluctuations in rates of exchange between currencies. Although a substantial portion of our net sales (36% in 2016) are denominated in non-dollar currencies, we incur a significant portion of our costs in dollars. Although we periodically enter into currency forward contracts as a hedge against currency exposures, we may not enter into these contracts during any particular period or these contracts may not adequately offset currency fluctuations. We generally are unable to adjust our non-dollar local currency sales prices to compensate for fluctuations in the exchange rate of the dollar against the relevant local currency. In addition, there is normally a time lag between our costs incurred and collection of the related sales proceeds. Accordingly, if the dollar appreciates relative to the currencies in which we receive sales proceeds, our operating results may be negatively affected. Our costs are also affected by fluctuations in the value, relative to the U.S. dollar, of the currencies of countries in which we have significant production operations, with a weaker dollar resulting in increased production costs.

Our strategy of diversifying our product line, expanding into new geographic markets and increasing the value-added services that we provide to our customers may not be successful.

We are diversifying our product line through acquisitions and internal growth. In addition, we have expanded our service offerings to include a higher proportion of value-added services, such as the preparation of fresh-cut produce, ripening, customized sorting and packing, direct-to-store delivery and in-store merchandising and promotional support. This strategy represents a significant departure from our traditional business of delivering our products to our customers at the port. In recent periods, we have made significant investments in distribution centers, new growing operations and, fresh-cut and prepared food facilities through capital expenditures and have expanded our business into new geographic markets. We may not be successful in anticipating the demand for these products and services, in establishing the requisite infrastructure to meet customer demands or the provision of these value-added services. During recent years, we incurred significant asset impairment and other charges as a result of our continuing efforts to align our diversified product lines to meet market demand. During 2016, we incurred an asset impairment of $2.6 million representing 100% of the goodwill associated with our poultry business in Jordan. This impairment was principally due to the failure of this business to meet our expectations due to underperformance. We also incurred approximately $7.5 million in asset impairments and other charges principally related to unfavorable weather conditions in Brazil, conversion of a banana plantation to pineapples in the Philippines, underutilized assets in Central America and contract termination and other charges.

We review goodwill and other intangible assets for impairment on an annual basis or earlier if indicators for impairment are present. The goodwill associated with our banana segment is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of this asset. If the banana segment does not perform to expected levels, the banana segment goodwill may be at risk for impairment in the future.

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The fair value of the prepared food unit's trade names and trademarks are highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of these assets. If the prepared food reporting unit does not perform to expected levels, the trade names and trademarks associated with this unit may also be at risk for impairment in the future.

If we are not successful in our diversification efforts, our business, financial condition or results of operations could be materially and adversely affected.

The loss of one or more of our largest customers, or a reduction in the level of purchases made by these customers, could negatively impact our sales and profits.

Sales to Wal-Mart, Inc., our largest customer, amounted to approximately 11% of our total net sales in 2016, and our top 10 customers collectively accounted for approximately 31% of our total net sales. We expect that a significant portion of our revenues will continue to be derived from a relatively small number of customers. We believe these customers make purchase decisions based on a combination of price, product quality, consumer demand, customer service performance, desired inventory levels and other factors that may be important to them at the time the purchase decisions are made. Changes in our customers' strategies or purchasing patterns, including a reduction in the number of brands they carry, may adversely affect our sales. Additionally, our customers may face financial or other difficulties which may impact their operations and cause them to reduce their level of purchases from us, which could adversely affect our results of operations. Customers also may respond to any price increase that we may implement by reducing their purchases from us, resulting in reduced sales of our products. If sales of our products to one or more of our largest customers are reduced, this reduction may have a material adverse effect on our business, financial condition, and results of operations. Any bankruptcy or other business disruption involving one of our significant customers also could adversely affect our results of operations.

Increased prices for fuel, packaging materials or short-term refrigerated vessel charter rates could increase our costs significantly.

Our costs are determined in large part by the prices of fuel and packaging materials, including containerboard, plastic, resin and tin plate. We may be adversely affected if sufficient quantities of these materials are not available to us. Any significant increase in the cost of these items could also materially and adversely affect our operating results. Other than the cost of our products (including packaging), logistics (sea and inland transportation) costs represent the largest component of cost of products sold. Third-party containerized shipping rates are also a significant component of our logistic costs. In recent years these container shipping rates have decreased. During 2015, cost of fuel decreased 41%, containerboard decreased 3% and fertilizer decreased 11%. During 2016, cost of fuel decreased 25%, containerboard decreased 4% and fertilizer decreased 13%.

In addition, we are subject to the volatility of the charter vessel market because six of our refrigerated vessels are chartered. These charters are principally for periods of one to 10 years. Charter rates have generally remained relatively stable over the past three years. As a result, significant increases in fuel, packaging material, fertilizer and charter rates would materially and adversely affect our results.

Compliance with regulation aimed at mitigating the effects of climate change, as discussed elsewhere in these Risk Factors, could also increase the cost of fuel for our shipping and logistics operations. We might be unable to adjust our product pricing to reflect our increased costs. Even if we are able to adjust our product pricing, our customer's buying patterns could change to reflect a greater reliance on local production rather than imports.

We are subject to the risk of product contamination and product liability claims.

The sales of our products involve the risk of injury to consumers. Such injuries may result from tampering by unauthorized personnel, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, or residues introduced during the growing, packing, storage, handling or transportation phases. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, including internal product safety policies, we cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our brand image. In addition, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance in an amount that we believe is adequate. However, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage, resulting in significant cash outlays that would materially and adversely affect our results and financial condition.

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We are subject to legal and environmental risks that could result in significant cash outlays.

We are involved in several legal and environmental matters that, if not resolved in our favor, could require significant cash outlays and could materially and adversely affect our results of operations and financial condition. In addition, we may be subject to product liability claims if personal injury results from the consumption of any of our products.

The EPA has placed a certain site at our former plantation in Oahu, Hawaii on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. Under an order entered into with the EPA, we completed a remedial investigation and engaged in a feasibility study to determine the extent of the environmental contamination. The remedial investigation report was finalized in January 1999 and approved by the EPA in February 1999. A final draft feasibility study was submitted for EPA review in December 1999 and updated in December 2001 and October 2002, and approved by the EPA in April 2003. In September 2003, the EPA issued the Record of Decision ("ROD"). The EPA estimated in the ROD that the remediation costs associated with the cleanup of our plantation would range from \$12.9 million to \$25.4 million. The undiscounted estimates are between \$13.7 million and \$28.7 million. As of December 30, 2016, there are \$13.3 million included in other noncurrent liabilities and \$0.4 million included in accounts payable and accrued expenses in our Consolidated Balance Sheets relating to the Kunia well site clean-up. We increased the liability by \$0.4 million during 2016 and we decreased the liability by \$0.8 million during 2015 due to changes to the remediation work being performed. Going forward, we expect to expend approximately \$0.4 million in 2017, and \$3.4 million for 2018 through 2021 on this matter. See Item 3. Legal Proceedings and Note 17, " Litigation " to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data. In addition, we are involved in several actions in U.S. and non-U.S. courts involving allegations by numerous Central American and Philippine plaintiffs that they were injured by exposure to a nematocide containing the chemical Dibromochloropropane during the 1970's. See Item 3. Legal Proceedings and Note 17, "Litigation" to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Environmental and other regulation of our business, including potential climate change regulation, could adversely impact us by increasing our production cost or restricting our ability to import certain products into the United States.

Our business depends on the use of fertilizers, pesticides and other agricultural products. The use and disposal of these products in some jurisdictions are subject to regulation by various agencies. A decision by a regulatory agency to significantly restrict the use of such products that have traditionally been used in the cultivation of one of our principal products could have an adverse impact on us. For example, most uses of methyl bromide, a pesticide used for fumigation of imported produce (principally melons) for which there is currently no known substitute, were phased out in the United States in 2006. Also, under the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Food, Drug and Cosmetic Act and the Food Quality Protection Act of 1996, the EPA is undertaking a series of regulatory actions relating to the evaluation and use of pesticides in the food industry. Similarly, in the EU, regulation (EC) No. 1107/2009 which became effective on June 14, 2011, fundamentally changed the pesticide approval process from the current risk base to hazard criteria based on the intrinsic properties of the substance. Future actions regarding the availability and use of pesticides could have an adverse effect on us. In addition, if a regulatory agency were to determine that we are not in compliance with a regulation in that agency's jurisdiction, this could result in substantial penalties and a ban on the sale of part or all of our products in that jurisdiction.

There has been a broad range of proposed and promulgated state, national and international regulation aimed at reducing the effects of climate change. Such regulations apply or could apply in countries where we have interests or could have interests in the future. In the United States, there is a significant possibility that some form of regulation will be enacted at the federal level to address the effects of climate change. Such regulation could take several forms that could result in additional costs in the form of taxes, the restriction of output, investments of capital to maintain compliance with laws and regulations, or required acquisition or trading of emission allowances. Climate change regulation continues to evolve, and while it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation, we do not believe that such regulation is reasonably likely to have a material effect in the foreseeable future on our business, results of operations, capital expenditures or financial position.

We are exposed to political, economic and other risks from operating a multinational business.

Our business is multinational and subject to the political, economic and other risks that are inherent in operating in numerous countries. These risks include those of adverse government regulation, including the imposition of import and export duties and quotas, currency restrictions, expropriation and potentially burdensome taxation. For example, banana import regulations have in prior years restricted our access to the EU banana market and increased the cost of doing business in the EU. In December 2009, the EU entered into an agreement with certain Latin America banana exporting countries to settle the long running dispute over banana import tariffs. This agreement was ratified in May 2010. Under this agreement, the EU will gradually reduce import

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tariffs on bananas from Latin America on an annual basis from the current level of €127 per ton in 2016 to €114 per ton by 2019, except for countries under FTA. Countries under FTA's that have signed bilateral agreements with the EU in 2012 are benefiting from accelerated but gradual reduction of import duties. FTA's are effect for Central American countries, Columbia, and Peru. The duty for FTA countries was €103 per ton in 2016, and the duty is €96 per ton for 2017 and will be reduced to €75 by January 1, 2020. We cannot predict the impact of further changes to the banana import tariffs or new quotas on the EU banana market.

Costa Rica and Ecuador, countries in which we operate, have established "minimum" export prices for bananas that are used as the reference point in banana purchase contracts from independent producers, thus limiting our ability to negotiate lower purchase prices. These minimum export price requirements could potentially increase the cost of sourcing bananas in countries that have established such requirements.

We are also subject to a variety of government regulations in countries where we market our products, including the United States, the EU, Asia, countries of the Middle East and Africa. Examples of the types of regulation we face include:

- sanitary regulations;
- regulations governing pesticide use and residue levels; and
- regulations governing packaging and labeling.

If we fail to comply with applicable regulations, it could result in an order barring the sale of part or all of a particular shipment of our products or, possibly, the sale of any of our products for a specified period. Such a development could result in significant losses and could weaken our financial condition.

Acts or omissions of other companies could adversely affect the value of the DEL MONTE® brand.

We depend on the DEL MONTE® brand in marketing our products. We share the DEL MONTE® brand with unaffiliated companies that manufacture, distribute and sell canned or processed fruit and vegetables, dried fruit, snacks and other products. Acts or omissions by these companies, including an instance of food-borne contamination or disease, may adversely affect the value of the DEL MONTE® brand. As a result, our reputation and the value of the DEL MONTE ® brand may be adversely affected by negative consumer perception.

Our success depends on the services of our senior executives, the loss of whom could disrupt our operations.

Our ability to maintain our competitive position is dependent to a large degree on the services of our senior management team. We may not be able to retain our existing senior management personnel or attract additional qualified senior management personnel.

Our acquisition and expansion strategy may not be successful.

Our growth strategy is based in part on growth through acquisitions or expansion, which poses a number of risks. We may not be successful in identifying appropriate acquisition candidates, consummating acquisitions on satisfactory terms or integrating any newly acquired or expanded business with our current operations. We may issue additional Ordinary Shares, incur long-term or short-term indebtedness, spend cash or use a combination of these for all or part of the consideration paid in future acquisitions or expansion of our operations. The execution of our acquisition and expansion strategy could entail repositioning or similar actions that in turn require us to record impairments, restructuring and other charges. Any such charges would reduce our earnings.

Our indebtedness could limit our financial and operating flexibility and subject us to other risks.

Our ability to obtain additional debt financing or refinance our debt on acceptable terms, if at all, in the future for working capital, capital expenditures or acquisitions may be limited either by financial considerations or due to covenants in existing debt agreements.

Our ability to meet our financial obligations will depend on our future performance, which will be affected by prevailing economic conditions and financial, business and other factors, some of which are beyond our control. Our ability to meet our financial obligations also may be adversely affected by the seasonal nature of our business, the cyclical nature of agricultural commodity prices, the susceptibility of our product sourcing to crop disease, severe weather and other adverse environmental conditions and other factors.

Since we are a holding company, our ability to meet our financial obligations depends primarily on receiving sufficient funds from our subsidiaries. The payment of dividends or other distributions to us by our subsidiaries may be restricted by the provisions of our credit agreements and other contractual requirements and by applicable legal restrictions on payment of dividends and other distributions.

If we were unable to meet our financial obligations, we would be forced to pursue one or more alternative strategies, such as selling assets, restructuring or refinancing our indebtedness or seeking additional equity capital, strategies which could be unsuccessful. Additional sales of our equity capital could substantially dilute the ownership interest of existing shareholders.

Our current credit facility imposes certain operating and financial restrictions on us. Our failure to comply with the obligations under this facility, including maintenance of financial ratios, could result in an event of default, which, if not cured or waived, would permit the lender to accelerate the indebtedness due under the facility.

We are controlled by our principal shareholders.

Members of the Abu-Ghazaleh family, including our Chairman and Chief Executive Officer and one of our directors, are our principal shareholders. As of February 10, 2017, they together directly owned 35.6% of our outstanding Ordinary Shares, and our Chairman and Chief Executive Officer holds, and is expected to continue to hold, an irrevocable annual proxy to vote all of these shares. We expect our principal shareholders to continue to use their interest in our Ordinary Shares to significantly influence the direction of our management, the election of our entire board of directors, the method and timing of the payment of dividends, subject to applicable debt covenants and to determine substantially all other matters requiring shareholder approval and to control us. The concentration of our beneficial ownership may have the effect of delaying, deterring or preventing a change in control, may discourage bids for the Ordinary Shares at a premium over their market price and may otherwise adversely affect the market price of the Ordinary Shares.

A substantial number of our Ordinary Shares are available for sale in the public market, and sales of those shares could adversely affect our share price.

Future sales of our Ordinary Shares by our principal shareholders, or the perception that such sales could occur, could adversely affect the prevailing market price of our Ordinary Shares. Of the 51,271,200 Ordinary Shares outstanding as of February 10, 2017, 18,119,783 Ordinary Shares are owned by the principal shareholders and are “restricted securities.” These “restricted securities” can be registered upon demand and are eligible for sale in the public market without registration under the Securities Act of 1933 (the “Securities Act”), subject to compliance with the resale volume limitations and other restrictions of Rule 144 under the Securities Act.

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Our organizational documents contain a variety of anti-takeover provisions that could delay, deter or prevent a change in control.

Various provisions of our organizational documents and Cayman Islands law may delay, deter or prevent a change in control of us that is not approved by our board of directors. These provisions include:

- a classified board of directors;
- a prohibition on shareholder action through written consents;
- a requirement that general meetings of shareholders be called only by a majority of the board of directors or by the Chairman of the Board;
- advance notice requirements for shareholder proposals and nominations;
- limitations on the ability of shareholders to amend, alter or repeal our organizational documents; and
- the authority of the board of directors to issue preferred shares with such terms as the board of directors may determine.

In addition, a change of control would constitute an event of default under our current credit facility, which would have a material adverse effect on us. These provisions also could delay, deter or prevent a takeover attempt.

Our shareholders have limited rights under Cayman Islands law.

We are incorporated under the laws of the Cayman Islands, and our corporate affairs are governed by our Amended and Restated Memorandum and Articles of Association and by the Companies Law of the Cayman Islands. Principles of law relating to matters, such as the validity of corporate procedures, the fiduciary duties of our management, directors and controlling shareholders and the rights of our shareholders differ from those that would apply if we were incorporated in a jurisdiction within the United States. Further, the rights of shareholders under Cayman Islands law are not as clearly established as the rights of shareholders under legislation or judicial precedent applicable in most U.S. jurisdictions. As a result, our public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. In addition, there is doubt as to whether the courts of the Cayman Islands would enforce, either in an original action or in an action for enforcement of judgments of U.S. courts, liabilities that are predicated upon the U.S. federal securities laws.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

The following table summarizes the approximate plantation acreage under production that are owned or leased by us and the principal products grown on such plantations by location as of the end of 2016:

Location	Acres Under Production		Products
	Acres Owned	Acres Leased	
Costa Rica	42,800	6,200	Bananas, Pineapples, Melons
Guatemala	9,200	4,000	Bananas, Melons
Brazil	2,500	—	Bananas, Other Crops
Chile	4,000	2,100	Non-Tropical Fruit
Kenya	—	10,700	Pineapples
Philippines	—	19,300	Bananas, Pineapples
United States	4,200	2,300	Melons, Tomatoes and Other Crops

Our significant properties include the following:

North America

We operate a total of 23 distribution centers in the United States and Canada, of which ten are also fresh-cut facilities. We own eight of our distribution centers, consisting of a 200,000 square foot distribution center in Dallas, Texas, a distribution center in Plant City, Florida and Goodyear Arizona, a repack facility in Winder, Georgia, and fresh-cut facilities in Kankakee, Illinois, Portland, Oregon and Sanger, California. We also operate a state-of-the-art distribution center with a fresh-cut facility in Ontario, Canada on owned land. The remaining 15 distribution centers are leased from third parties. All of our distribution centers have ripening capabilities and/or other value-added services. We also lease four port facilities that include cold storage capabilities.

Europe

We own and operate a distribution center in the Frankfurt area of Germany. We also own and operate a fresh-cut fruit facility in Wisbech, England. In Rungis, France, a suburb of Paris, we have a leased distribution center with banana ripening capability and operate a new fresh-cut produce facility. In Larissa, Greece, we own and operate a production facility for prepared fruit, tomato products and snacks.

Asia

Our products are distributed from four leased distribution centers located at strategic ports in Japan with cold storage and banana ripening operations. In Japan, we also operate two fresh-cut fruit facilities. One is owned and the other one is leased. In Hong Kong, we lease a distribution center. In addition, we lease two distribution centers in South Korea and one new facility on owned land with our first fresh-cut fruit operation in that country. Our distribution centers include state-of-the art ripening technology and other value-added services.

Central America

In Costa Rica, we own a juice processing plant and an IQF (individually quick frozen) fruit processing plant. In Costa Rica and Guatemala, we own and operate greenhouses where we produce tomatoes and other vegetables for export.

South America

In Brazil, we own approximately 13,100 acres of land of which 2,500 acres are under production. In Uruguay, we own approximately 7,800 acres of which 4,200 acres contain a citrus plantation that is leased to a third party.

Africa

In Thika, Kenya, we own and operate a warehouse, a pineapple cannery and a juice production facility.

Middle East

In Jordan, we own an integrated poultry business including poultry farms, hatcheries, a feed mill, a poultry slaughterhouse and a meat processing plant. In Jordan, we also own a 25 acre hydroponic tomato operation. In the UAE, we own a combined distribution/manufacturing center in Dubai. This state-of-the-art facility includes banana ripening and cold storage facilities, fresh-cut fruit and vegetable operations, an ultra fresh juice manufacturing operation and prepared food manufacturing. We also operate a lettuce farm on leased land in Ras Al Khaimah, UAE. In addition, we lease and operate a distribution center in Abu-Dhabi, UAE that includes banana ripening and cold storage facilities. In Saudi Arabia, we own 60% of a joint venture that operates two owned distribution centers strategically located in Jeddah and Riyadh, with banana ripening, cold storage facilities and fresh-cut products and prepared food manufacturing capabilities. In Al Jouf, located in the norther region of Saudi Arabia, we operate a vegetable farm on leased land.

Maritime and Other Equipment (including Containers)

We own a fleet of 12 and charter another six refrigerated vessels. In addition, we own or lease other related equipment, including approximately 6,000 refrigerated container units and 350 trucks and refrigerated trailers used to transport our fresh produce in the United States. In the Middle East, we own approximately 300 trucks principally used to deliver fresh produce and prepared food products to customers.

Other Properties

We own our U.S. executive headquarters building in Coral Gables, Florida, our Central America regional headquarters building in San Jose, Costa Rica and our South America regional headquarters building in Santiago, Chile. We own our office space in Guatemala City, Guatemala and Amman, Jordan. Our remaining office space in North America, Europe, Asia, Central and South America and the Middle East is leased from third parties.

We believe that our property, plant and equipment are well maintained in good operating condition and adequate for our present needs. Except as noted in Item 3. Legal Proceedings and Note 17, “Litigation” to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data, we know of no other environmental issues that may affect the utilization of our property, plant and equipment. For further information with respect to our property, plant and equipment, see Note 6, “Property, Plant and Equipment ” to the Consolidated Financial Statements filed as part of this Report.

The principal capital expenditures planned for 2017 consist primarily of the expansion and improvement of production facilities in Costa Rica, the Philippines, Chile, Guatemala, Mexico, Kenya and Panama. In addition, we also plan capital expenditures for expansion and improvements of our distribution and fresh-cut facilities in the United States, Europe and the Middle East.

Item 3. Legal Proceedings

See Note 17, “Litigation” to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Ordinary Share Prices and Related Matters

Our Ordinary Shares are traded solely on the New York Stock Exchange, under the symbol FDP, and commenced trading on October 24, 1997, the date of our initial public offering.

The following table presents the high and low sales prices of our Ordinary Shares:

	High	Low
2016		
First quarter	$42.96	$36.68
Second quarter	$55.41	$41.70
Third quarter	$60.85	$53.65
Fourth quarter	$66.86	$56.18
2015		
First quarter	$38.89	$31.95
Second quarter	$41.16	$36.07
Third quarter	$41.39	$36.56
Fourth quarter	$47.49	$38.62

Dividend Policy

Our quarterly cash dividend was $0.125 per ordinary share for the first and second quarters of 2016 and $0.150 per ordinary share during the third and fourth quarters of 2016. Our quarterly cash dividend was $0.125 per ordinary share during the year ended January 1, 2016. We paid an aggregate of $28.2 million in dividends during the year ended December 30, 2016 and $26.2 million during the year ended January 1, 2016. Because we are a holding company, our ability to pay dividends and to meet our debt service obligations depends primarily on receiving sufficient funds from our subsidiaries. Pursuant to our credit facility, we may declare and pay dividends and distributions in cash solely out of and up to 50% of our net income for the year immediately preceding the year in which the dividend or distribution is paid, or at such time the dividend is paid or declared, as the case may be, subject to certain other credit facility conditions, when the Consolidated Leverage Ratio is less than 3.25 to 1.0. It is also possible that countries in which one or more of our subsidiaries are located could institute exchange controls, which could prevent those subsidiaries from remitting dividends or other payments to us. Dividends are payable when, as, and if declared by our board of directors, and we cannot assure that dividends will be paid in the future.

Shareholders

As of February 10, 2017, we had 65 shareholders of record, which excludes shareholders whose shares were held by brokerage firms, depositories and other institutional firms in “street name”.

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Performance Graph

The following graph compares the cumulative five-year total return of holders of FDP ordinary shares with the cumulative total returns of the S&P 500 index and the S&P 500 Food Products index. The graph tracks the performance of a $100 investment in our common stock and in each of the indexes (with the reinvestment of all dividends) from December 30, 2011 to December 30, 2016.

	12/30/2011	12/28/2012	12/27/2013	12/26/2014	1/1/2016	12/30/2016
Fresh Del Monte Produce Inc.	100.00	105.31	117.42	141.59	165.83	258.70
S&P 500	100.00	116.00	153.58	174.00	177.01	187.40
S&P 500 Food Products	100.00	107.56	143.88	159.67	177.46	199.88

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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Share Repurchase Program

The following table provides information regarding our purchases of Ordinary Shares during the periods indicated:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
October 1, 2016 through October 31, 2016	—	$ —	—	$ 241,294,101
November 1, 2016 through November 30, 2016	94,500	$ 61.60	94,500	$ 235,472,528
December 1, 2016 through December 30, 2016	558,200	$ 60.69	558,200	$ 201,595,670
Total	652,700	$ 60.82	652,700	$ 201,595,670

(1) For the year ended December 30, 2016, we repurchased and retired 2,325,235 of our ordinary shares.

(2) On July 29, 2015, our Board of Directors approved a three-year repurchase program of up to $300 million of our ordinary shares in addition to the three-year repurchase program of up to $300 million of our ordinary shares approved on May 1, 2013.

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Item 6. Selected Financial Data

Our fiscal year end is the last Friday of the calendar year or the first Friday subsequent to the end of the calendar year, whichever is closest to the end of the calendar year.

The following selected financial data for the years ended December 28, 2012, December 27, 2013, December 26, 2014, January 1, 2016 and December 30, 2016 is derived from our audited Consolidated Financial Statements for the applicable year, prepared in accordance with U.S. generally accepted accounting principles.

The following selected financial data should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and accompanying notes contained in Item 8. Financial Statements and Supplementary Data in this Report.

	Year ended December 30, 2016	January 1, 2016	December 26, 2014
	(U.S. Dollars in millions, except share and per share data)		
Statement of Income Data:			
Net sales	$4,011.5	$4,056.5	$3,927.5
Cost of products sold	3,550.1	3,714.2	3,562.7
Gross profit	461.4	342.3	364.8
Selling, general and administrative expenses	187.4	183.9	175.8
Loss (gain) on disposal of property, plant and equipment	—	(2.1)	4.3
Goodwill and trademark impairment charges	2.6	66.1	—
Asset impairment and other charges, net	27.2	3.4	11.2
Operating income (loss)	244.2	91.0	173.5
Interest expense, net	3.4	3.7	2.6
Other expense (income), net	3.4	7.2	12.0

& as well as additional information about our allowance for losses on non-covere

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Mortgage Servicing Rights (MSRs)

We recognize the right to service mortgage loans for others as a separate asset referred to as mortga
one-to-four family loans are sold or securitized, servicing retained, and are initially recorded, and su

We base the fair value of our MSRs on the present value of estimated future net servicing income ca
on assumptions that market participants would use to estimate fair value, including estimates of prep
escrow account earnings, contractual servicing fee income, and ancillary income. We reassess, and p
conditions and changes in the assumptions that a market participant would consider in valuing MSR

Changes in the fair value of MSRs occur primarily in connection with the collection/realization of e
assumptions. Changes in the fair value of MSRs are reported in Mortgage banking income in the

Investment Securities

The securities portfolio primarily consists of mortgage-related securities and, to a lesser extent, debt
available for sale are carried at their estimated fair value, with any unrealized gains or losses, net
stockholders equity. Securities that we have the intent and ability to hold to maturity are classified
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
and/or credit spreads widen, the fair value of fixed-rate securities will decline; as interest rates fall a
We regularly conduct a review and evaluation of our securities portfolio to determine if the decline
temporary. If we deem any decline in value to be other than temporary, the security is written down
(other than the OTTI on debt securities attributable to non-credit factors) is charged against earning
value includes judgment as to the financial position and future prospects of the entity that issued the
collateral. Broad changes in the overall market or interest rate environment generally will not lead t

In accordance with OTTI accounting guidance, unless we have the intent to sell, or it is more likely
recognized as a realized loss in earnings to the extent that the decline in fair value is credit-related. I
we have the intent to sell it, or it is more likely than not that we may be required to sell the security
earnings.

Goodwill Impairment

Goodwill is presumed to have an indefinite useful life and is tested for impairment, rather than amo
tested in less than one year s time if there were a triggering event. There were no triggering even

The goodwill impairment analysis is a two-step test. However, a company can, under Accounting St
assess qualitative factors to determine whether it is necessary to perform the two-step quantitative g
required to calculate the fair value of a reporting unit unless the entity determined, based on a qualit
than its carrying amount. The Company did not elect to perform a qualitative assessment in 2013. T
comparing each reporting segment s estimated fair value to its carrying amount, including goodwil
amount, goodwill is not considered to be impaired. If the carrying amount exceeds the estimated fai
(Step 2) is performed to measure the amount.

Step 2 involves calculating an implied fair value of goodwill for each reporting segment for which i
determined in a manner similar to the amount of goodwill calculated in a business combination, i.e.
segment, as determined in Step 1, over the aggregate estimated fair values of the individual assets, l
acquired in a business combination at the impairment test date. If the implied fair value of goodwill
there is no impairment. If the carrying amount of goodwill assigned to a reporting segment exceeds
the excess. An impairment loss cannot exceed the carrying amount of goodwill assigned to a reporti
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
include present-value measurements based on multiples of earnings or revenues, or similar perform
valuation techniques could result in materially different evaluations of impairment.

For the purpose of goodwill impairment testing, management has determined that the Company has
Banking. All of our recorded goodwill has resulted from prior acquisitions and, accordingly, is attri
Residential Mortgage Banking, as this segment was acquired in our FDIC-assisted AmTrust acquisi
annual goodwill impairment test, we determined the carrying value of the Banking Operations segm
of the Company.

We performed our annual goodwill impairment test as of December 31, 2013 and found no indicatio

Income Taxes

In estimating income taxes, management assesses the relative merits and risks of the tax treatment o
in the context of our tax position. In this process, management also relies on tax opinions, recent au
information to record income taxes, underlying estimates and assumptions can change over time as
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 differ
liabilities and their respective tax bases, and the carryforward of certain tax attributes such as net op
that we estimate are more likely than not to be unrealizable, based on available evidence at the time
estimate future taxable income, considering the prudence and feasibility of tax planning strategies a
deferred tax assets can be affected by changes to tax laws, statutory tax rates, and future taxable inc
realize all or a portion of our net deferred tax assets in the future, we would reduce such amounts th
determination was made. Conversely, if we were to determine that we would be able to realize our d
would decrease the recorded valuation allowance through a decrease in income tax expense in the p
benefits associated with valuation allowances recorded in a business combination would be recorde

In January 2014, the Governor of the State of New York submitted a budget that, if enacted, is expe
institutions and their affiliates, are taxed in New York State. The following changes would be likely
liabilities, if enacted:

New York State tax will be determined by measuring the apportioned income of the c
participate in a unitary business relationship, rather than by applying differing rules b

Taxable income will be apportioned to New York based on the location of the taxpay
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; howe
this filing, it cannot be determined if the New York State Legislature will enact all or some portion
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
are enacted as currently proposed, we estimate that the recomputation will result in an increase in in
small reduction in annual tax expense beginning in 2015. However, these estimated amounts would

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%, i
attributable to the deployment of our cash flows into interest-earning assets, with loans rising $1.2 b
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
accounts together rose $3.5 billion, the increase was largely tempered by a $2.2 billion decrease in
accounts to $2.3 billion. Borrowed funds rose $1.7 billion year-over-year, to $15.1 billion, driven b

Stockholders equity rose $79.4 million year-over-year to $5.7 billion, representing 12.29% of tota
rose $95.2 million during this time, to $3.3 billion, representing 7.42% of tangible assets and a tang
reconciliations of stockholders equity and tangible stockholders equity, total assets and tangible
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 I
year-end 2013 balance, and non-covered loans accounted for the remaining $30.1 billion, or 91.5%.
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 Ar
loans refers to the loans we acquired in those transactions, and are referred to as such because they
2013, covered loans represented $2.8 billion, or 8.5%, of the total loan balance, a decline from $3.2
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 to
loans representing $259.4 million, combined. Covered other loans consist of commercial real estate
multi-family loans; commercial and industrial (C&I) loans; home equity lines of credit (HELO

At December 31, 2013, $2.0 billion, or 71.3%, of the loans in our covered loan portfolio were varia
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 schedule
expect such loans to reprice at lower interest rates. The interest rates on the variable rate loans in 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 8
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
from certain pools of acquired loans that previously had experienced a decline in credit quality. The
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,

(in thousands)
Florida
California
Arizona
Ohio
Massachusetts
Michigan
Illinois
New York
Maryland
Nevada
New Jersey
Minnesota
Texas
All other states
Total covered loans

Loan Maturity and Repricing Analysis: Covered Loans

The following table sets forth the maturity or period to repricing of our covered loan portfolio at De
repricing in the period during which their interest rates are next subject to change.

(in thousands)
Amount due or repricing:
Within one year
After one year:
One to five years
Over five years
Total due or repricing after one year
Total amounts due or repricing, gross

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The following table sets forth, as of December 31, 2013, the dollar amount of all covered loans due
fixed or adjustable rates of interest.

(in thousands)	
One-to-four family	
All other loans	
Total loans	

Non-Covered Loans Held for Investment

Non-covered loans held for investment totaled $29.8 billion at the end of December, representing 9
from the balance at December 31, 2012. In addition to multi-family loans and CRE loans, the held-f
family loans, ADC loans, and other loans, with C&I loans comprising the bulk of the other loan
of loans that we ourselves originated, with the remainder having been acquired in our business com

In 2013, originations of held-for-investment loans totaled $11.2 billion, exceeding the year-earlier v
repayments, we benefited from the related rise in prepayment penalty income, as further discussed u
condition and results of operations.

Multi-Family Loans

Multi-family loans are our principal asset. The loans we produce are primarily secured by non-luxu
and feature below-market rents a market we refer to as our primary lending niche. Consistent w
represented $7.4 billion, or 66.5%, of the loans we produced in 2013 for investment, exceeding the
contributed to the record volume of multi-family loan originations, the increase also reflects the im
increase in property transactions during the year.

At December 31, 2013, multi-family loans represented $20.7 billion, or 69.4%, of total non-covere
billion, or 11.3%. At December 31, 2013 and 2012, the average multi-family loan had respective pr
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 apartm
borrowers typically use the funds we provide to make certain improvements to the apartments and
the rents their tenants pay. In doing so, the borrower creates more cash flows to borrow against in f
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,
management expertise. Borrowers are required to present evidence of their ability to repay the loan
documents.

Our multi-family loans typically feature a term of ten or twelve years, with a fixed rate of interest f
years six through ten or eight through twelve. The rate charged in the first five or seven years is gen
remaining years, the loan resets to an annually adjustable rate that is tied to the prime rate of intere
to the five-year fixed advance rate of the Federal Home Loan Bank of New York (the FHLB-NY
equal to one percentage point of the then-outstanding loan balance. In either case, the minimum rat

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As the rent roll increases, the typical property owner seeks to refinance the mortgage, and generally
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 estab
loan at the time of prepayment, the penalties normally range from five percentage points to one perc
or seventh year and the borrower selects the fixed rate option, the prepayment penalties typically res
through twelve. For example, a ten-year multi-family loan that prepays in year three would generall
of the remaining principal balance. A twelve-year multi-family loan that prepays in year one or two

Prepayment penalties are recorded as interest income and are therefore reflected in the average yield
and the level of net interest income we record. No assumptions are involved in the recognition of pr
received.

Our success as a multi-family lender partly reflects the solid relationships we have developed with t
practices, our underwriting standards, and our long-standing practice of basing our loans on the cash
generally four to six weeks in duration and, because the multi-family market is largely broker-driven

At December 31, 2013, the vast majority of our multi-family loans were secured by rental apartmen
buildings in New York City, with Manhattan accounting for the largest share. Of the loans secured b
5.0%, with New Jersey and Pennsylvania accounting for 7.4% and 4.5%, respectively. The remainin
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 red
driving our focus on multi-family lending has been the comparative quality of the loans we produce
standards, and the generally conservative loan-to-value ratios (LTVs) our multi-family loans feat
have transitioned to non-performing status have actually resulted in losses, even when the credit cyc

We primarily underwrite our multi-family loans based on the current cash flows produced by the co
properties, rather than the sales approach. The sales approach is subject to fluctuations in the real
be more risky in the event of a downward credit cycle turn. We also consider a variety of other facto
operating income of the mortgaged premises prior to debt service and depreciation; the debt service
income to its debt service; and the ratio of the loan amount to the appraised value of the property. T
than 75% of the lower of the appraised value or the sales price of the underlying property, and typic
a minimum DSCR of 120% on multi-family buildings, we obtain a security interest in the personal p

Accordingly, while our multi-family lending niche has not been immune to downturns in the credit
less credit risk than certain other types of loans. In general, buildings that are subject to rent regulati
constant over time. Because the rents are typically below market and the buildings securing our loan
retain their tenants in adverse economic times. In addition, we underwrite our multi-family loans on
and exclude any short-term property tax exemptions and abatement benefits the property owners rec

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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 investr
respective year-ends, the average CRE loan had a principal balance of $4.7 million and $4.6 million
years. In 2013, CRE loans represented $2.2 billion, or 19.4%, of the loans we produced for investm
26.8%.

The CRE loans we produce are secured by income-producing properties such as office buildings, re
properties. At December 31, 2013, 73.2% of our CRE loans were secured by properties in New Yor
New York State, and New Jersey accounted for 13.4%, 2.7%, and 6.7%, respectively. Another 1.4%
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 r
based on intermediate-term interest rates plus a spread. During years six through ten or eight throug
rate of interest, plus a spread. Alternately, the borrower may opt for a fixed rate that is tied to the fiv
option also requires the payment of an amount equal to one percentage point of the then-outstanding
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
normally range from five percentage points to one percentage point of the then-current loan balance
fixed rate option, the prepayment penalties typically reset to a range of five points to one point over
refinance within three to four years of origination, as reflected in the expected weighted average life

The repayment of loans secured by commercial real estate is often dependent on the successful oper
risk, we originate CRE loans in adherence with conservative underwriting standards, and require tha
DSCR. The approval of a loan also depends on the borrower s credit history, profitability, and expe
130% and a maximum LTV of 65%. In addition, the origination of CRE loans typically requires a s
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 i
vast majority of the one-to-four family loans we produce are aggregated for sale with others produc
generally sold, servicing retained, to government-sponsored enterprises (GSEs). (For more detail
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
we began to capitalize on our proprietary mortgage banking platform to originate one-to-four family
produced for investment were all hybrid jumbo credits. In 2013, we began to retain agency-conform
Accordingly, the balance of one-to-four family loans held for investment rose $357.3 million year-o
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 inve
2012. Reflecting our primary focus on multi-family and CRE lending, we originated a modest $149

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At December 31, 2013, 65.3% of the loans in our ADC portfolio were for land acquisition and deve
construction of owner-occupied homes and commercial properties. Loan terms vary based upon the
also feature a floating rate of interest tied to prime, with a floor. In addition, 79.8% of the loans in th
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 durin
guarantee of repayment and completion. In the twelve months ended December 31, 2013, we recove
the prior year. The risk of loss on an ADC loan is largely dependent upon the accuracy of the initial
estimated cost of construction, including interest; and the estimated time to complete and/or sell or l
completion is greater than expected, or the length of time to complete and/or sell or lease the collate
completion that is insufficient to assure full repayment of the loan. Reflecting repayments and charg
portfolio were non-performing at the end of this December, as compared to 3.0% at December 31, 2

When applicable, as a condition to closing an ADC loan, it is our practice to require that residential
commitments from a recognized lender for an amount equal to, or greater than, the amount of our lo
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 i
amount. C&I loans represented $813.7 million, or 95.4%, of the current year-end total, as compared

The increase in C&I loans was primarily due to our establishment of a new subsidiary, NYCB Spec
Foxboro, Massachusetts, the subsidiary is staffed by a group of industry veterans with expertise in c
in broadly syndicated loans that are brought to us by a select group of nationally recognized sources
are publicly traded, carry investment grade or near-investment grade ratings, and participate in stabl
(asset-based lending, dealer floor plan lending, and equipment loan and lease financing) and each of
underlying collateral and structured as senior debt. The pricing of our asset-based and dealer floor p
credits are at fixed rates at a spread over treasuries. At December 31, 2013, specialty finance loans r
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 produc
of New York City and on Long Island. Other C&I loans represented $641.0 million of total C&I loa
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 incluc
a lesser extent, loans that are partly guaranteed by the Small Business Administration. A broad rang
to businesses for working capital (including inventory and accounts receivable), business expansion
needs. In determining the term and structure of other C&I loans, several factors are considered, incl
Other C&I loans are typically secured by business assets and personal guarantees of the borrower, a

The interest rates on our other C&I loans can be fixed or floating, with floating rate loans being tied
rate loans may or may not feature a floor rate of interest. The decision to require a floor on other C&
other institutions, the direction of market interest rates, and the profitability of our relationship with

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An added benefit of other C&I lending is the opportunity to establish full-scale banking relationship
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 cre
our pre-2009 merger partners prior to their joining the Company. We currently do not offer home ec

Lending Authority

The loans we originate for investment are subject to federal and state laws and regulations, and are u
approved by the Mortgage Committee, the Credit Committee, and the respective Boards of Director

In accordance with the Banks policies, all loans originated by the Banks are presented to the Mort
million or more are reported to the respective Boards of Directors. In 2013, 224 loans of $10.0 milli
$5.3 billion at origination. In 2012, 177 loans of $10.0 million or more were originated by the Bank

At December 31, 2013, our largest loan was in the amount of $262.5 million; the interest rate on the
Bank on June 28, 2013 to the owner of a commercial office building located in Manhattan, and, as o

Geographical Analysis of Held-for-Investment Loans

The following table presents a geographical analysis of the multi-family and CRE loans in our held-

(dollars in thousands)
New York City:
Manhattan
Brooklyn
Bronx
Queens
Staten Island
Total New York City
Long Island
Other New York State
New Jersey
Pennsylvania
All other states
Total

In addition, the largest concentrations of one-to-four family loans and ADC loans in our portfolio of
totaling $272.2 million and $274.5 million, respectively. The majority of our other loans held for in
York.

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

The following table sets forth the maturity or period to repricing of our portfolio of non-covered loa
rates are shown as being due in the period during which their interest rates are next subject to chang

		N
(in thousands)	Multi-Family	Con Rea
Amount due:		
Within one year	$ 601,456	$ (
After one year:		
One to five years	11,994,707	3,3
Over five years	8,103,764	3,3
Total due or repricing after one year	20,098,471	6,(
Total amounts due or repricing, gross	$ 20,699,927	$ 7,3

The following table sets forth, as of December 31, 2013, the dollar amount of all non-covered loans
whether such loans have fixed or adjustable rates of interest:

(in thousands)
Mortgage Loans:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Total mortgage loans
Other loans
Total loans

Non-Covered Loans Held for Sale

Our mortgage banking business, now in its fifth year of operation, is actively engaged in the origina
Bank, NYCB Mortgage Company, LLC serves approximately 900 clients community banks, credit
proprietary web-accessible mortgage banking platform to originate full-documentation, prime credit
the held-for-sale loans we produce are agency-conforming loans sold to GSEs, we also utilize our m
mortgage investors.

In 2013, the production of one-to-four family loans was largely constrained as homeowners withdre
the volume of one-to-four family loans produced for sale fell $4.7 billion year-over-year, to $6.2 bil
family loans held for sale were $306.9 million and $1.2 billion, representing 0.93% and 3.8%, respe

To mitigate the risks inherent in originating and reselling residential mortgage loans, we utilize proc
that seek to ensure that the loans meet investors program eligibility, underwriting, and collateral re
utilized throughout the processing, underwriting, and loan closing stages to assist in the determinati
local, state, and federal laws and regulations. Controlling, auditing, and validating the data upon wh
mitigates the risk of our originating or acquiring a loan that subsequently is deemed to be in breach

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We require the use of our proprietary processes, origination systems, and technologies for all loans
proprietary Gemstone system. By mandating usage of Gemstone for all table-funded loan origina
origination activities. Our clients access Gemstone via secure Internet protocols, and initiate the pro
asset, debt, and credit documents to us electronically. Key data is then verified by a combination of
underwriters and quality control specialists. Once key data is independently verified, it is locked d
transaction.

In addition, all trusted source third-party vendors are directly connected to the Gemstone system
sources provide key risk and control services throughout the origination process, including ordering
appraisals, private mortgage insurance certificates, automated underwriting and program eligibility
local/state/federal regulatory compliance reviews, predatory or high cost loan reviews, and legal
controls by performing audits during the process, which include the final underwriting of the loan fi
quality control reviews.

Both the agency-conforming and non-conforming (i.e., jumbo) one-to-four family loans we originat
regard to the underwriting, documentation, and legal/regulatory compliance, and we may be require
representations and warranties has occurred. In such case, we would be exposed to any subsequent
future.

As governed by our agreements with the GSEs and other third parties to whom we sell loans, the rep
not limited to, the ownership of the loan; the validity of the lien securing the loan; the absence of de
date; the process used to select the loan for inclusion in a transaction; and the loan s compliance wi
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 i
Condition. The related expense is recorded in Mortgage banking income in the accompanying C
2013 and 2012, the respective liabilities for estimated possible future losses relating to these represe
methodology used to estimate the liability for representations and warranties is a function of the rep
including, but not limited to, actual default experience, estimated future defaults, historical loan rep
that a repurchase request will be received, and the probability that a loan will be required to be repu

The following table sets forth the activity in our representation and warranty reserve during the peri

Representation and Warranty Reserve

(in thousands)
Balance, beginning of period
Repurchase losses
Provision for repurchase losses:
Loan sales
Change in estimates
Balance, end of period

Because the level of mortgage loan repurchase losses is dependent on economic factors, investor de
of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to e
believe the amount and range of reasonably possible losses in excess of our reserve is not material t

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

GSE Repurchase and Indemnification Requests

(dollars in thousands)
Balance, beginning of period
New repurchase requests [2]
Successful rebuttal/rescission
New indemnifications [3]
Loan repurchases [4]
Balance, end of period [5]

(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 a

(4) Of the eight loans repurchased during the twelve months ended December 31, 2013, six 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 a and Freddie Mac have allowed 60 days to respond to a repurchase request. Failure to respo the loan.

Indemnified and Repurchased Loans

The following table sets forth the activity of our indemnified and repurchased loans during the peric

(dollars in thousands)
Balance, beginning of period
New indemnifications
New repurchases
Principal payoffs
Principal payments
Modifications/other
Balance, end of period [1]

(1) *Of the twenty-nine period-end loans, fourteen loans with an aggregate principal balance of $ fifteen loans, with an aggregate principal balance of $4.1 million, were indemnified and are*

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Please see Item 7A, Quantitative and Qualitative Disclosures about Market Risk, for a discussion
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

(dollars in thousands)
Mortgage Loan Originations for Investment:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Total mortgage loan originations for investment
Other Loan Originations for Investment:
Commercial and industrial
Other
Total other loan originations for investment
Total loan originations for investment
Loan originations for sale
Total loan originations

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Loan Portfolio Analysis

The following table summarizes the composition of our loan portfolio at each year-end for the five y

							At Decemb
	2013			2012			2011
(dollars in thousands)	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount	Percent of Total Loans	Percent of Non-Covered Loans	Amount
Non-Covered Mortgage Loans:							
Multi-family	$ 20,699,927	62.89%	68.71%	$ 18,595,833	58.55%	65.30%	$ 17,430,628
Commercial real estate	7,364,231	22.37	24.44	7,436,598	23.41	26.11	6,855,244
One-to-four family	560,730	1.70	1.86	203,435	0.64	0.71	127,361
Acquisition, development, and construction	344,100	1.05	1.14	397,917	1.25	1.40	445,671
Total non-covered mortgage loans	28,968,988	88.01	96.15	26,633,783	83.85	93.52	24,858,904
Non-Covered Other Loans:							
Commercial and industrial	813,691	2.47	2.70	590,044	1.86	2.07	599,986
Other loans	39,036	0.12	0.13	49,880	0.16	0.18	69,907
Total non-covered other loans	852,727	2.59	2.83	639,924	2.02	2.25	669,893
Loans held for sale	306,915	0.93	1.02	1,204,370	3.79	4.23	1,036,918
Total non-covered loans	$ 30,128,630	91.53	100.00%	$ 28,478,077	89.66	100.00%	$ 26,565,715
Covered loans	2,788,618	8.47		3,284,061	10.34		3,753,031
Total loans	$ 32,917,248	100.00%		$ 31,762,138	100.00%		$ 30,318,746
Net deferred loan origination costs/(fees)	16,274			10,757			4,021
Allowance for losses on non-covered loans	(141,946)			(140,948)			(137,290)
Allowance for losses on covered loans	(64,069)			(51,311)			(33,323)
Total loans, net	$ 32,727,507			$ 31,580,636			$ 30,152,154

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Outstanding Loan Commitments

At December 31, 2013, we had outstanding loan commitments of $2.1 billion, as compared to $3.0
billion of the year-end 2013 total and $1.4 billion of the year-end 2012 amount. In contrast, loans he
the end of this December, as compared to $1.6 billion at December 31, 2012. At December 31, 2013
outstanding loan commitments; one-to-four family loans, ADC loans, and other loans represented $
that date.

In addition to loan commitments, we had commitments to issue financial stand-by, performance sta
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
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
residential subdivisions with whom we currently have a lending relationship. Performance letters of
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
for domestic transactions, the majority are used to settle payments in international trade. Typically,
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

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
their loans current, and facilitated our disposition and sale of certain foreclosed properties. The resu
charge-offs, as further discussed below.

Non-performing non-covered loans declined $157.8 million, or 60.4%, year-over-year, to $103.5 m
At the prior year-end, non-performing non-covered loans totaled $261.3 million and represented 0.9

Non-performing multi-family loans accounted for the bulk of this improvement, having declined $1
Non-performing CRE and ADC loans fell $32.3 million and $9.5 million, respectively, to $24.6 mil
$7.1 million. Non-performing one-to-four family loans were the only ones to hold steady, totaling $

The following table sets forth the changes in non-performing loans over the twelve months ended D

(in thousands)
Balance at December 31, 2012
New non-accrual
Charge-offs
Transferred from accruing troubled debt restructuring
Transferred to other real estate owned
Loan payoffs, including dispositions and principal pay-downs
Restored to performing status
Balance at December 31, 2013

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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
previously accrued interest is reversed and charged against interest income. At December 31, 2013
generally returned to accrual status when the loan is current and we have reasonable assurance that

We monitor non-accrual loans both within and beyond our primary lending area in the same manner
collateral properties; holding discussions with the principals and managing agents of the borrowing
operating, and rent roll information; confirming that hazard insurance is in place or force-placing su
and appointing a receiver, whenever possible, to collect rents, manage the operations, provide infor

It is our policy to order updated appraisals for all non-performing loans, irrespective of loan type, th
the event that such a loan is more than 90 days past due, and if the most recent appraisal on file for
such time as the loan becomes performing and is returned to accrual status. It is not our policy to ob
ordered for performing loans when a borrower requests an increase in the loan amount, a modificati
current LTVs on a portfolio-wide basis.

Non-performing loans are reviewed regularly by management and reported on a monthly basis to th
the Banks. In accordance with our charge-off policy, non-performing loans are written down to thei
from our Loan Workout Unit actively pursue borrowers who are delinquent in repaying their loans
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 low
the estimated cost of selling the property. It is our policy to require an appraisal and environmental
re-appraise the properties on an as-needed basis, and not less than annually, until they are sold. We
market conditions and the property s condition.

At December 31, 2013, OREO totaled $71.4 million, reflecting a $42.1 million increase from the ba
multi-family loan of $41.6 million that migrated to OREO from non-accrual status in the first quarte

With the reduction in non-performing loans far exceeding the OREO increase, the balance of non-p
$290.6 million at the prior year-end. Non-performing non-covered assets thus represented 0.40% of
December 31, 2012.

Loans 30 to 89 days past due totaled $37.1 million at the end of this December, $9.5 million higher
were multi-family loans of $33.7 million, CRE loans of $1.9 million, one-to-four family loans of $1
days past due at that date.

Reflecting the improvement in non-performing loans, which far exceeded the rise in loans 30 to 89
$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 standa
we look first at the consistency of the cash flows being generated by the property to determine its e
the loan. The amount of the loan is then based on the lower of the two values, with the economic va

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The condition of the collateral property is another critical factor. Multi-family buildings and CRE p
by management and the Mortgage or Credit Committee, as applicable. A member of the Mortgage o
originated in excess of $4.0 million. Similarly, a member of the Mortgage or Credit Committee part
million. Furthermore, independent appraisers, whose appraisals are carefully reviewed by our exper
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 stand
ten years. Furthermore, in New York City, where the majority of the buildings securing our multi-fa
apartments are typically restricted under certain rent-control or rent-stabilization laws. As a result, t
market rents. Buildings with a preponderance of such rent-regulated apartments are less likely to ex

To further manage our credit risk, our lending policies limit the amount of credit granted to any one
loans and 130% for CRE loans. Although we typically will lend up to 75% of the appraised value o
average LTVs of such credits at origination were below those amounts at December 31, 2013. Exce
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 ope
risk, we originate CRE loans in adherence with conservative underwriting standards, and require th
DSCR. The approval of a loan also depends on the borrower s credit history, profitability, and exp

Although the reasons for a loan to default will vary from credit to credit, our multi-family and CRE
loans are generally originated at conservative LTVs and DSCRs, as previously stated. Furthermore,
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
construction loans to individuals, the limit is 80%. With respect to commercial construction loans, v
as-completed market value of the property. Credit risk is also managed through the loan disburseme
construction progresses, and as warranted by inspection reports provided to us by our own lending o

Furthermore, our loan portfolio has been structured to manage our exposure to both credit and inter
intermediate-term credits, with multi-family and CRE loans typically repaying or refinancing withi
largely secured by buildings with rent-regulated apartments that tend to maintain a high level of occ

To minimize the risk involved in specialty finance lending, we participate in broadly syndicated ass
loans that are brought to us by a select group of nationally recognized sources with whom our lendi
leases, which are secured by a perfected first security interest in the underlying collateral and struct
which are publicly traded, carry investment grade or near-investment grade ratings, and participate i
specialty finance lending, we re-underwrite each transaction; in addition, we retain outside counsel

Other C&I loans are typically underwritten on the basis of the cash flows produced by the borrower
including, but not limited to, inventory, equipment, and accounts receivable. As a result, the capacit
the business is successful. Furthermore, the collateral underlying the loan may depreciate over time
the operating results of the business. Accordingly, personal guarantees are also a normal requireme

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The procedures we follow with respect to delinquent loans are generally consistent across all catego
specified dates. We attempt to reach the borrower by telephone to ascertain the reasons for delinque
at any time prior to foreclosure or recovery against collateral property, we attempt to obtain full pay
Delinquencies are addressed by our Loan Workout Unit and every effort is made to collect rather th

Fair values for all multi-family buildings, CRE properties, and land are determined based on the app
classified as either non-performing or as an accruing troubled debt restructuring (TDR), then an
are deducted from the fair value of the property to determine estimated net realizable value. In the i
appraisal by using a third-party index value to determine the extent of impairment until an updated

While we strive to originate loans that will perform fully, adverse economic and market conditions,
2013, net charge-offs declined $24.3 million year-over-year, to $17.0 million; during this time, the
the loans charged off in 2013, $12.9 million were multi-family credits, while CRE, ADC, and other
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
year-over-year, to $141.9 million at December 31, 2013. Reflecting the decline in non-performing
137.10% of non-performing non-covered loans at the end of this December, as compared to 53.93%
loans represented 0.48% and 0.52% of total non-covered loans at December 31, 2013 and 2012, res

Although our asset quality improved in 2013, the allowance for losses on non-covered loans was m
non-covered loan portfolio. Based upon all relevant and available information at the end of this Dec
loans was appropriate at that date.

Historically, our level of charge-offs has been relatively low in adverse credit cycles, even when the
been due to the nature of our primary lending niche (multi-family loans collateralized by non-luxury
below-market rents), and to our conservative underwriting practices that require, among other thing

Reflecting the strength of the underlying collateral for these loans and the collateral structure, a rela
resulted in losses over time. Low LTVs provide a greater likelihood of full recovery and reduce the
low LTVs result in our having fewer loans with a potential for the borrower to walk away from t
greater incentive to protect their equity in the collateral property and to return their loans to perform

Given that our CRE loans are underwritten in accordance with underwriting standards that are simil
non-performing CRE loans historically has not resulted in a corresponding increase in losses on suc

In addition, at December 31, 2013, one-to-four family loans, ADC loans, and other loans represente
investment, as compared to 0.75%, 1.5%, and 2.3%, respectively, at December 31, 2012. Furthermo
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
a significant increase in our loan loss provision or allowance for non-covered loans in any given per
total non-covered loans at December 31, 2013; the ratio of net charge-offs to average loans for the t

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The following tables present the number and amount of non-performing multi-family and CRE loan

As of December 31, 2013
(dollars in thousands)
New York Community Bank
New York Commercial Bank
Total for New York Community Bancorp

As of December 31, 2012
(dollars in thousands)
New York Community Bank
New York Commercial Bank
Total for New York Community Bancorp

The following table presents information about our five largest non-performing loans at December 3

Type of Loan	Loan No. 1 Multi-Family	Loan No. 2 CRE
Origination Date	5/23/11(1)	12/1/1
Origination Balance	$50,708,107	$6,121,18
Full Commitment Balance	$50,708,107	$6,121,18
Balance at December 31, 2013	$41,662,673	$6,121,18
Associated Allowance	None	Nor
Non-Accrual Date	May 2013	December 201
Origination LTV Ratio	85%	7
Current LTV Ratio	75%	6
Last Appraisal	February 2013	September 201

(1) *Loan No. 1 consists of various loans with origination dates extending as far back as 2006 th*

(2) *Loan No. 2 includes three loans: one with an origination date of September 20, 2000 and tw 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 t of these loans, as determined by using the fair value of collateral method defined in ASC 310-10 an

No. 1 - The borrower is an owner of real estate and is based in Connecticut. This loan is col Hartford and New Britain, Connecticut.

No. 2 - The borrower is an owner of real estate and is based in New York. This loan is colla York.

No. 3 -	The borrower is an owner of real estate and is based in Connecticut. This loan consi Connecticut.
No. 4 -	The borrower is an owner of real estate and is based in New Jersey. This loan is col Raritan, New Jersey.

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No. 5 - The borrower, who is in bankruptcy, was previously an owner and operator of fuel te
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 ce
well as forbearance agreements, when such borrowers have exhibited financial difficulty. As of Dec
reductions and/or extension of maturity dates amounted to $72.9 million; loans in connection with w
December 31, 2013, the Company had a success rate of 83.0% for multi-family loans and a success

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circ
involve management s judgment regarding the likelihood that the concession will result in the max

In accordance with GAAP, we are required to account for certain loan modifications or restructurin
TDR if we grant a concession to a borrower experiencing financial difficulty. Loans modified as TD
of principal and interest is reasonably assured, which generally requires that the borrower demonstr
consecutive months.

Loans modified as TDRs totaled $80.3 million at December 31, 2013, including accruing loans of $
loans modified as TDRs totaled $260.3 million, including accruing loans and non-accrual loans of $
TDRs was indicative of the improvement in the New York City real estate market, the ability of our
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:

(in thousands)
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Commercial and industrial
Total

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

(in thousands)
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Commercial and industrial
Total

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The following table sets forth the changes in TDRs over the twelve months ended December 31, 20

(in thousands)
Balance at December 31, 2012
New TDRs
Charge-offs
Transferred from accruing to non-accrual
Transferred to other real estate owned
Loan payoffs, including dispositions and principal pay-downs
Balance at December 31, 2013

On a limited basis, we may provide additional credit to a borrower after the loan has been placed on value of the property after the additional loan funding is greater than the initial value of the property in 2013. In addition, the terms of our restructured loans typically would not restrict us from cancelli 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 pr have serious doubts as to the ability of a borrower to comply with present loan repayment terms and

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Asset Quality Analysis (Excluding Covered Loans, Covered OREO, and Non-Covered Loans I

The following table presents information regarding our consolidated allowance for losses on non-co loans 30 to 89 days past due at each year-end in the five years ended December 31, 2013. Covered l accretion method, as discussed elsewhere in this report. Therefore, covered loans are not reflected i

(dollars in thousands)	201
Allowance for Losses on Non-Covered Loans:	
Balance at beginning of year	$ 140
Provision for losses on non-covered loans	18
Charge-offs:	
Multi-family	(12
Commercial real estate	(3
One-to-four family	(
Acquisition, development, and construction	(1
Other loans	(7
Total charge-offs	(25
Recoveries	8
Net charge-offs	(17
Balance at end of year	$ 141
Non-Performing Non-Covered Assets:	
Non-accrual non-covered mortgage loans:	
Multi-family	$ 58
Commercial real estate	24
One-to-four family	10
Acquisition, development, and construction	2
Total non-accrual non-covered mortgage loans	96
Other non-accrual non-covered loans	7
Loans 90 days or more past due and still accruing interest	
Total non-performing non-covered loans (1)	$ 103
Non-covered other real estate owned (2)	71
Total non-performing non-covered assets	$ 174
Asset Quality Measures:	
Non-performing non-covered loans to total non-covered loans	
Non-performing non-covered assets to total non- covered assets	
Allowance for losses on non-covered loans to non-performing non-covered loans	13
Allowance for losses on non-covered loans to total non-covered loans	
Net charge-offs during the period to average loans outstanding during the period (3)	
Loans 30-89 Days Past Due:	
Multi-family	$ 33
Commercial real estate	1
One-to-four family	1
Acquisition, development, and construction	

Other loans	
Total loans 30-89 days past due [4]	$ 37

(1) *The December 31, 2013, 2012, 2011, and 2010 amounts exclude loans 90 days or more past 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 mil agreements.*

(3) *Average loans include covered loans.*

(4) *The December 31, 2013, 2012, 2011, and 2010 amounts exclude loans 30 to 89 days past du respectively, that are covered by FDIC loss sharing agreements.*

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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

	2013		2012	
(dollars in thousands)	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for Investment	Amount	Percent of Loans in Each Category to Total Non-Covered Loans Held for Investment
Multi-family loans	$ 83,594	69.41%	$ 79,618	68.18%
Commercial real estate loans	34,702	24.70	38,426	27.27
One-to-four family loans	1,755	1.88	1,519	0.75
Acquisition, development, and construction loans	7,789	1.15	8,418	1.46
Other loans	14,106	2.86	12,967	2.34
Total loans	$ 141,946	100.00%	$ 140,948	100.00%

Each of the preceding allocations was based upon an estimate of various factors, as discussed in C
methodology may be deemed to be more appropriate in the future. In addition, it should be noted th
each non-covered loan category does not represent the total amount available to absorb losses that m
for the entire non-covered loan portfolio.

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Covered Loans and Covered Other Real Estate Owned

The credit risk associated with the assets acquired in our AmTrust and Desert Hills transactions has
Under the terms of the loss sharing agreements, the FDIC agreed to reimburse us for 80% of losses
to the loans and OREO acquired in the transactions, and to reimburse us for 95% of any losses (and
that threshold. The loss sharing (and reimbursement) agreements applicable to one-to-four family m
of acquisition. Under the loss sharing agreements applicable to all other covered loans and OREO, t
acquisition; the period for sharing in recoveries on all other covered loans and OREO extends for a

We consider our covered loans to be performing due to the application of the yield accretion metho
acquired in the same fiscal quarter into one or more pools, provided that the loans have common ris
composite interest rate and an aggregate expectation of cash flows. Accordingly, loans that may hav
no longer classified as non-performing at the respective dates of acquisition because we believed at
The new carrying value represents the contractual balance, reduced by the portion expected to be un
yield (discount) that is recognized as interest income. It is important to note that management s jud
loans, and is dependent on having a reasonable expectation about the timing and amount of the cash

In connection with the AmTrust and Desert Hills loss sharing agreements, we established FDIC los
acquisition date fair values of the respective loss sharing agreements (i.e., the expected reimbursem
receivables may increase if the losses increase, and may decrease if the losses fall short of the expec
income in the same period that they are identified and that the allowance for losses on the related co
was recorded in Non-interest income as a result of an increase in expected reimbursements from
provision for losses on covered loans of $12.8 million.

Decreases in estimated reimbursements from the FDIC, if any, will be recognized in income prospe
remaining term of the loss sharing agreement). Related additions to the accretable yield on the cove
loans. Gains and recoveries on covered assets will offset losses, or be paid to the FDIC at the applic

The loss share receivables may also increase due to accretion, or decrease due to amortization. In 2
million, respectively. Accretion of the FDIC loss share receivable relates to the difference between
loans subject to the FDIC loss sharing agreements. Amortization occurs when the expected cash flo
receivable from the FDIC. These cash flows were discounted to reflect the uncertainty of the timing
months ended December 31, 2013, we received FDIC reimbursements of $64.2 million, as compare

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Asset Quality Analysis (Including Covered Loans and Covered OREO)

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

(dollars in thousands)
Covered Loans 90 Days or More Past Due:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Other
Total covered loans 90 days or more past due
Covered other real estate owned
Total covered non-performing assets
Total Non-Performing Assets (including covered assets):
Non-performing loans:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Other non-performing loans
Total non-performing loans
Other real estate owned
Total non-performing assets (including covered assets)
Asset Quality Ratios (including covered loans and the allowance for losses on covered loans):
Total non-performing loans to total loans
Total non-performing assets to total assets
Allowances for loan losses to total non-performing loans
Allowances for loan losses to total loans
Covered Loans 30-89 Days Past Due:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Other loans
Total covered loans 30-89 days past due
Total Loans 30-89 Days Past Due (including covered loans):
Multi-family
Commercial real estate

One-to-four family
Acquisition, development, and construction
Other loans
Total loans 30-89 days past due (including covered loans)

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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,

(in thousands)
Florida
Connecticut
New York
New Jersey
California
Ohio
Massachusetts
Arizona
Illinois
All other states
Total non-performing loans

Securities

At December 31, 2013, securities represented $8.0 billion, or 17.0%, of total assets, an increase fro

The investment policies of the Company and the Banks are established by the respective Boards of concert with the respective Asset and Liability Management Committees. The Investment Committ and specific capital market transactions. In addition, the securities portfolios are reviewed monthly Company s and the Banks investments are reviewed at least annually by the respective Investme investment in various types of liquid assets, neither the Company nor the Banks currently maintain

Our general investment strategy is to purchase liquid investments with various maturities to ensure our investment policies. We generally limit our investments to GSE obligations (defined as GSE ce debentures). At December 31, 2013 and 2012, GSE obligations represented 95.5% and 91.3%, resp comprised of corporate bonds, trust preferred securities, corporate equities, municipal obligations, subprime or Alt-A loans.

Depending on management s intent at the time of purchase, securities are classified as either held management has the positive intent to hold to maturity, whereas available-for-sale securities are se Held-to-maturity securities generate cash flows from repayments and serve as a source of earnings; securities generate cash flows from sales, as well as from repayments of principal and interest. The of higher-cost funding, and general operating activities. A decision to purchase or sell such securiti 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 secu 2012. At year-end 2013, the fair value of securities held to maturity represented 97.1% of their carr reflecting the rise in market interest rates. Mortgage-related securities and other securities accounte at December 31, 2013, as compared to $3.2 billion and $1.3 billion, respectively, at December 31, obligations of $7.5 billion and $4.3 billion; capital trust notes of $75.7 million and $109.9 million; estimated weighted average life of the held-to-maturity securities portfolio was 8.2 years and 4.6 ye 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 se
Included in the respective year-end amounts were mortgage-related securities of $96.2 million and $
December 31, 2013 and 2012, the estimated weighted average life of the available-for-sale securitie

Federal Home Loan Bank Stock

The Community Bank and the Commercial Bank are members of the FHLB-NY, one of 12 regional
customer relationships, the 12 FHLBs use their combined size and strength to obtain their funding a

As members of the FHLB-NY, the Community Bank and the Commercial Bank are required to acq
acquired shares of the capital stock of the FHLB-Cincinnati and the FHLB-San Francisco in connec

At December 31, 2013, the Community Bank held $542.2 million of FHLB stock, including $517.9
FHLB-Cincinnati, and $1.2 million of stock in the FHLB-San Francisco. The Commercial Bank had
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 a
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
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
value of the policies is recorded in Non-interest income in the Consolidated Statements of Incom

FDIC Loss Share Receivable

In connection with our loss sharing agreements with the FDIC with respect to the loans and OREO
recorded FDIC loss share receivables of $492.7 million and $566.5 million, respectively, at Decemb
of the reimbursements we expected to receive under the combined loss sharing agreements at those

Goodwill and Core Deposit Intangibles

We record goodwill and core deposit intangibles (CDI) in our Consolidated Statements of Condi

Goodwill totaled $2.4 billion at both December 31, 2013 and 2012. Reflecting amortization, CDI de

Sources of Funds

The Parent Company (i.e., the Company on an unconsolidated basis) has four primary funding sour
dividends paid to the Company by the Banks; capital raised through the issuance of stock; funding r
income from, investment securities.

On a consolidated basis, our funding primarily stems from a combination of the following sources:
combinations, as well as brokered deposits; borrowed funds, primarily in the form of wholesale bor
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. Repa
the 2013 total and for $7.7 billion and $10.8 billion, respectively, of the total in 2012. The reductio
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 an
during the year. In 2012, cash flows from the repayment and sale of securities respectively totaled $
$4.1 billion. The decline in cash flows from the repayment of securities was due to the higher intere

Consistent with our business model, the cash flows from loans and securities were primarily deploy
obligations and other securities.

Deposits

Our ability to retain and attract deposits depends on numerous factors, including customer satisfacti
attractiveness of their terms. There are times we may choose not to compete aggressively for deposi
of lower-cost funding sources, the competitiveness of the market and its impact on pricing, and our

While the vast majority of our deposits have been acquired through business combinations or gathe
deposit mix. Depending on the availability and pricing of such wholesale funding sources, we typic
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 D
billion of the current year-end balance, having risen $1.8 billion from the balance at year-end 2012,
year-over-year. Deposit growth was tempered by a $2.2 billion decline in CDs to $6.9 billion, and b

Included in the year-end 2013 balances of NOW and money market accounts, CDs, and non-interes
$260.5 million, as compared to $3.7 billion, $793.8 million, and $189.2 million, respectively, at De

Borrowed Funds

Borrowed funds consist primarily of wholesale borrowings (i.e., FHLB advances, repurchase agree
borrowings (i.e., junior subordinated debentures and preferred stock of subsidiaries). Largely reflec
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
advances accounted for $10.9 billion of the year-end 2013 balance, as compared to $8.8 billion at th
balance included FHLB-Cincinnati advances of $595.9 million that were assumed in the AmTrust a

The Community Bank and the Commercial Bank are both members of, and have lines of credit wit
our FHLB advances and overnight advances are secured by pledges of certain eligible collateral in t

Also included in wholesale borrowings at December 31, 2013 were repurchase agreements of $3.4 b
to maturities. Repurchase agreements are contracts for the sale of securities owned or borrowed by t
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 a
funds only from those dealers whose financial strength will minimize the risk of loss due to default.
each of the brokerage firms we use.

In late December 2012, we began the process of repositioning certain wholesale borrowings, and ex
average interest rate on $6.0 billion of borrowed funds by 117 basis points, including $2.4 billion in
maturity dates by approximately four years.

At December 31, 2013, $4.0 billion of our wholesale borrowings were callable in 2014. Given the c
borrowings to be called.

Other Borrowings

Other borrowings totaled $362.4 million at December 31, 2013, comparable to the balance at Decem
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

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

Liquidity

We manage our liquidity to ensure that cash flows are sufficient to support our operations, and to co
caused by variable loan and deposit demand.

We monitor our liquidity daily to ensure that sufficient funds are available to meet our financial obl
$644.6 million and $2.4 billion, respectively, at December 31, 2013 and 2012. In 2013, our loan and
from the repayment and sale of loans totaling $16.2 billion and cash flows from the repayment and s

Additional liquidity stems from the deposits we gather through our branches or acquire in business c
brokered deposits and wholesale borrowings. In addition, we have access to the Banks approved li
availability of these wholesale funding sources is generally based on the amount of mortgage loan c
institutions and, to a lesser extent, the amount of available securities that may be pledged to collater
capacity with the FHLB-NY was $5.4 billion. In addition, the Community Bank and the Commercia
date.

Furthermore, in the fourth quarter of 2012, the Community Bank entered into an agreement with the
the discount window as a further means of enhancing its liquidity if need be. In connection with this
any funds it may borrow. At December 31, 2013, the maximum amount the Community Bank could
against this line of credit at that date.

Our primary investing activity is loan production, and in 2013, the volume of loans originated totale
totaled $5.2 billion. Our financing activities provided net cash of $2.0 billion and our operating acti

CDs due to mature in one year or less from December 31, 2013 totaled $4.0 billion, representing 58
new deposits depends on numerous factors, including customer satisfaction, the rates of interest we
their terms. However, there are times when we may choose not to compete for deposits, depending o
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
Parent Company is responsible for paying any dividends declared to our shareholders. As a Delawa
surplus or, in case there is no surplus, from net profits for the fiscal year in which the dividend is de
not required to obtain prior Federal Reserve approval to pay a dividend unless the declaration and p
sound operation of the Company and the Banks, where the dividend declared for a period is not sup
increase in its dividend.

The Parent Company s ability to pay dividends may depend, in part, upon dividends it receives fro
pay dividends and other capital distributions to the Parent Company is generally limited by New Yo
In addition, the Superintendent of the New York State Department of Financial Services (the Supe
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 com
is an impairment of capital. However, the approval of the Superintendent is required if the total of a
profits for that year, combined with its retained net profits for the preceding two years. In 2013, the
$126.3 million that they could dividend to the Parent Company without regulatory approval at year-
December 31, 2013 included $126.2 million in cash and cash equivalents and $2.5 million of availa
Superintendent for approval to make a dividend or capital distribution in excess of the dividend amo
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 mana
and address our capital needs.

For example, we offer CDs with contractual terms to our customers, and borrow funds under contra
are reflected in the Consolidated Statements of Condition under Deposits and Borrowed funds,
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 u
responsibilities. These obligations are not included in the Consolidated Statements of Condition and

Contractual Obligations

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

(in thousands)	Cer
One year or less	$
One to three years	
Three to five years	
More than five years	
Total	$

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

At December 31, 2013, we also had commitments to extend credit in the form of mortgage and othe
agreements to extend credit, as long as there is no violation of any condition established in the contr
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 loa
credit included in the latter amount. Loans held for sale represented $231.5 million of the outstandin
held-for-investment loans. The majority of our loan commitments were expected to be funded withi
commercial, performance stand-by, and financial stand-by letters of credit of $101.6 million, $13.0

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 comm

(in thousands)
Mortgage Loan Commitments:
Multi-family and commercial real estate
One-to-four family
Acquisition, development, and construction
Total mortgage loan commitments
Other loan commitments
Total loan commitments
Commercial, performance stand-by, and financial stand-by letters of credit
Total commitments

Based upon our current liquidity position, we expect that our funding will be sufficient to fulfill thes

Derivative Financial Instruments

We use various financial instruments, including derivatives, in connection with our strategies to red
financial instruments consist of financial forward and futures contracts, interest rate lock commitme
banking operation, MSRs, and other related risk management activities, and seek to mitigate or redu
activities will vary in scope based on the level and volatility of interest rates, the types of assets hel
derivative financial instruments with a notional value of $1.5 billion. (Please see Note 15, Derivati
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
dividends totaling $440.3 million. The year-end 2013 balance represented 12.29% of total assets an
stockholders equity represented 12.81% of total assets and was equivalent to a book value per sha

Tangible stockholders equity also rose year-over-year, by $95.2 million, to $3.3 billion at Decemb
and was equivalent to a book value per share of $7.45. At the prior year-end, tangible stockholders
share of $7.26.

We calculate book value per share by dividing the amount of stockholders equity and tangible sto
the same date. At December 31, 2013, there were 440,809,365 shares outstanding; at the prior year-

We calculate tangible stockholders equity by subtracting the amount of goodwill and CDI recorde
same date. At December 31, 2013 and 2012, we recorded goodwill of $2.4 billion; CDI totaled $16.
the respective calculations, the ratio of adjusted tangible stockholders equity to adjusted tangible a
(Please see the discussion and reconciliations of stockholders equity and tangible stockholders e
appear on the last page of this discussion and analysis of financial condition and results of operatio

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At December 31, 2013, AOCL totaled $36.5 million, reflecting a $25.2 million decrease from the ba
$12.3 million decline in the net unrealized gain on available-for-sale securities, to $277,000; a $7.9
$5.6 million; and a $29.6 million decline in the net unrealized loss on pension and post-retirement o

As reflected in the following table, our capital measures continued to exceed the minimum federal r
at December 31, 2012. The table sets forth our total risk-based, Tier 1 risk-based, and leverage capit
minimum regulatory capital requirements, at the respective dates:

Regulatory Capital Analysis

At December 31, 2013
(dollars in thousands)
Total risk-based capital
Tier 1 risk-based capital
Leverage capital

At December 31, 2012
(dollars in thousands)
Total risk-based capital
Tier 1 risk-based capital
Leverage capital

In addition, the capital ratios for the Community Bank and the Commercial Bank continued to exce
institutions at December 31, 2013, as defined under the Federal Deposit Insurance Corporation Imp
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 prima
establishing a new comprehensive capital framework for U.S. banking organizations. The rules imp
III, for strengthening international capital standards as well as certain provisions of the Dodd-Fran

The Basel III Capital Rules substantially revise the current U.S. risk-based capital rules and requirem
including the Company and the Banks, as indicated below:

They define the components of capital and address other issues affecting the numerato

They address risk weights and other issues affecting the denominator in banking insti

They replace the existing risk-weighting approach, which was derived from the Basel
risk-sensitive approach based, in part, on the standardized approach in the Basel Com

They implement the requirements of Section 939A of the Dodd-Frank Act to remove
The Basel III Capital Rules will be effective for the Company and the Banks on January 1, 2015, su

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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 instrum

Define CET1 narrowly by requiring that most deductions/adjustments to regulatory c
and

Expand the scope of the deductions/adjustments from capital as compared to existing
The Basel III Capital Rules provide for a number of deductions from, and adjustments to, CET1. Th
assets dependent upon future taxable income, and significant investments in non-consolidated finan
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
regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other
approach banking organizations, including the Company and the Banks, may make a one-time per
election in order to avoid significant variations in the level of capital depending upon the impact of

The Basel III Capital Rules also exclude the inclusion of certain hybrid securities, such as trust pref
phase-out. As a result, beginning in 2015, only 25% of the Company s trust preferred securities wil
preferred securities will be included in Tier 1 capital. Trust preferred securities no longer included i
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
2015 and continuing thereafter with an additional 20% per calendar year. The implementation of th
level and be phased in over a four-year period, increasing by that amount on each subsequent Janua

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

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

a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% capit
stress (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively r
upon full implementation);

a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the cap
that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5%

a minimum ratio of Total capital (i.e., Tier 1 plus Tier 2) to risk-weighted assets of at
total capital ratio as that buffer is phased in, effectively resulting in a minimum Total

a minimum leverage capital ratio of 4.0%, calculated as the ratio of Tier 1 capital to a
ratio of 3.0% for banking organizations that either have the highest supervisory rating
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 ca
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
year-over-year, fueled by interest-earning asset growth and record prepayment penalty income, the
residential mortgage interest rates rose and the demand for one-to-four family mortgage loans decli

In addition to the increase in net interest income, the decline in mortgage banking income was temp
losses, and by a reduction in our non-interest expense. Largely reflecting a resultant decline in pre-t

Net Interest Income

Net interest income is our primary source of income. Its level is a function of the average balance o
liabilities, and the spread between the yield on such assets and the cost of such liabilities. These fac
and our interest-bearing liabilities which, in turn, are impacted by various external factors, includin
of the Federal Open Market Committee of the Federal Reserve Board of Governors (the FOMC),

The cost of our deposits and borrowed funds is largely based on short-term rates of interest, the leve
reduces, maintains, or increases the target fed funds rate (the rate at which banks borrow funds over
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
are typically impacted by intermediate-term market interest rates. For example, in 2013 and 2012, t
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, primar
Since prepayment penalty income is recorded as interest income, an increase or decrease in its level
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 De
to $1.7 billion, the decrease was exceeded by an $89.6 million decline in interest expense to $541.5
declined to 3.01% in 2013 from 3.21% in 2012. The factors contributing to the year-over-year rise i
margin are described below:

Prepayment penalty income contributed $136.8 million to our 2013 interest income, a
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
billion and a $1.6 billion increase in average securities and money market accounts to
exceeded by the impact of a 55-basis point decline in the average yield on such assets
yield on securities and money market investments fell 49 basis points, to 3.23%. Whi
yield on loans in 2013 than it did in the year-earlier period, the benefit was exceeded
loans.

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While the five-year CMT rose in 2013, the yields on the loans we produced, and the s
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 $
billion and average borrowings rose $511.4 million to $13.3 billion. The impact of th
in the average cost of interest-bearing liabilities, primarily reflecting an 80-basis poin

It should be noted that the level of prepayment penalty income recorded in any given period depend
activity is largely dependent on such external factors as current market conditions, including real es
addition, while a decline in market interest rates may trigger an increase in refinancing and, therefor
rates. It is not unusual for borrowers to lock in lower interest rates when they expect, or see, that ma
interest rate.

Furthermore, the level of prepayment penalty income recorded when a loan prepays is a function of
the loan. The number of years dictates the number of prepayment penalty points that are charged on
points to one, as discussed under Multi-Family Loans and Commercial Real Estate Loans earl
a single borrower, which accounted for $14.3 million of the prepayment penalty income recorded; i
prepayment penalty income recorded during that year.

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Net Interest Income Analysis

The following table sets forth certain information regarding our average balance sheet for the years
average costs of our interest-bearing liabilities. Average yields are calculated by dividing the interes
costs are calculated by dividing the interest expense produced by the average balance of interest-bea
balances that are calculated daily. The average yields and costs include fees, as well as premiums ar
are considered adjustments to such average yields and costs.

				For
	2013			
(dollars in thousands)	Average Balance	Interest	Average Yield/ Cost	Ave Bal
ASSETS:				
Interest-earning assets:				
Mortgage and other loans, net [1]	$ 31,871,860	$ 1,487,662	4.67%	$ 30,9
Securities and money market investments [2][3]	6,804,991	220,436	3.23	5,2
Total interest-earning assets	38,676,851	1,708,098	4.41	36,1
Non-interest-earning assets	5,719,412			6,3
Total assets	$ 44,396,263			$ 42,4
LIABILITIES AND STOCKHOLDERS EQUITY:				
Interest-bearing liabilities:				
NOW and money market accounts	$ 9,433,403	$ 35,884	0.38%	$ 8,8
Savings accounts	5,309,817	21,950	0.41	4,0
Certificates of deposit	7,910,982	83,805	1.06	8,4
Total interest-bearing deposits	22,654,202	141,639	0.63	21,3
Borrowed funds	13,282,743	399,843	3.01	12,7
Total interest-bearing liabilities	35,936,945	541,482	1.51	34,0
Non-interest-bearing deposits	2,597,356			2,5
Other liabilities	241,517			2
Total liabilities	38,775,818			36,9
Stockholders equity	5,620,445			5,5
Total liabilities and stockholders equity	$ 44,396,263			$ 42,4
Net interest income/interest rate spread		$ 1,166,616	2.90%	
Net interest margin			3.01%	
Ratio of interest-earning assets to interest-bearing liabilities			1.08x	

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowances for loan los

(2) Amounts are at amortized cost.

(3) Includes FHLB stock.

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Rate/Volume Analysis

The following table presents the extent to which changes in interest rates and changes in the volume
income and interest expense during the periods indicated. Information is provided in each category
volume multiplied by prior rate); (ii) the changes attributable to changes in rate (changes in rate mul
the combined impact of volume and rate have been allocated proportionately to the changes due to v

C

(in thousands)	Volume
INTEREST-EARNING ASSETS:	
Mortgage and other loans, net	$ 52,218
Securities and money market investments	46,892
Total	99,110
INTEREST-BEARING LIABILITIES:	
NOW and money market accounts	$ 3,462
Savings accounts	4,621
Certificates of deposit	(5,368)
Borrowed funds	20,463
Total	23,178
Change in net interest income	$ 75,932

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 th
on its evaluation of inherent losses in the held-for-investment loan portfolio in accordance with GA
historical performance of the portfolio; its inherent risk characteristics; the level of non-performing
economic and market conditions; declines in real estate values; and the levels of unemployment and

As a result of management s assessment of these factors, including the year-over-year decline in no
losses on non-covered loans to $18.0 million in 2013 from $45.0 million in the prior year. Nonethel
year-over-year, to $141.9 million, as the $27.0 million reduction in the provision for non-covered lo
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
cash flows we expected at the time of acquisition, as a result of a deterioration in credit quality. If w
our original expectations, we would reverse the previously established covered loan loss allowance
increase our interest income as a prospective yield adjustment over the remaining life of the loan or

In 2013 and 2012, we recorded provisions for losses on covered loans of $12.8 million and $18.0 m
the loans acquired in our FDIC-assisted transactions.

For additional information about our provisions for loan losses, please see the discussion of the resp
discussion of Asset Quality that appear earlier in this report.

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Non-Interest Income

We generate non-interest income through a variety of sources, some of which are recurring and som

Our primary source of non-interest income is mortgage banking income, which includes income fro
servicing of these and other one-to-four family loans. Largely reflecting the rise in residential mortg
banking income declined to $78.3 million in 2013 from $178.6 million in 2012. Income from origin
falling to $50.9 million from $193.2 million in the prior year. The impact of the decrease in income
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
income, which is derived from various sources, including the sale of third-party investment product
B. Cannell & Co., Inc., an investment advisory firm. In 2013, the non-interest income produced by
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
indemnification income, which fell $4.2 million year-over-year, to $10.2 million. In 2012, our non-i
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, re

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

Non-Interest Income Analysis

(in thousands)
Mortgage banking income
Fee income
BOLI income
Net gain on sale of securities
FDIC indemnification income
Gain on business disposition
Loss on OTTI of securities
Loss on debt redemptions
Other income:
Peter B. Cannell & Co., Inc.
Third-party investment product sales
Other
Total other income
Total non-interest income

It should be noted that the amount of mortgage banking income we record in any given year or quar
banking income we record depends in large part on the volume of loans originated which, in turn, d
economic conditions, competition, refinancing activity, and loan demand.

Non-Interest Expense

Non-interest expense has two primary components: operating expenses, which include compensatio
(G&A) expenses; and the amortization of the CDI stemming from certain of our business combi
the year-earlier level to $607.6 million, the result of a $2.1 million decline in operating expenses to

$15.8 million. Included in 2013 operating expenses were compensation and benefits expense of $31
expense of $181.3 million.

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While compensation and benefits expense rose $16.3 million year-over-year and occupancy and equ
exceeded by a $24.9 million reduction in G&A expense. The decline in G&A expense was primarily
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
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
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
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 inc
to a $98.0 million, or 121.4%, rise in mortgage banking income to $178.6 million, which more than
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 f
production of one-to-four family loans for sale through most of 2012. At the same time, the decline
income, as our balance sheet was replenished with assets that featured lower yields. Reflecting the i
penalty income contributed a record $120.4 million to our 2012 net interest income, tempering the i

Partly reflecting the aforementioned improvement in the quality of our assets, we also reduced our p
million in 2012. In addition, the provision for losses on covered loans fell $3.4 million year-over-ye
indemnification income of $14.4 million in non-interest income, down $3.2 million from the year-ea

Primarily reflecting the increase in mortgage banking income, non-interest income rose from $235.3
FDIC indemnification income, the benefit of the increase in mortgage banking income was tempere
income, and other income to $104.6 million; a $34.6 million decline in net securities gains to $2.0 m
in the fourth quarter of the year.

Reflecting these factors, and others discussed in the following pages, pre-tax income rose $46.3 mil
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 tha
year-over-year, to $631.1 million, the benefit was exceeded by the impact of a $75.6 million decrea
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 mo

The five-year CMT rate averaged 1.52% in the twelve months ended December 31, 2
an increase in refinancing activity and property transactions in the markets for our mu
dramatically as refinancing activity increased, our balance sheet was replenished with
5.17% in 2012 from 5.64% in 2011, and the average yield on interest-earning assets f

The reduction in interest-earning asset yields was substantially tempered by a $33.8 m
2012.

In addition, prepayment penalty income added 33 basis points to our net interest marg

The year-over-year declines in our net interest income and margin were also tempered
$36.1 billion, including a $1.8 billion increase in the average balance of loans to $30.

In addition, the year-over-year decline in our net interest income and margin were ten
liabilities to 1.85%, even as the average balance of such funds rose $954.4 million to
partially due to our having received a payment of $24.0 million from Aurora Bank, F
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 mil
loans rose $3.7 million to $140.9 million at the end of December, as the $34.0 million reduction in t
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 cove
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 millio
2012 total, and exceeded the year-earlier level by $98.0 million or 121.4%. The increase was largel
interest rates encouraged a high level of refinancing activity and home purchases through most of th
to $193.2 million, we also recorded a servicing loss of $14.6 million in 2012. By comparison, incon
servicing income of $517,000.

In 2012, the non-interest income produced by fee income, BOLI income, and other income together
amount.

We also generated non-interest income in the form of net securities gains and FDIC indemnification
2011 to $2.0 million and $14.4 million, respectively, in 2012. In addition, our non-interest income v
preferred securities in the fourth quarter, and in 2011 by an $18.1 million OTTI loss on certain secu
disposition of our insurance premium financing business.

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Non-Interest Expense

In 2012, non-interest expense rose $12.7 million year-over-year, to $613.5 million, the net effect of
million reduction in CDI amortization to $19.6 million.

Compensation and benefits expense accounted for $296.9 million of 2012 operating expenses, whic
Occupancy and equipment expense rose $3.8 million year-over-year, to $90.7 million, while G&A e

The increase in G&A expense was due to a combination of factors, including higher deposit insuran
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
from 34.7%. The increase in the effective tax rate reflects the increase in pre-tax income as well as t

QUARTERLY FINANCIAL DATA

The following table sets forth selected unaudited quarterly financial data for the years ended Decem

		2013
(in thousands, except per share data)	4th	3rd
Net interest income	$ 297,325	$ 294,231
(Recovery of) provisions for loan losses	(2,829)	14,467
Non-interest income	38,810	50,724
Non-interest expense	149,474	150,327
Income before income taxes	189,490	180,161
Income tax expense	69,335	65,961
Net income	$ 120,155	$ 114,200
Basic earnings per share	$0.27	$0.26
Diluted earnings per share	$0.27	$0.26

IMPACT OF INFLATION

The consolidated financial statements and notes thereto presented in this report have been prepared
condition and operating results in terms of historical dollars, without considering changes in the rela
inflation is reflected in the increased cost of our operations. Unlike industrial companies, nearly all o
of interest rates on our performance is greater than the impact of general levels of inflation. Interest
the prices of goods and services.

IMPACT OF ACCOUNTING PRONOUNCEMENTS

Please refer to Note 2, Summary of Significant Accounting Policies, in Item 8, Financial Staten
pronouncements on our financial condition and results of operations.

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RECONCILIATIONS OF STOCKHOLDERS EQUITY AND TANGIBLE STOCKHOLDE
RELATED CAPITAL MEASURES

Although tangible stockholders equity, adjusted tangible stockholders equity, tangible assets, anc GAAP, management uses these non-GAAP measures in their analysis of our performance. We belie grow both organically and through business combinations and, with respect to tangible stockholders dividends and to engage in various capital management strategies.

We calculate tangible stockholders equity by subtracting from stockholders equity the sum of ou from our total assets. To calculate our ratio of tangible stockholders equity to tangible assets, we d include AOCL. AOCL consists of after-tax net unrealized losses on securities and pension and post- Condition. We also calculate our ratio of tangible stockholders equity to tangible assets excluding including interest rates, which fluctuate. This ratio is referred to earlier in this report and below as tl

Tangible stockholders equity, adjusted tangible stockholders equity, tangible assets, adjusted tan in isolation or as a substitute for stockholders equity or any other capital measure prepared in acco non-GAAP capital measures may differ from that of other companies reporting measures of capital

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

(dollars in thousands)	
Stockholders Equity	$ 5
Less: Goodwill	(2
Core deposit intangibles	
Tangible stockholders equity	$ 3
Total Assets	$ 46
Less: Goodwill	(2
Core deposit intangibles	
Tangible assets	$ 44
Stockholders equity to total assets	
Tangible stockholders equity to tangible assets	
Tangible Stockholders Equity	$ 3
Add back: Accumulated other comprehensive loss, net of tax	
Adjusted tangible stockholders equity	$ 3
Tangible Assets	$ 44
Add back: Accumulated other comprehensive loss, net of tax	
Adjusted tangible assets	$ 44
Adjusted stockholders equity to adjusted tangible assets	

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET
We manage our assets and liabilities to reduce our exposure to changes in market interest rates. The evaluate the interest rate risk inherent in certain balance sheet accounts; to determine the appropriat and liquidity requirements, and performance objectives; and to manage that risk in a manner consist Community Bank, and the Commercial Bank.

Market Risk

As a financial institution, we are focused on reducing our exposure to interest rate volatility, which the greatest challenge to our financial performance, as such changes can have a significant impact o interest-earning assets and interest-bearing liabilities, and on the market value of all interest-earning exposure to changing rates, the Boards of Directors and management monitor interest rate sensitivit mix can be made when deemed appropriate.

The actual duration of held-for-investment mortgage loans and mortgage-related securities can be si rates. The level of prepayments may, in turn, be impacted by a variety of factors, including the econ factors; demographic variables; and the assumability of the underlying mortgages. However, the fac 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 i of intermediate-term assets, primarily in the form of multi-family and CRE loans; (2) We continued fund our loan production, as well as our investments in GSE securities; (3) We continued to capitali funding costs; and (4) We repositioned certain wholesale borrowings early in the first quarter, exten funds.

In connection with the activities of our mortgage banking operation, we enter into contingent comm stated interest rate and corresponding price. Such commitments, which are generally known as inter and, as such, are carried at fair value.

To mitigate the interest rate risk associated with our IRLCs, we enter into forward commitments to future date and at a specified price. These forward sale agreements are also carried at fair value. Suc transaction as agreed, and therefore pose a risk to us if we are not able to deliver the loans or MBS if we are unable to meet our obligation, we may be required to pay a make whole fee to the coun

When we retain the servicing on the loans we sell, we capitalize a mortgage servicing right (MSR a component of non-interest income. We estimate the fair value of the MSR asset based upon a num economic conditions, and market forecasts, as well as relevant characteristics of the associated unde increase as customers refinance their existing mortgages to take advantage of more favorable intere earlier than originally expected, a portion of the anticipated cash flows associated with servicing the 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 origi

We also invest in exchange-traded derivative financial instruments that are expected to experience c MSRs.

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Interest Rate Sensitivity Analysis

The matching of assets and liabilities may be analyzed by examining the extent to which such assets
rate sensitivity gap. An asset or liability is said to be interest rate sensitive within a specific time
sensitivity gap is defined as the difference between the amount of interest-earning assets maturing o
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
cost of its interest-bearing liabilities than it would in the yield on its interest-earning assets, thus pro
environment, an institution with a negative gap would generally be expected to experience a lesser r
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
it would in the cost of its interest-bearing liabilities, thus producing an increase in its net interest inc
positive gap would generally be expected to experience a lesser reduction in the cost of its interest-b
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%
attributable to the growth in our loan and securities portfolios, which was largely funded by short-te
to be called.

The table on the following page sets forth the amounts of interest-earning assets and interest-bearin
assumptions stemming from our historical experience, are expected to reprice or mature in each of t
and liabilities shown as repricing or maturing during a particular time period were determined in ac
terms of the asset or liability. The table provides an approximation of the projected repricing of asse
anticipated prepayments, and scheduled rate adjustments within a three-month period and subseque
prepayment rates are forecasted at a weighted average constant prepayment rate (CPR) of 14; fo
average CPRs of 23 and 15, respectively. Borrowed funds were not assumed to prepay. Savings, N
comprehensive statistical analysis that incorporates our historical deposit experience. Based on the
the first five years, 7% for years six through ten, and 50% for the years thereafter. NOW accounts w
through ten, and 30% for the years thereafter. Including those accounts having specified repricing d
years and 5% for years six through ten.

Prepayment and deposit decay rates can have a significant impact on our estimated gap. While we b
assumed prepayment and decay rates noted above will approximate actual future loan and securities

To validate our prepayment assumptions for our multi-family and CRE loan portfolios, we perform
and compare them to our projected prepayment rates. We continually review the actual prepayment
prepayments on these types of loans are not as closely correlated to changes in interest rates as prep
call provisions in our borrowings and investment portfolios and, on a monthly basis, compare the ac

As of December 31, 2013, the impact of a 100-basis point decline in market interest rates would ha
1.66. Conversely, the impact of a 100-basis point increase in market interest rates would have reduc

Interest Rate Sensitivity Analysis

(dollars in thousands)	Three Months or Less	Four to Twelve Months	Mo Or to Th
INTEREST-EARNING ASSETS:			
Mortgage and other loans [1]	$ 3,767,422	$ 5,401,667	$ 10
Mortgage-related securities [2][3]	58,207	138,788	
Other securities and money market investments [2]	676,893	1,603	
Total interest-earning assets	4,502,522	5,542,058	11
INTEREST-BEARING LIABILITES:			
NOW and money market accounts	4,308,949	1,306,014	1
Savings accounts	712,797	1,444,484	
Certificates of deposit	1,141,959	2,889,995	2
Borrowed funds	4,516,678	100,754	
Total interest-bearing liabilities	10,680,383	5,741,247	4
Interest rate sensitivity gap per period [4]	$ (6,177,861)	$ (199,189)	$ 7
Cumulative interest rate sensitivity gap	$ (6,177,861)	$ (6,377,050)	$
Cumulative interest rate sensitivity gap as a percentage of total assets	(13.23)%	(13.66)%	
Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities	42.16%	61.17%	

(1) For the purpose of the gap analysis, non-performing loans and the allowances for loan losse
(2) Mortgage-related and other securities, including FHLB stock, are shown at their respective
(3) Expected amount based, in part, on historical experience.
(4) The interest rate sensitivity gap per period represents the difference between interest-earnin

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Certain shortcomings are inherent in the method of analysis presented in the preceding Interest Rate
have similar maturities or periods to repricing, they may react in different degrees to changes in ma
may fluctuate in advance of the market, while interest rates on other types may lag behind changes i
loans, have features that restrict changes in interest rates both on a short-term basis and over the life
prepayment and early withdrawal levels would likely deviate from those assumed in calculating the
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
scenarios. NPV is defined as the net present value of expected cash flows from assets, liabilities, an
is defined as the NPV in that scenario divided by the market value of assets in the same scenario. Th
deposit decay rates similar to those utilized in formulating the preceding Interest Rate Sensitivity A

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
	$ 47,565,311	$ 41,934,143
+100	46,755,778	41,455,532
+200	46,032,094	41,056,255

(1) The impact of 100- and 200-basis point reductions in interest rates is not presented in view o rates.

The net changes in NPV presented in the preceding table are within the parameters approved by the

As with the Interest Rate Sensitivity Analysis, certain shortcomings are inherent in the methodolog
NPV requires that certain assumptions be made which may or may not reflect the manner in which
regard, the NPV Analysis presented above assumes that the composition of our interest rate sensitiv
over the period being measured, and also assumes that a particular change in interest rates is reflect
repricing of specific assets and liabilities. Furthermore, the model does not take into account the be
interest rate risk. Accordingly, while the NPV Analysis provides an indication of our interest rate ri
to, and do not, provide a precise forecast of the effect of changes in market interest rates on our net

We also utilize an internal net interest income simulation to manage our sensitivity to interest rate r
the impact of changing interest rates on future levels of our financial assets and liabilities. The assu
Actual results may differ significantly from those presented in the following table, due to the freque
between maturity and repricing categories; and prepayments, among other factors, coupled with any

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Based on the information and assumptions in effect at December 31, 2013, the following table refle
twelve months, assuming the changes in interest rates noted:

Change in Interest Rates (in basis points) (1)(2)	Estimated Future I
+100 over one year	
+200 over one year	

(1) In general, short- and long-term rates are assumed to increase in parallel fashion across all

(2) The impact of 100- and 200-basis point reductions in interest rates is not presented in view c rates.

Future changes in our mix of assets and liabilities may result in other changes to our gap, NPV, and

In the event that our interest rate sensitivity gap analysis or net interest income simulation were to in
would undertake the following actions to ensure that appropriate remedial measures were put in plac

Our Management Asset/Liability Committee (the ALCO Committee) would inforn
Board regarding proposed courses of action to restore conditions to within-policy tole

In formulating appropriate strategies, the ALCO Committee would ascertain the prim
conditions, and the projected effect on capital and earnings.

Where temporary changes in market conditions or volume levels result in significant increases in in
synthetic hedging techniques to more immediately reduce risk exposure. Where variance from polic
of core loan and deposit products, a remedial strategy may involve restoring balance through natura
techniques. Other strategies might include:

Asset restructuring, involving sales of assets having higher risk profiles, or a gradual
schedule of assets;

Liability restructuring, whereby product offerings and pricing are altered or wholesal
liabilities;

Expansion or shrinkage of the balance sheet to correct imbalances in the repricing or

Use or alteration of off-balance-sheet positions, including interest rate swaps, caps, fl

Based on our current interest rate risk position, our analyses indicate that a 100-basis point increase
our NPV, while our net interest income analysis could result in a simultaneous decrease, due to the

Different time measurement periods: The net interest income analysis is measured ov
the life of each applicable instrument.

Different rate change sensitivities: In the net interest income analysis, the interest rate
while the NPV analysis assumes an immediate rate shock.

Growth assumptions: The net interest income analysis reflects new loan, security, dep
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 char
indicated that an immediate inversion of the yield curve would be expected to result in a 4.97% decr
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

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NEW YORK COMMUNITY BAN

CONSOLIDATED STATEMENTS C

(in thousands, except share data)
ASSETS:
Cash and cash equivalents
Securities:
Available for sale ($79,905 and $196,300 pledged, respectively)
Held-to-maturity ($4,945,905 and $4,084,380 pledged, respectively) (fair value of $7,445,244 and $
Total securities
Non-covered loans held for sale
Non-covered loans held for investment, net of deferred loan fees and costs
Less: Allowance for losses on non-covered loans
Non-covered loans held for investment, net
Covered loans
Less: Allowance for losses on covered loans
Covered loans, net
Total loans, net
Federal Home Loan Bank stock, at cost
Premises and equipment, net
FDIC loss share receivable
Goodwill
Core deposit intangibles
Mortgage servicing rights
Bank-owned life insurance
Other real estate owned (includes $37,477 and $45,115, respectively, covered by loss sharing agreer
Other assets
Total assets
LIABILITIES AND STOCKHOLDERS EQUITY:
Deposits:
NOW and money market accounts
Savings accounts
Certificates of deposit
Non-interest-bearing accounts
Total deposits
Borrowed funds:
Wholesale borrowings:
Federal Home Loan Bank advances
Repurchase agreements
Federal funds purchased
Total wholesale borrowings
Other borrowings

Total borrowed funds
Other liabilities

Total liabilities

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 is
shares outstanding, respectively)
Paid-in capital in excess of par
Retained earnings
Treasury stock, at cost (63,920 and 82,985 shares, respectively)
Accumulated other comprehensive loss, net of tax:
Net unrealized gain on securities available for sale, net of tax of $171 and $8,514, respectively
Net unrealized loss on the non-credit portion of other-than-temporary impairment (OTTI) losses
$8,614, respectively
Net unrealized loss on pension and post-retirement obligations, net of tax of $21,126 and $41,242, r

Total accumulated other comprehensive loss, net of tax

Total stockholders equity

Total liabilities and stockholders equity

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BAN

CONSOLIDATED STATEMENTS OF INCOME AN

(in thousands, except per share data)
INTEREST INCOME:
Mortgage and other loans
Securities and money market investments
Total interest income
INTEREST EXPENSE:
NOW and money market accounts
Savings accounts
Certificates of deposit
Borrowed funds
Total interest expense
Net interest income
Provision for losses on non-covered loans
Provision for losses on covered loans
Net interest income after provisions for loan losses
NON-INTEREST INCOME:
Total loss on OTTI of securities
Less: Non-credit portion of OTTI recorded in other comprehensive income (before taxes)
Net loss on OTTI recognized in earnings
Mortgage banking income
Fee income
Bank-owned life insurance
Net gain on sale of securities
FDIC indemnification income
Gain on business disposition
Loss on debt redemption
Other
Total non-interest income
NON-INTEREST EXPENSE:
Operating expenses:
Compensation and benefits
Occupancy and equipment
General and administrative
Total operating expenses
Amortization of core deposit intangibles
Total non-interest expense

Income before income taxes
Income tax expense
Net income
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
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of $4,857, respectively
Change in pension and post-retirement obligations, net of tax of $20,116; $807; and $14,993, respec
Less: Reclassification adjustment for sales of available-for-sale securities and loss on OTTI of secu $3,578; $801; and $7,439, respectively
Total other comprehensive income (loss), net of tax
Total comprehensive income, net of tax
Basic earnings per share
Diluted earnings per share

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BAN

CONSOLIDATED STATEMENTS OF CHANGES I

(in thousands, except share data)
COMMON STOCK (Par Value: $0.01):
Balance at beginning of year
Shares issued for restricted stock awards (1,729,950; 1,707,286; and 1,611,819, respectively)
Shares issued for exercise of stock options (9,384; 0; and 168,001, respectively)
Balance at end of year
PAID-IN CAPITAL IN EXCESS OF PAR:
Balance at beginning of year
Shares issued for restricted stock awards, net of forfeitures
Compensation expense related to restricted stock awards
Stock options exercised
Tax effect of stock plans
Balance at end of year
RETAINED EARNINGS:
Balance at beginning of year
Net income
Dividends paid on common stock ($1.00 per share in each year)
Exercise of stock options
Balance at end of year
TREASURY STOCK:
Balance at beginning of year
Purchase of common stock (383,640; 272,991; and 229,712 shares, respectively)
Exercise of stock options (20,234; 0; and 135,162 shares, respectively)
Shares issued for restricted stock awards (382,471; 271,875; and 12,681 shares, respectively)
Balance at end of year
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX:
Balance at beginning of year
Other comprehensive income (loss), net of tax
Balance at end of year
Total stockholders equity

See accompanying notes to the consolidated financial statements.

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NEW YORK COMMUNITY BAN

CONSOLIDATED STATEMENTS O

(in thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:
Net income
Adjustments to reconcile net income to net cash provided by operating activities:
Provisions for loan losses
Depreciation and amortization
Amortization of discounts and premiums, net
Amortization of core deposit intangibles
Net gain on sale of securities
Gain on sale of loans
Gain on business disposition
Stock plan-related compensation
Deferred tax expense
Loss on OTTI of securities recognized in earnings
Changes in operating assets and liabilities:
(Increase) decrease in other assets
Increase (decrease) in other liabilities
Origination of loans held for sale
Proceeds from sale of loans originated for sale
Net cash provided by operating activities
CASH FLOWS FROM INVESTING ACTIVITIES:
Proceeds from repayment of securities held to maturity
Proceeds from repayment of securities available for sale
Proceeds from sale of securities held to maturity
Proceeds from sale of securities available for sale
Purchase of securities held to maturity
Purchase of securities available for sale
Net (purchase) redemption of Federal Home Loan Bank stock
Net increase in loans
Purchase of premises and equipment, net
Net cash acquired in business transactions
Net cash used in investing activities
CASH FLOWS FROM FINANCING ACTIVITIES:
Net increase in deposits
Net increase (decrease) in short-term borrowed funds
Net decrease in long-term borrowed funds
Tax effect of stock plans
Cash dividends paid on common stock
Treasury stock purchases
Net cash received from stock option exercises
Net cash provided by financing activities
Net (decrease) increase in cash and cash equivalents
Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of year	
Supplemental information:	
Cash paid for interest	
Cash paid for income taxes	
Non-cash investing and financing activities:	
Transfers to other real estate owned from loans	

See accompanying notes to the consolidated financial statements.

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NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION

Organization

Formerly known as Queens County Bancorp, Inc., New York Community Bancorp, Inc. (on a stand
Company) was organized under Delaware law on July 20, 1993 and is the holding company for N
referred to as the Community Bank and the Commercial Bank, respectively, and collectively a
Statements, the Community Bank and the Commercial Bank refer not only to the respective b

The Community Bank is the primary banking subsidiary of the Company. Founded on April 14, 185
Bank converted from a state-chartered mutual savings bank to the capital stock form of ownership o
of common stock (par value: $0.01 per share) at a price of $25.00 per share. The Commercial Bank

Reflecting nine stock splits, the Company s initial offering price adjusts to $0.93 per share. All sha
impact of the stock splits.

The Company changed its name to New York Community Bancorp, Inc. on November 21, 2000 in
expanded its footprint well beyond Queens County to encompass all five boroughs of New York Ci
the northern and central parts of New Jersey. The Company expanded beyond this region to south F
acquisition of certain assets and its assumption of certain liabilities of AmTrust Bank (AmTrust)
FDIC-assisted acquisition of certain assets and its assumption of certain liabilities of Desert Hills B
its 11th transaction when it assumed the deposits of Aurora Bank FSB.

Reflecting its growth through acquisitions, the Community Bank currently operates 243 branches, f
remaining 239 Community Bank branches operate through seven divisional banks Queens County
Roosevelt Savings Bank (in New York), Garden State Community Bank in New Jersey, AmTrust B

The Commercial Bank currently operates 30 branches in Manhattan, Queens, Brooklyn, Westcheste
operate under the name Atlantic Bank.

Basis of Presentation

The following is a description of the significant accounting and reporting policies that the Company
consolidated financial statements, which conform to U.S. generally accepted accounting principles (
of financial statements in conformity with GAAP requires the Company to make estimates and judg
disclosure of contingent assets and liabilities at the date of the consolidated financial statements, an
Estimates that are particularly susceptible to change in the near term are used in connection with the
servicing rights (MSRs); the evaluation of goodwill for impairment; the evaluation of other-than-
valuation allowance on the Company s deferred tax assets.

The accompanying consolidated financial statements include the accounts of the Company and its w
eliminated in consolidation. The Company currently has unconsolidated subsidiaries in the form of
guaranteed capital debentures (capital securities). Please see Note 8, Borrowed Funds, for add

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For cash flow reporting purposes, cash and cash equivalents include cash on hand, amounts due fro
and reverse repurchase agreements. At December 31, 2013 and 2012, the Company s cash and cash
cash and cash equivalents at those dates were $208.0 million and $1.7 billion of interest-bearing de
the Federal Reserve Bank of New York. Also included in cash and cash equivalents at December 31
respectively. In addition, the Company had $250.0 million and $549.7 million in pledged reverse re
respectively.

In accordance with the monetary policy of the Board of Governors of the Federal Reserve System, t
Bank of New York of $133.7 million and $134.3 million, respectively, at December 31, 2013 and 2
with this requirement at both dates.

Securities Held to Maturity and Available for Sale

The securities portfolio primarily consists of mortgage-related securities and, to a lesser extent, deb
available for sale are carried at their estimated fair value, with any unrealized gains or losses, net
stockholders equity. Securities that we have the intent and ability to hold to maturity are classified
OTTI recorded in AOCL.

The fair values of our securities and particularly our fixed-rate securities are affected by changes i
credit spreads widen, the fair value of fixed-rate securities will decline; as interest rates fall and/or c
regularly conduct a review and evaluation of our securities portfolio to determine if the decline in th
temporary. If we deem any decline in value to be other than temporary, the security is written down
(other than the OTTI on debt securities attributable to non-credit factors) is charged against earning
value includes judgment as to the financial position and future prospects of the entity that issued the
collateral. Broad changes in the overall market or interest rate environment generally will not lead t

In accordance with OTTI accounting guidance, unless we have the intent to sell, or it is more likely
recognized as a realized loss in earnings to the extent that the decline in fair value is credit-related.
we have the intent to sell it, or it is more likely than not that we may be required to sell the security
earnings.

Premiums and discounts on securities are amortized to expense and accreted to income over the rem
interest method, and are adjusted for anticipated prepayments. Dividend and interest income are rec
identification method.

Federal Home Loan Bank Stock

As a member of the Federal Home Loan Bank of New York (the FHLB-NY), the Company is re
carried at cost. The Company s holding requirement varies based on certain factors, primarily inclu
FDIC-assisted acquisitions of AmTrust and Desert Hills, the Company acquired stock in the FHLB
periodic review and evaluation of its FHLB stock to determine if any impairment exists. The factor
earnings performance, credit rating, or asset quality; significant adverse changes in the regulatory o
about the creditworthiness and the ability of an FHLB to continue as a going concern.

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Loans

Loans, net, are carried at unpaid principal balances, including unearned discounts, purchase account
origination costs or fees, and the allowance for loan losses.

One-to-four family loans held for sale are originated through our mortgage banking operation and, t
government-sponsored enterprises (GSEs), with the servicing typically retained. The loans origi
of held-for-sale loans is primarily based on quoted market prices for securities backed by similar ty
changes in mortgage interest rates subsequent to loan funding and changes in the fair value of the se

The Company recognizes interest income on non-covered loans using the interest method over the l
commitment fees, and certain loan origination costs, and amortizes the net fee or cost as an adjustm
repaid, the remaining net unamortized fee or cost is recognized in interest income.

Prepayment penalty income is recorded in interest income and only when cash is received. Accordi
penalty income.

Two factors are considered in determining the amount of prepayment penalty income: the prepaym
balance of the loan at the time of prepayment. The volume of loans prepaying may vary from one p
direction of market interest rates. In a low interest rate environment, or when interest rates are decli
In a rising interest rate environment, or when rates are perceived to be rising, prepayment penalties
increases.

A loan generally is classified as a non-accrual loan when it is over 90 days past due. When a loa
owed, and previously accrued interest is charged against interest income. A loan is generally return
assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded wh

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 loss
reversals, if any, that are credited to earnings. Although non-covered loans are held by either the Co
is established for each, the total of the two allowances is available to cover all losses incurred. In ad
allowance for losses on non-covered loans is the same for the Community Bank and the Commerci
management considers the Community Bank s and the Commercial Bank s current business strate
guidelines and with guidelines approved by the respective Boards of Directors with regard to credit
procedures.

The allowance for losses on non-covered loans is established based on management s evaluation o
are comprised of both specific valuation allowances and general valuation allowances.

Specific valuation allowances are established based on management s analyses of individual loans
management measures the extent of the impairment and establishes a specific valuation allowance f
current information and events, it is probable that the Company will be unable to collect both the pr
The Company applies this classification as necessary to non-covered loans individually evaluated f
acquisition, development, and construction; and commercial and industrial loans. Smaller balance h
evaluated for impairment on a collective, rather than individual, basis.

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The Company generally measures impairment on an individual loan and determines the extent to wl
outstanding balance to either the fair value of the collateral, less the estimated cost to sell, or the pre
rate. A specific valuation allowance is established when the fair value of the collateral, net of the es
than the recorded investment in the loan.

The Company also follows a process to assign general valuation allowances to non-covered loan ca
loss provisioning methodology, and reflect the inherent risk in outstanding held-for-investment loan
determining the appropriate quantified risk factors to use to determine the general valuation allowar
each of the major loan categories maintained. The Company s historical loan loss experience is the
cause estimated credit losses associated with the existing portfolio to differ from its historical loss e

Changes in lending policies and procedures, including changes in underwriting standa

Changes in international, national, regional, and local economic and business conditio
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 loan

Changes in the quality of the Company s loan review system;

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

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

Changes in the experience, ability, and depth of lending management and other releva

The effect of other external factors, such as competition and legal and regulatory requ

By considering the factors discussed above, management determines quantifiable risk factors that ar
determine the general valuation allowances.

In recognition of prevailing macroeconomic and real estate market conditions, the time periods cons
the current period. Management also evaluates the sufficiency of the overall allocations used for the
loss experience in the current and prior calendar year.

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

Regular meetings of executive management with the pertinent Board committee, duri
are discussed;

Assessment of the aforementioned factors by the pertinent members of the Boards of
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, takin
ratings.

In order to determine their overall adequacy, each of the respective non-covered loan loss allowance
Committee of the Community Bank s Board of Directors (the Mortgage Committee) or the Cred
Committee), as applicable.

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The Company charges off loans, or portions of loans, in the period that such loans, or portions there
determined through an assessment of the financial condition and repayment capacity of the borrowe
Generally, the time period in which this assessment is made is within the same quarter that the loan
not real estate-related, the following past-due time periods determine when charge-offs are typically
becomes 120 days past due; (2) open-end credits are charged off in the quarter that the loan become
typically charged off in the quarter that the credit is 60 days past the date the Company receives not

The level of future additions to the respective non-covered loan loss allowances is based on many fa
Among these are changes in economic and local market conditions, including declines in real estate
the best available information to recognize losses on loans or to make additions to the loan loss allo
required to take certain charge-offs and/or recognize further additions to their loan loss allowances,
provided to them during their examinations of the Banks.

Allowance for Losses on Covered Loans

The Company has elected to account for the loans acquired in the AmTrust and Desert Hills acquisi
accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codificat
Credit Quality (ASC 310-30). In accordance with ASC 310-30, the Company maintains the inte
composite interest rate and an aggregate expectation of cash flows.

Under the loss sharing agreements with the FDIC, covered loans are reported exclusive of the FDIC
Hills acquisitions are, and will continue to be, reviewed for collectability based on the expectations
pools of loans with common characteristics. In determining the allowance for losses on covered loa
cash flows for each of the loan pools. A provision for losses on covered loans is recorded to the exte
credit-related items since the acquisition date. Accordingly, if there is a decrease in expected cash fl
made at the respective acquisition dates, the decrease in the present value of expected cash flows wi
the allowance for covered loan losses will be increased. A related credit to non-interest income and
time, and will be measured based on the loss sharing agreement percentages.

Please see Note 6, Allowances for Loan Losses for a further discussion of the allowance for loss
losses on non-covered loans.

FDIC Loss Share Receivable

The FDIC loss share receivable is initially recorded at fair value and is measured separately from th
not contractually embedded in any of the covered loans. The loss share receivable related to estimat
to foreclosure or maturity. The loss share receivable represents the present value of the estimated ca
covered assets, based on the credit adjustment estimated for each covered asset and the loss sharing
reflect the uncertainty of the timing and receipt of the loss sharing reimbursements from the FDIC.
performance of the underlying covered assets, the passage of time, and claims submitted to the FDI

The FDIC loss share receivable is reduced as losses are recognized on covered loans and loss sharin
acquisition-date estimates will result in an increase in the FDIC loss share receivable. Conversely, i
receivable will be reduced.

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Decreases in estimated reimbursements from the FDIC, if any, are recognized in income prospectiv remaining term of the related loss sharing agreement); related additions to the accretable yield on th loans. Increases in estimated reimbursements will be recognized in interest income in the same peri loans is recorded.

Goodwill Impairment

Goodwill is presumed to have an indefinite useful life and is tested for impairment, rather than amo tested annually, goodwill would be tested if there were a triggering event. During the year ended

The goodwill impairment analysis is a two-step test. However, a company can, under Accounting S assess qualitative factors to determine whether it is necessary to perform the two-step quantitative g required to calculate the fair value of a reporting unit unless the entity determined, based on a qualit than its carrying amount. The Company did not elect to perform a qualitative assessment of its good and involves comparing each reporting segment s estimated fair value to its carrying amount, inclu carrying amount, goodwill is not considered to be impaired. If the carrying amount exceeds the esti step (Step 2) is performed to measure the amount.

Step 2 involves calculating an implied fair value of goodwill for each reporting segment for which i determined in a manner similar to the amount of goodwill calculated in a business combination, i.e. segment, as determined in Step 1, over the aggregate estimated fair values of the individual assets, l acquired in a business combination at the impairment test date. If the implied fair value of goodwill there is no impairment. If the carrying amount of goodwill assigned to a reporting segment exceeds the excess. An impairment loss cannot exceed the carrying amount of goodwill assigned to a reporti 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 include present-value measurements based on multiples of earnings or revenues, or similar perform valuation techniques could result in materially different evaluations of impairment.

For the purpose of goodwill impairment testing, management has determined that the Company has Banking. All of our recorded goodwill has resulted from prior acquisitions and, accordingly, is attri Residential Mortgage Banking, as this segment was acquired in our FDIC-assisted AmTrust acquisi annual goodwill impairment test, we determined the carrying value of the Banking Operations segm of the Company.

We performed our annual goodwill impairment test as of December 31, 2013 and found no indicati

Core Deposit Intangibles

Core deposit intangible (CDI) is a measure of the value of checking and savings deposits acquire given business combination is based on the present value of the expected cost savings attributable to amortized over the estimated useful lives of the existing deposit relationships acquired, but does no impairment when an indication of impairment exists. No impairment charges were required to be re the future, the loss will be reflected as an expense in the Consolidated Statement of Income and Co

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Premises and Equipment, Net

Premises, furniture, fixtures, and equipment are carried at cost, less the accumulated depreciation co
respective assets (generally 20 years for premises and three to ten years for furniture, fixtures, and e
amortization computed on a straight-line basis over the shorter of the related lease term or the estim

Depreciation and amortization are included in Occupancy and equipment expense in the Consoli
million, $25.5 million, and $23.5 million, respectively, in the years ended December 31, 2013, 2012

Mortgage Servicing Rights

The Company recognizes the right to service mortgage loans for others as a separate asset referred t
are sold or securitized, servicing retained. The Company initially records, and subsequently carries,
MSRs, residential MSRs, for which it separately manages the economic risk.

The Company bases the fair value of its MSRs on the present value of estimated future net servicing
assumptions that market participants would use to estimate fair value, including estimates of prepay
escrow account earnings, contractual servicing fee income, and ancillary income. The Company rea
assumptions to reflect market conditions and assumptions that a market participant would consider i

Changes in the fair value of MSRs primarily occur in connection with the collection/realization of e
assumptions. Changes in the fair value of MSRs are reported in Non-interest income as mortgage

Prior to December 31, 2013, the Company also had securitized MSRs. (Please see Note 11, Intang

Offsetting Derivative Positions

In accordance with the applicable accounting guidance, the Company takes into account the impact
derivative contracts held with a single counterparty on a net basis, and to offset the net derivative po
liabilities. As a result, the Company s Statements of Condition reflects derivative contracts with ne
values that are included in derivative liabilities, on a net basis.

Bank-Owned Life Insurance

The Company has purchased life insurance policies on certain employees. These bank-owned life in
Condition at their cash surrender value. Income from these policies and changes in the cash surrend
of Income and Comprehensive Income. At December 31, 2013 and 2012, the Company s investme
additional purchases of BOLI during the year ended December 31, 2013. During the year ended De
Company s investment in BOLI generated income of $29.9 million, $30.5 million, and $28.4 millio

Other Real Estate Owned

Real estate properties acquired through, or in lieu of, foreclosure are to be sold or rented, and are re
acquisition date plus the expenses incurred to bring the property to a saleable condition, when appro
acquisition. Following foreclosure, management periodically performs a valuation of the property, a
less the estimated selling costs. Expenses and revenues from operations and changes in valuation, if
Statements of Income and Comprehensive Income. At December 31, 2013 and 2012, the Company
respectively. The respective amounts include OREO of $37.5 million and $45.1 million that is cove

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Income Taxes

Income tax expense consists of income taxes that are currently payable and deferred income taxes. I
and liabilities for future tax consequences attributable to temporary differences between the financia
respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that are
differences are expected to be recovered or settled. The Company assesses the deferred tax assets an
not considered to be more likely than not. The Company considers its expectation of future taxab

The Company estimates income taxes payable based on the amount it expects to owe the various tax
estimated amount due to, or to be received from, such tax authorities. In estimating income taxes, m
treatment of transactions, taking into account statutory, judicial, and regulatory guidance in the cont
tax opinions, recent audits, and historical experience. Although the Company uses the best available
can change over time as a result of unanticipated events or circumstances such as changes in tax law

Stock Options and Incentives

The Company did not grant any stock options during the years ended December 31, 2013, 2012, or
were no unvested stock options outstanding at any time during those years, and, accordingly, no com

Under the New York Community Bancorp, Inc. 2012 Stock Incentive Plan (the 2012 Stock Incent
Meeting on June 7, 2012, shares are available for grant as stock options, restricted stock, or other fo

At December 31, 2013, the Company had 16,757,551 shares available for grant under the 2012 Stoc
New York Community Bancorp, Inc. 2006 Stock Incentive Plan (the 2006 Stock Incentive Plan).
June 7, 2006 and reapproved at its Annual Meeting on June 2, 2011. Compensation cost related to re
period. For a more detailed discussion of the Company s stock-based compensation, please see Not

Retirement Plans

The Company s pension benefit obligations and post-retirement health and welfare benefit obligati
with GAAP. The measurement of such obligations and expenses requires that certain assumptions b
and the expected return on plan assets. The Company evaluates these critical assumptions on an ann
retirement patterns, mortality, turnover, and the rate of compensation increase.

Under GAAP, actuarial gains and losses, prior service costs or credits, and any remaining transition
accounting standards must be recognized in AOCL until they are amortized as a component of net p

Earnings per Share (Basic and Diluted)

Basic earnings per share (EPS) is computed by dividing net income by the weighted average num
using the same method as basic EPS, however, the computation reflects the potential dilution that w
converted into common stock.

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Unvested stock-based compensation awards containing non-forfeitable rights to dividends are consi
method for calculating EPS. Under the two-class method, all earnings (distributed and undistributed
respective rights to receive dividends. The Company grants restricted stock to certain employees un
during the vesting periods of these awards, including on the unvested portion of such awards. Since
participating securities and therefore have earnings allocated to them. The following table presents t
December 31, 2013, 2012, and 2011:

(in thousands, except share and per share amounts)
Net income
Less: Dividends paid on and earnings allocated to participating securities
Earnings applicable to common stock
Weighted average common shares outstanding
Basic earnings per common share
Earnings applicable to common stock
Weighted average common shares outstanding
Potential dilutive common shares (1)
Total shares for diluted earnings per share computation
Diluted earnings per common share and common share equivalents

*(1) Options to purchase 60,300 shares, 2,542,277 shares, and 6,302,302 shares, respectively, of
2013, 2012, and 2011, at respective weighted average exercise prices of $17.99, $16.86, and
because their inclusion would have had an antidilutive effect.*

Impact of Recent Accounting Pronouncements

In January 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-01, Investme
in Qualified Affordable Housing Projects. The amendments in ASU No. 2014-01 provide guidanc
liability entities that manage or invest in affordable housing projects that qualify for the low-income
accounting policy election to account for their investments in qualified affordable housing projects u
ASU No. 2014-01 is effective for annual periods, and interim reporting periods within those annual
applied retrospectively to all periods presented. The adoption of ASU No. 2014-01 is not expected t
condition or results of operations.

In January 2014, the FASB issued ASU No. 2014-04, Receivables Troubled Debt Restructuring
Collateralized Consumer Mortgage Loans upon Foreclosure. The amendments in ASU No. 2014-0
when a creditor should be considered to have received physical possession of residential real estate
receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 is effe
beginning after December 15, 2014. The adoption of ASU No. 2014-04 is not expected to have a ma
of operations.

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): Repo
Income. ASU 2013-02 does not change the current requirements for reporting net income or other
require an entity to provide information about the amounts reclassified out of accumulated other co
prospectively for reporting periods beginning after December 15, 2012. The Company adopted ASU

Accumulated Other Comprehensive Loss, for the presentation of such disclosures.

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In January 2013, the FASB issued ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the S
clarifies that ordinary trade receivables and receivables are not in the scope of ASU No. 2011-11,
applies only to derivatives, repurchase agreements, and reverse purchase agreements, and securities
accordance with specific criteria contained in the ASC or subject to a master netting arrangement or
after January 1, 2013 and for interim periods within those annual periods. An entity should provide
The Company adopted ASU 2013-01 on January 1, 2013. Please see Note 15, Derivative Financia

In October 2012, the FASB issued ASU No. 2012-06, Business Combinations (Topic 805): Subse
Date as a Result of a Government-Assisted Acquisition of a Financial Institution (a consensus of the
805-20, Business Combinations Identifiable Assets and Liabilities, and Any Non-controlling Inte
accounting for the support the Federal Deposit Insurance Corp. or the National Credit Union Admin
recognizes an indemnification asset (in accordance with Subtopic 805-20) as a result of a governme
flows expected to be collected on the indemnification asset subsequently occurs (as a result of a cha
indemnification), the reporting entity should subsequently account for the change in the measureme
subject to indemnification. Any amortization of changes in value should be limited to the contractua
indemnification agreement or the remaining life of the indemnified assets).

The amendments in ASU No. 2012-06 are effective for fiscal years, and interim periods within thos
be applied prospectively to any new indemnification assets acquired after the date of adoption and t
government-assisted acquisition of a financial institution. The adoption of ASU 2012-06 on January
condition or results of operations.

NOTE 3: RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE

(in thousands)

Details about Accumulated Other Comprehensive Loss (AOCL)	Amount Reclassified from Accumulated Other Comprehensive Loss [(1)]
Unrealized gains on available-for-sale securities	$ 9,484
	(3,825)
	$ 5,659
Loss on OTTI of securities	$ (612)
	247
	$ (365)
Amortization of defined benefit pension items:	
Prior-service costs	$ 249
Actuarial losses	(10,063)
	(9,814)
	3,969
	$ (5,845)
Total reclassifications for the period	$ (551)

(1) Amounts in parentheses indicate expense items.

(2) These components of AOCL are included in the computation of net periodic (credit) expense

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NOTE 4: SECURITIES

The following table summarizes the Company s portfolio of securities available for sale at Decemb

(in thousands)
Mortgage-Related Securities:
GSE[1] certificates
GSE CMOs[2]
Private label CMOs
Total mortgage-related securities
Other Securities:
Municipal bonds
Capital trust notes
Preferred stock
Common stock
Total other securities
Total securities available for sale

(1) Government-sponsored enterprise
(2) Collateralized mortgage obligations

As of December 31, 2013, the fair value of marketable equity securities included corporate preferre
primarily consisting of an investment in a large cap equity fund and certain other funds that are Con

The following table summarizes the Company s portfolio of securities available for sale at Decemb

(in thousands)
Mortgage-Related Securities:
GSE certificates
GSE CMOs
Private label CMOs
Total mortgage-related securities
Other Securities:
Municipal bonds
Capital trust notes
Preferred stock
Common stock

Total other securities	
Total securities available for sale [(1)]	

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

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The following tables summarize the Company s portfolio of securities held to maturity at Decembe

(in thousands)
Mortgage-Related Securities:
GSE certificates
GSE CMOs
Total mortgage-related securities
Other Securities:
GSE debentures
Corporate bonds
Municipal bonds
Capital trust notes
Total other securities
Total securities held to maturity [(1)]

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

(in thousands)
Mortgage-Related Securities:
GSE certificates
GSE CMOs
Other mortgage-related securities
Total mortgage-related securities
Other Securities:
GSE debentures
Corporate bonds
Municipal bonds
Capital trust notes
Total other securities
Total securities held to maturity [(1)]

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

The Company had $561.4 million and $469.1 million of FHLB stock, at cost, at December 31, 2013
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 f
December 31, 2013, 2012 and 2011:

(in thousands)
Gross proceeds
Gross realized gains
Gross realized losses

In addition, during the twelve months ended December 31, 2013, the Company sold held-to-maturit
$11.6 million. These sales occurred because the Company had collected a substantial portion (at lea

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In the following table, the beginning balance represents the credit loss component for debt securities
securities, OTTI recognized in earnings after that date is presented as an addition in two component
credit-impaired (initial credit impairment) or is not the first time a debt security was credit-impaired

(in thousands)	Fo End
Beginning credit loss amount as of December 31, 2012	$
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	
Ending credit loss amount as of December 31, 2013	$

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The following table summarizes the carrying amounts and estimated fair values of held-to-maturity
available-for-sale debt securities, at December 31, 2013, by contractual maturity. Mortgage-related
prepayment provisions, are distributed to a maturity category based on the ends of the estimated ave
shown in maturity categories as they occur, but are considered in the determination of estimated ave

At D

(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations
Held-to-Maturity Securities:			
Due within one year	$	%	$
Due from one to five years			60,379
Due from five to ten years	3,222,498	3.24	2,632,125
Due after ten years	1,185,489	3.34	360,749
Total debt securities held to maturity	$ 4,407,987	3.27%	$ 3,053,253
Available-for-Sale Securities: (3)			
Due within one year	$ 5	1.20%	$
Due from one to five years	6,418	6.88	
Due from five to ten years	18,961	3.72	
Due after ten years	70,671	3.87	
Total debt securities available for sale	$ 96,055	4.04%	$

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

(2) Includes corporate bonds and capital trust notes. Included in capital trust notes are $410,00 after ten years. The remaining capital trust notes consist of single-issue trust preferred secur

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

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The following table presents held-to-maturity and available-for-sale securities having a continuous u
longer as of December 31, 2013:

At December 31, 2013	Less than Twelve M	
(in thousands)	Fair Value	Unrea
Temporarily Impaired Held-to-Maturity Debt Securities:		
GSE debentures	$ 2,777,417	$
GSE Certificates	1,684,793	
GSE CMOs	936,691	
Municipal notes/bonds	55,333	
Capital trust notes	24,900	
Total temporarily impaired held-to-maturity debt securities	$ 5,479,134	$
Temporarily Impaired Available-for-Sale Securities:		
Debt Securities:		
GSE certificates	$	$
Private label CMOs	10,202	
GSE CMOs	44,725	
Capital trust notes	1,992	
Total temporarily impaired available-for-sale debt securities	$ 56,919	$
Equity securities	75,886	
Total temporarily impaired available-for-sale securities	$ 132,805	$

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The following table presents held-to-maturity and available-for-sale securities having a continuous u
longer as of December 31, 2012:

At December 31, 2012	Less than Twelve Mo	
(in thousands)	Fair Value	Unrealiz
Temporarily Impaired Held-to-Maturity Debt Securities:		
GSE debentures	$	$
GSE certificates	2,238	
Capital trust notes		
Total temporarily impaired held-to-maturity debt securities	$ 2,238	$
Temporarily Impaired Available-for-Sale Securities:		
Debt Securities:		
GSE certificates	$ 297	$
State, county, and municipal	45,096	
Capital trust notes		
Total temporarily impaired available-for-sale debt securities	$ 45,393	$
Equity securities	15,262	
Total temporarily impaired available-for-sale securities	$ 60,655	$

(1) *The twelve months or longer unrealized losses on equity securities of $2.9 million at Decemb large cap equity fund and investments in certain financial institutions. The principal balance longer unrealized loss was $2.2 million at that date. The principal balance of investments in unrealized loss was $709,000 at that date.*

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An OTTI loss on impaired securities must be fully recognized in earnings if an investor has the inte
be required to sell the debt security before recovery of its amortized cost. However, even if an inves
flows to be received and determine if a credit loss has occurred. In the event that a credit loss occur
in earnings. Amounts relating to factors other than credit losses are recorded in AOCL. FASB guida
losses, as well as factors considered by the investor in reaching a conclusion that an investment is n

Securities in unrealized loss positions are analyzed as part of the Company s ongoing assessment o
recognizes an impairment loss equal to the full difference between the amortized cost basis and the
equity or debt securities in an unrealized loss position, potential OTTI is considered based on a vari
has been less than the cost; adverse conditions specifically related to the industry, the geographic ar
security; the payment structure of the security; changes to the rating of the security by a rating agen
security after the balance sheet date. For debt securities, the Company estimates cash flows over the
exist and, where applicable, to determine if any adverse changes in cash flows have occurred. The C
market and economic data as of the end of the reporting period. As of December 31, 2013, the Com
it was more likely than not that the Company would not be required to sell these securities before re
securities with an unrealized loss position were not other-than-temporarily impaired as of Decembe

Other factors considered in determining whether or not an impairment is temporary include the leng
of the impairment; the cause of the impairment; the financial condition and near-term prospects of t
conditions; and the forecasted recovery period using current estimates of volatility in market interes

Management s assertion regarding its intent not to sell, or that it is not more likely than not that the
based on a number of factors, including a quantitative estimate of the expected recovery period (wh
to the identified security or portfolio. If management does have the intent to sell, or believes it is mo
before its anticipated recovery, the unrealized loss is charged directly to earnings in the Consolidate

The unrealized losses on the Company s GSE mortgage-related securities and GSE debentures at D
rates and spread volatility, rather than credit risk. The Company purchased these investments either
contractual cash flows of these investments are guaranteed by the GSEs. Accordingly, it is expected
amortized cost of the Company s investment. Because the Company does not have the intent to sel
required to sell them before the anticipated recovery of fair value, which may be at maturity, the Co
impaired at December 31, 2013.

The Company reviews quarterly financial information related to its investments in municipal bonds
of the issuers of such bonds and notes, to determine their continued creditworthiness. The contractu
that are less than the amortized costs of the investments; therefore, the Company expects that these
costs. The Company continues to monitor these investments and currently estimates that the present
securities. Because the Company does not have the intent to sell the investments, and it is not more
anticipated recovery of fair value, which may be at maturity, it did not consider these investments to
these securities will perform worse than is currently expected, which could lead to adverse changes
Future events that could trigger material unrecoverable declines in the fair values of the Company s
to, government intervention; deteriorating asset quality and credit metrics; significantly higher level
collateral; deteriorating credit enhancement; net operating losses; and further illiquidity in the finan

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At December 31, 2013, the Company s equity securities portfolio consisted of perpetual preferred s
the fair value of available-for-sale equity securities to be other than temporary if the Company does
unrealized losses on the Company s equity securities at the end of December 2013 were primarily c
a recovery of fair value for each security in the portfolio, together with the severity and duration of
intent to hold these investments for a reasonably sufficient period of time to realize a near-term fore
investments to be other-than-temporarily impaired at December 31, 2013. Nonetheless, it is possible
which could lead to adverse changes in their fair values, or the failure of the securities to fully recov
cause the Company to record OTTI losses in future periods. Events that could trigger material decli
deterioration in the equity markets; a decline in the quality of the loan portfolios of the issuers in wh
provisions and net operating losses by such issuers.

The investment securities designated as having a continuous loss position for twelve months or mor
mortgage-backed security. At December 31, 2012, the investment securities designated as having a
trust notes, three equity securities, and one mortgage-backed security. At December 31, 2013 and D
represented unrealized losses of $10.7 million and $21.1 million. At December 31, 2013, the fair va
was 19.9% below the collective amortized cost of $53.7 million. At December 31, 2012, the fair val
$86.1 million.

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NOTE 5: LOANS

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

(dollars in thousands)	Amount
Non-Covered Loans Held for Investment:	
Mortgage Loans:	
Multi-family	$ 20,699,9
Commercial real estate	7,364,2
One-to-four family	560,7
Acquisition, development, and construction	344,1
Total mortgage loans held for investment	28,968,9
Other Loans:	
Commercial and industrial	712,2
Lease financing, net of unearned income of $5,723	101,4
Total commercial and industrial loans	813,6
Other	39,0
Total other loans held for investment	852,7
Total non-covered loans held for investment	$ 29,821,7
Net deferred loan origination costs	16,2
Allowance for losses on non-covered loans	(141,9
Non-covered loans held for investment, net	$ 29,696,0
Covered loans	2,788,6
Allowance for losses on covered loans	(64,0
Total covered loans, net	$ 2,724,5
Loans held for sale	306,9
Total loans, net	$ 32,727,5

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 c
City that are rent-regulated and feature below-market rents. In addition, the Company originates co
properties located in New York City and, to a lesser extent, on Long Island and in New Jersey.

The Company also originates one-to-four family loans, acquisition, development, and construction (
loans are primarily originated for multi-family and residential tract projects in New York City and o
beyond the markets served by its branch offices. C&I loans consist of asset-based loans, equipment
are made to nationally recognized borrowers throughout the U.S. and are senior debt-secured; and o
mid-size businesses in New York City, on Long Island, in New Jersey, and, to a lesser extent, Arizo
expansion, and the purchase of machinery and equipment.

Payments on multi-family and CRE loans generally depend on the income produced by the underlyi
management. Accordingly, the ability of the Company s borrowers to repay these loans may be imp
economy. While the Company generally requires that such loans be qualified on the basis of the col
coverage ratio, among other factors, there can be no assurance that its underwriting policies will pro

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The one-to-four family loans that are held for investment consist primarily of hybrid loans (both jur
loan-to-value ratios to borrowers with a documented history of repaying their debts.

ADC loans typically involve a higher degree of credit risk than loans secured by improved or owne
guarantee of repayment and completion, and loan proceeds are disbursed as construction progresses
loan is largely dependent upon the accuracy of the initial appraisal of the property s value upon co
including interest; and the estimated time to complete and/or sell or lease such property. The Comp
policies and rigorous underwriting standards. However, if the estimate of value proves to be inaccu
complete and/or sell or lease the collateral property is greater than anticipated, or if there is a downt
value upon completion that is insufficient to assure full repayment of the loan. This could have a m
result in significant losses or delinquencies.

To minimize the risk involved in specialty finance C&I lending, the Company participates in broad
dealer floor plan loans that are presented by an approved list of select, nationally recognized source
relationships. The loans and leases, which are secured by a perfected first security interest in the un
obligors, the majority of which are publicly traded, carry investment grade or near-investment grad
further minimize the risk involved in specialty finance lending, the Company re-underwrites each t
of the underlying documentation.

To minimize the risks involved in other C&I lending, the Company underwrites such loans on the b
collateralized by various business assets, including inventory, equipment, and accounts receivable,
borrower to repay such a C&I loan is substantially dependent on the degree to which his or her busi
depreciate over time, may not be conducive to appraisal, or may fluctuate in value, based upon the r

The ability of the Company s borrowers to repay their loans, and the value of the collateral securin
markets as a result of higher unemployment, declining real estate values, or increased residential an
an increase in charge-offs and/or non-performing assets, but also could necessitate an increase in th
occur, would have an adverse impact on the Company s results of operations and its capital.

Included in non-covered loans held for investment at December 31, 2013 and 2012 were loans to no

Loans Held for Sale

Established in January 2010, the Community Bank s mortgage banking operation ranks among the
Community banks, credit unions, mortgage companies, and mortgage brokers use its proprietary we
family loans throughout the U.S. These loans are generally sold, servicing retained, to GSEs. To a n
to originate fixed-rate jumbo loans under contract for sale to other financial institutions. The volum
does not expect such loans to represent a material portion of the held-for-sale loans it produces. The
including those it sells to GSEs. The unpaid principal balance of serviced loans was $21.5 billion at

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Asset Quality

The following table presents information regarding the quality of the Company s non-covered loan

(in thousands)	Loans 30-89 Days Past Due	N Ac L
Multi-family	$ 33,678	$ 5
Commercial real estate	1,854	2
One-to-four family	1,076	1
Acquisition, development, and construction		
Commercial and industrial[(1)]	1	
Other	480	
Total	$ 37,089	$ 10

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

The following table presents information regarding the quality of the Company s non-covered loan

(in thousands)	Loans 30-89 Days Past Due	N Ac L
Multi-family	$ 19,945	$ 16
Commercial real estate	1,679	5
One-to-four family	2,645	1
Acquisition, development, and construction	1,178	1
Commercial and industrial	262	1
Other	1,876	
Total	$ 27,585	$ 26

The following table summarizes the Company s portfolio of non-covered held-for-investment loans

(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	a
Credit Quality Indicator:				
Pass	$ 20,527,460	$ 7,304,502	$ 554,132	$
Special mention	73,549	25,407		
Substandard	98,918	33,822	6,598	
Doubtful		500		
Total	$ 20,699,927	$ 7,364,231	$ 560,730	$

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

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The following table summarizes the Company s portfolio of non-covered held-for-investment loans

(in thousands)	Multi-Family	Commercial Real Estate	One-to-Four Family	I an
Credit Quality Indicator:				
Pass	$ 18,285,333	$ 7,337,315	$ 195,232	$
Special mention	55,280	26,523	294	
Substandard	253,794	72,260	7,909	
Doubtful	1,426	500		
Total	$ 18,595,833	$ 7,436,598	$ 203,435	$

The preceding classifications follow regulatory guidelines and can be generally described as follow
weakness or risk that may result in the deterioration of future repayment; substandard loans are inad
borrower or of the collateral pledged (these loans have a well-defined weakness and there is a distin
based on existing circumstances, have weaknesses that make collection or liquidation in full highly
loans are classified utilizing an inter-regulatory agency methodology that incorporates the extent of
current available and generally have been updated within the last twelve months.

The interest income that would have been recorded under the original terms of non-accrual loans at
loans in the respective years is summarized below:

(in thousands)
Interest income that would have been recorded
Interest income actually recorded
Interest income foregone

Troubled Debt Restructurings

The Company is required to account for certain held-for-investment loan modifications or restructur
restructuring of a loan constitutes a TDR if the Company grants a concession to a borrower experie
status until the Company determines that future collection of principal and interest is reasonably ass
according to the restructured terms for a period of at least six consecutive months.

In an effort to proactively manage delinquent loans, the Company has selectively extended to certai
and forbearance agreements. As of December 31, 2013, loans on which concessions were made wit
$72.9 million; loans on which forbearance agreements were reached amounted to $7.4 million.

The following table presents information regarding the Company s TDRs as of December 31, 2013

(in thousands)	Accruing
Loan Category:	
Multi-family	$ 10,083
Commercial real estate	2,198

One-to-four family	
Acquisition, development, and construction	
Commercial and industrial	1,129
Total	$ 13,410

The $56.0 million decline in accruing multi-family loans noted in the preceding table was primarily
second quarter of 2013. The $35.3 million decline in accruing CRE loans noted in the preceding tab
2013.

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The $64.0 million decline in non-accrual multi-family loans primarily reflects two loan relationship
of 2013, and a $41.6 million transfer to OREO during the first quarter of 2013. These decreases wer
transferred from accruing TDR to non-accrual TDR. The $23.5 million decline in non-accrual CRE
during the second quarter of 2013.

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circ
involves judgment by Company personnel regarding the likelihood that the concession will result in

In the twelve months ended December 31, 2013, the Company classified one CRE loan in the amou
loan in the amount of $3.9 million as non-accrual TDRs . While other concessions were granted to t
these TDRs did not have a financial impact on the Company s results of operations during the year

There were no payment defaults on any loans that had been modified as TDRs during the preceding
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 other
delay of payment is part of a modification. Subsequent to the modification, the loan is not considere
the modified terms. However, the Company does consider a loan with multiple modifications or for
default if it was 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 Deser

(dollars in thousands)	A
Loan Category:	
One-to-four family	$ 2,
All other loans	
Total covered loans	$ 2,

The Company refers to the loans acquired in the AmTrust and Desert Hills transactions as covered
losses on these loans under the terms of the FDIC loss sharing agreements. Covered loans are accou
which includes estimated future credit losses expected to be incurred over the lives of the loans. Un
one or more pools, provided that the loans have common risk characteristics. A pool is then account
expectation of cash flows.

At December 31, 2013 and 2012, the unpaid principal balances of covered loans were $3.3 billion a
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 Dese
portfolios, discounted at market-based rates. In estimating such fair value, the Company (a) calculat
payments (the undiscounted contractual cash flows); and (b) estimated the expected amount and
expected cash flows). The amount by which the undiscounted expected cash flows exceed the esti

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interest income over the lives of the loans. The amount by which the undiscounted contractual cash
non-accretable difference. The non-accretable difference represents an estimate of the credit risk

The accretable yield is affected by changes in interest rate indices for variable rate loans, changes in
payments over the estimated lives of the loans. Changes in interest rate indices for variable rate loan
collected, depending on the direction of interest rates. Prepayments affect the estimated lives of cov
expected to be collected. Changes in expected principal and interest payments over the estimated liv
be taken with borrowers.

The Company periodically evaluates the estimates of the cash flows it expects to collect. Expected f
time of the periodic evaluation. Estimates of expected cash flows that are impacted by changes in in
treated as prospective yield adjustments and included in interest income.

Changes in the accretable yield for covered loans in the twelve months ended December 31, 2013 w

(in thousands)
Balance at beginning of period
Reclassification to non-accretable difference
Accretion
Balance at end of period

In the preceding table, the line item reclassification to non-accretable difference includes change
prepayment assumptions, changes in interest rates on variable rate loans, and changes in loss assum
assumptions increased and coupon rates on variable rate loans reset lower, both of which resulted in
reduction in the accretable yield. Partially offsetting the effect of these decreases was an improveme
improved, the projected loss assumptions on defaulting loans decreased which, in turn, resulted in a

In connection with the AmTrust and Desert Hills acquisitions, the Company also acquired OREO, a
was initially recorded at its estimated fair value on the acquisition date, based on independent appra
declines in fair value have been charged to non-interest expense, and partially offset by loss reimbur
previous write-downs have been credited to non-interest expense and partially offset by the portion

The FDIC loss share receivable represents the present value of the estimated losses to be reimbursed
estimates used in determining the fair value of the covered loans. The FDIC loss share receivable is
payments are received from the FDIC. Realized losses in excess of acquisition-date estimates will re
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 that were 90 days

(in thousands)
Covered Loans 90 Days or More Past Due:
One-to-four family
Other loans
Total covered loans 90 days or more past due

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The following table presents information regarding the Company s covered loans that were 30 to 8

(in thousands)	
Covered Loans 30-89 Days Past Due:	
One-to-four family	
Other loans	
Total covered loans 30-89 days past due	

At December 31, 2013, the Company had $57.9 million of covered loans that were 30 to 89 days pa
due but considered to be performing due to the application of the yield accretion method under ASC
totaled $2.5 billion at December 31, 2013 and was considered current at that date. ASC 310-30 allo
fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A p
and an aggregate expectation of cash flows.

Loans that may have been classified as non-performing loans by AmTrust or Desert Hills were no l
acquisition, the Company believed that it would fully collect the new carrying value of these loans.
portion that is expected to be uncollectible (i.e., the non-accretable difference) and by an accretable
that management s judgment is required in reclassifying loans subject to ASC 310-30 as performin
about the timing and amount of the cash flows to be collected, even if the loan is contractually past

The primary credit quality indicator for covered loans is the expectation of underlying cash flows. T
million and $18.0 million during the twelve months ended December 31, 2013 and 2012, respective
portfolios of one-to-four family and home equity loans, and were largely offset by FDIC indemnific
non-interest income during the respective periods.

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NOTE 6: ALLOWANCES FOR LOAN LOSSES

The following table provides additional information regarding the Company s allowances for losse
evaluating loan impairment:

(in thousands)
Allowances for Loan Losses at December 31, 2013:
Loans individually evaluated for impairment
Loans collectively evaluated for impairment
Acquired loans with deteriorated credit quality
Total

(in thousands)
Allowances for Loan Losses at December 31, 2012:
Loans individually evaluated for impairment
Loans collectively evaluated for impairment
Acquired loans with deteriorated credit quality
Total

The following table provides additional information regarding the methods used to evaluate the Cor

(in thousands)
Loans Receivable at December 31, 2013:
Loans individually evaluated for impairment
Loans collectively evaluated for impairment
Acquired loans with deteriorated credit quality
Total

(in thousands)
Loans Receivable at December 31, 2012:
Loans individually evaluated for impairment
Loans collectively evaluated for impairment
Acquired loans with deteriorated credit quality
Total

Non-Covered Loans

The following table summarizes activity in the allowance for losses on non-covered loans for the tw

(in thousands)
Balance, beginning of period
Charge-offs
Recoveries
Provision for loan losses
Balance, end of period

Please see Note 2, Summary of Significant Accounting Polices for additional information regard

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The following table presents additional information about the Company s impaired non-covered lo

(in thousands)
Impaired loans with no related allowance:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Commercial and industrial
Total impaired loans with no related allowance
Impaired loans with an allowance recorded:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Commercial and industrial
Total impaired loans with an allowance recorded
Total impaired loans:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Commercial and industrial
Total impaired loans

The following table presents additional information about the Company s impaired non-covered lo

(in thousands)
Impaired loans with no related allowance:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Commercial and industrial
Total impaired loans with no related allowance
Impaired loans with an allowance recorded:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Commercial and industrial

Total impaired loans with an allowance recorded
Total impaired loans:
Multi-family
Commercial real estate
One-to-four family
Acquisition, development, and construction
Commercial and industrial
Total impaired loans

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Allowance for Losses on Covered Loans

Under the loss sharing agreements with the FDIC, covered loans are reported exclusive of the FDIC
Hills acquisitions are, and will continue to be, reviewed for collectability based on the expectations
pools of loans with common characteristics. In determining the allowance for losses on covered loan
cash flows for each of the loan pools. The Company records a provision for losses on covered loans
since the acquisition date. Accordingly, if there is a decrease in expected cash flows due to an increa
respective acquisition dates, the decrease in the present value of expected cash flows is recorded as
covered loan losses is established. A related credit to non-interest income and an increase in the FD
on the applicable loss sharing agreement percentage.

The following table summarizes activity in the allowance for losses on covered loans for the years e

(in thousands)
Balance, beginning of period
Provision for losses on covered loans
Balance, end of period

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NOTE 7: DEPOSITS

The following table sets forth a summary of the weighted average interest rates for each type of dep

		2013
(dollars in thousands)	Amount	Percen of Tota
NOW and money market accounts	$ 10,536,947	41.0
Savings accounts	5,921,437	23.0
Certificates of deposit	6,932,096	27.0
Non-interest-bearing accounts	2,270,512	8.8
Total deposits	$ 25,660,992	100.0

(1) Excludes the effect of purchase accounting adjustments for certificates of deposits (CDs).

At December 31, 2013 and 2012, the aggregate amounts of deposits that had been reclassified as loa

The scheduled maturities of CDs at December 31, 2013 were as follows:

(in thousands)
1 year or less
More than 1 year through 2 years
More than 2 years through 3 years
More than 3 years through 4 years
More than 4 years through 5 years
Over 5 years
Total CDs

The following table presents a summary of CDs in amounts of $100,000 or more, by remaining tern

(in thousands)
Total

At December 31, 2013 and 2012, the aggregate amounts of CDs of $100,000 or more were $3.4 bill

Included in total deposits at December 31, 2013 and 2012 were brokered deposits of $4.1 billion an brokered deposits had weighted average interest rates of 0.24% and 0.39% at the respective year-en billion, respectively, of the year-end 2013 and 2012 totals and brokered non-interest-bearing accour CDs represented $212.1 million and $793.8 million, respectively, of brokered deposits at December

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NOTE 8: BORROWED FUNDS

The following table summarizes the Company s borrowed funds at December 31, 2013 and 2012:

(in thousands)
Wholesale borrowings:
FHLB advances
Repurchase agreements
Federal funds purchased
Total wholesale borrowings
Other borrowings:
Junior subordinated debentures
Preferred stock of subsidiaries
Total other borrowings
Total borrowed funds

FHLB advances at December 31, 2013 include acquisition accounting adjustments of $18.8 million

Accrued interest on borrowed funds is included in Other liabilities in the Consolidated Statement
at December 31, 2013 and 2012.

FHLB Advances

The contractual maturities and the next call dates of FHLB advances outstanding at December 31, 2

(dollars in thousands)	
Year of Maturity	
2014	$
2015	
2016	
2017	
2018	
2019	
2020	
2022	
2023	
2025	
Total FHLB advances	$

FHLB advances include both straight fixed-rate advances and advances under the FHLB convertibl
advance after an initial lock-out period of up to five years and quarterly thereafter until maturity, or

At December 31, 2013, the Company had $3.1 billion in short-term FHLB advances with a weighte
short-term FHLB advances was $1.4 billion, with a weighted average interest rate of 0.38%, genera
had $1.2 billion in short-term FHLB advances with a weighted average interest rate of 0.32%. Durin
million with a weighted average interest rate of 0.36%, generating interest expense of $1.4 million.
advances with a weighted average interest rate of 0.31%. During 2011, the average balance of short
rate of 0.39%, generating interest expense of $650,000.

At December 31, 2013 and 2012, respectively, the Banks had combined unused lines of available cr
December 31, 2013, the Company had $146.1 million outstanding in overnight advances with the F
to $106.3 million and had a weighted average interest rate of 0.38%, generating interest expense of

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$400,000. There were no overnight advances outstanding at December 31, 2012 or 2011. During 20
had a weighted average interest rate of 0.38%, generating interest expense of $111,000. During 201
had a weighted average interest rate of 0.40%, generating interest expense of $18,000.

Total FHLB advances generated interest expense of $252.6 million, $311.8 million, and $313.4 mil

Repurchase Agreements

The following table presents an analysis of the contractual maturities and the next call dates of the C

(dollars in thousands)

Year of Maturity
2014
2015
2016
2017
2018
2020
2023

The following table provides the contractual maturity and weighted average interest rate of repurcha
interest) of the securities collateralizing the repurchase agreements, at December 31, 2013:

(dollars in thousands)

Contractual Maturity	Amount	Weighte Intere
Over 90 days	$ 3,425,000	

The Company had no short-term repurchase agreements outstanding at or during the years ended De

At December 31, 2013 and 2012, the accrued interest on repurchase agreements amounted to $11.9
agreements was $129.6 million, $148.3 million, and $147.1 million, respectively, in the years ended

Federal Funds Purchased

At December 31, 2013 and 2012, the balances of federal funds purchased were $445.0 million and $

In 2013 and 2012, the average balances of federal funds purchased amounted to $85.8 million and $
of 0.27%. The interest expense produced by federal funds purchased was $230,000 and $58,000, res
federal funds purchased outstanding during the twelve months ending December 31, 2011.

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Junior Subordinated Debentures

At December 31, 2013 and 2012, the Company had $358.1 million and $357.9 million, respectively
subordinated debentures) held by statutory business trusts (the Trusts) that issued guaranteed ca
at that date. However, with the passage of the Dodd-Frank Wall Street Reform and Consumer Prote
expected to be phased out by January 1, 2016.

The Trusts are accounted for as unconsolidated subsidiaries in accordance with GAAP. The proceed
debentures of the Company and the underlying assets of each statutory business trust are the relevar
obligations under each trust s capital securities to the extent set forth in a guarantee by the Compan
redemption, in whole or in part, upon repayment of the debentures at their stated maturity or earlier

The following junior subordinated debentures were outstanding at December 31, 2013:

Issuer *(dollars in thousands)*	Interest Rate of Capital Securities and Debentures	Junior Subordinated Debentures Amount Outstanding	Cap Secu Am Outsta
New York Community Capital Trust V (BONUSES[SM] Units)	6.000%	$ 144,200	$ 13
New York Community Capital Trust X	1.843	123,712	12
PennFed Capital Trust III	3.493	30,928	3
New York Community Capital Trust XI	1.897	59,286	5
Total junior subordinated debentures		$ 358,126	$ 34

(1) *Callable subject to certain conditions as described in the prospectus filed with the SEC on N*

(2) *Callable from this date forward.*

On December 31, 2012, the Company redeemed the following junior subordinated debentures, total
Queens Statutory Trust I, LIF Statutory Trust I, and PennFed Capital Trust II. A $2.3 million loss o
of 2012.

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On November 4, 2002, the Company completed a public offering of 5,500,000 Bifurcated Option N
pursuant to the exercise of the underwriters over-allotment option, at a public offering price of $50
approximately $267.3 million. Each BONUSES unit consists of a capital security issued by New Yo
warrant to purchase 2.4953 shares of the common stock of the Company (for a total of approximate
share. Each capital security has a maturity of 49 years, with a coupon, or distribution rate, of 6.00%
securities were non-callable for five years from the date of issuance and were not called by the Com

The gross proceeds of the BONUSES units totaled $275.0 million and were allocated between the c
relative values at the time of issuance. The value assigned to the warrants, $92.4 million, was record
Consolidated Statement of Condition. The value assigned to the capital security component was $18
stated liquidation amount of the capital securities was treated as an original issue discount, and amo
level-yield basis. At December 31, 2013, this discount totaled $67.5 million, reflecting the exchange

On July 29, 2009, the Company announced the commencement of an offer to exchange shares of its
(the Offer to Exchange). All holders of BONUSES units were eligible to participate in the excha
withdrawn, and accepted in the exchange offer, representing 25.3% of the 5,498,544 BONUSES un
preferred securities totaling $48.6 million were extinguished in August 2009. In accordance with the
Exchange Ratio) of its common stock for each BONUSES unit that was tendered, not withdrawn
common shares to (ii) 0.9191 common shares. The latter number was determined by dividing $10.0
Company s common stock during the five consecutive trading days ending on August 21, 2009. Th
Offer to Exchange.

In addition to the trust established in connection with the issuance of the BONUSES units, the Com
New York Community Capital Trust X, PennFed Capital Trust III, and New York Community Capi
Company Obligated Mandatorily Redeemable Capital Securities of Subsidiary Trusts Holding Solel
are described in the table on the preceding page. Dividends on the Capital Securities are payable eit
for up to five years. As of December 31, 2013, all dividends were current. As each of the Capital Se
amount of Junior Subordinated Deferrable Interest Debentures (the Debentures) of the Company
Securities. The Company has fully and unconditionally guaranteed all of the obligations of the Trus
Securities qualifies as Tier I capital, and the remainder qualifies as Tier II capital.

Interest expense on junior subordinated debentures was $17.3 million, $25.0 million, and $24.4 mill

Preferred Stock of Subsidiaries

On April 7, 2003, the Company, through its then second-tier subsidiary, CFS Investments New Jers
County Capital Corporation (RCCC), a wholly-owned real estate investment trust (REIT) of t
to Qualified Institutional Buyers, as defined in Rule 144A of the Rules and Regulations promulg
securities included $50.0 million, or 500 shares, of Richmond County Capital Corporation Series C
of $100,000 per share (the Series C Preferred Stock). Dividends on the Series C Preferred Stock
value. The Series C Preferred Stock may be redeemed by the Company on or after July 15, 2008. Th
December 31, 2013, there were 43 shares, or $4.3 million, of Series C Preferred Stock outstanding.

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Dividends on preferred stock of subsidiaries are recorded as interest expense and amounted to $153
December 31, 2013, 2012, and 2011.

NOTE 9: FEDERAL, STATE, AND LOCAL TAXES

The following table summarizes the components of the Company s net deferred tax (liability) asset

(in thousands)
Deferred Tax Assets:
Allowance for loan losses
Compensation and related benefit obligations
Acquisition accounting and fair value adjustments on securities (including OTTI)
Acquisition accounting adjustments on borrowed funds
Non-accrual interest
Acquisition-related costs
Other
Gross deferred tax assets
Valuation allowance
Deferred tax asset after valuation allowance
Deferred Tax Liabilities:
Amortizable intangibles
Acquisition accounting and fair value adjustments on loans (including the FDIC loss share receivable)
Mortgage servicing rights
Premises and equipment
Prepaid pension cost
Restructuring and retirement of borrowed funds
Leases
Other
Gross deferred tax liabilities
Net deferred tax (liability) asset

The net deferred tax liability (which is included in Other liabilities) or the net deferred tax asset (
at December 31, 2013 and 2012, represents the anticipated federal, state, and local tax expenses or b
the underlying tax attributes comprising this balance.

The Company has determined that at December 31, 2013, all deductible temporary differences are r
local tax liabilities, as applicable.

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The following table summarizes the Company s income tax expense (benefit) for the years ended D

(in thousands)	
Federal current	
State and local current	
Total current	
Federal deferred	
State and local deferred	
Total deferred	
Income tax expense reported in net income	
Income tax expense (benefit) reported in stockholders equity related to:	
Securities available-for-sale	
Employee stock plans	
Pension liability adjustments	
Non-credit portion of OTTI losses	
Total income taxes	

The following table presents a reconciliation of statutory federal income tax expense reported in net
December 31, 2013, 2012, and 2011:

(in thousands)	
Statutory federal income tax expense at 35%	
State and local income taxes, net of federal income tax effect	
Effect of tax deductibility of ESOP	
Non-taxable income and expense of BOLI	
Federal tax credits	
Adjustments relating to prior tax years	
Other, net	
Total income tax expense reported in net income	

GAAP prescribes a recognition threshold and measurement attribute for use in connection with the
financial statements uncertain tax positions that the Company has taken or expects to take on a tax r

As of December 31, 2013, the Company had $20.3 million of unrecognized gross tax benefits. Gros
amounts.

The total amount of net unrecognized tax benefits at December 31, 2013 that would affect the effec

Interest and penalties (if any) related to the underpayment of income taxes are classified as a compo
Comprehensive Income. During the years ended December 31, 2013, 2012, and 2011, the Company
of $900,000, $1.0 million, and $(2.5) million, respectively. Accrued interest and penalties on tax lia
2013 and 2012.

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The following table summarizes changes in the liability for unrecognized gross tax benefits for the y

(in thousands)	
Uncertain tax positions at beginning of year	
Additions for tax positions relating to current-year operations	
Additions for tax positions relating to prior tax years	
Subtractions for tax positions relating to prior tax years	
Reductions in balance due to settlements	
Uncertain tax positions at end of year	

The Company and its acquired companies have filed tax returns in many states. The following are th

Federal tax filings of the Company for tax years 2011 through the present;

New York State tax filings of the Company for tax years 2010 through the present;

New York City tax filings of the Company for tax years 2011 through the present; and

New Jersey tax filings of the Company and certain acquired companies for tax years 2

It is reasonably possible that there will be developments within the next twelve months that would r Company does not expect that such settlements will have a material impact on tax expense. In addit each federal, state, and local tax position would be material.

As a savings institution, the Community Bank is subject to a special federal tax provision regarding Bank s federal tax bad debt base-year reserve was $61.5 million, with a related net deferred tax liab Bank does not expect that this reserve will become taxable in the foreseeable future. Events that wo Bank s stock or certain excess distributions by the Community Bank to the Company.

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NOTE 10: COMMITMENTS AND CONTINGENCIES

Pledged Assets

At December 31, 2013 and 2012, the Company had pledged mortgage-related securities held to mat
Company also had pledged other securities held to maturity with carrying values of $2.1 billion and
Company had pledged available-for-sale mortgage-related securities with a carrying value of $79.9
December 31, 2012, the respective carrying values of pledged available-for-sale mortgage-related se
pledged securities primarily serve as collateral for the Company s repurchase agreements.

Loan Commitments and Letters of Credit

At December 31, 2013 and 2012, the Company had commitments to originate loans, including unus
of the outstanding loan commitments at December 31, 2013 and 2012 had adjustable interest rates, a

The following table sets forth the Company s off-balance-sheet commitments relating to outstandin

(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

Lease and License Commitments

At December 31, 2013, the Company was obligated under various non-cancelable operating lease ar
branch operations. The Company currently expects to renew such agreements upon their expiration
clauses that provide for increases in the annual rent, commencing at various times during the lives o
and cost-of-living indices.

The projected minimum annual rental commitments under these agreements, exclusive of taxes and

(in thousands)	
2014	$ 29,702
2015	25,817
2016	29,298
2017	20,930
2018	16,403
2019 and thereafter	56,560
Total minimum future rentals	$ 178,710

The rental expense under these leases is included in Occupancy and equipment expense in the Co
$33.7 million, $32.5 million, and $28.1 million, respectively, in the years ended December 31, 2013
occupancy and equipment expense, was approximately $3.9 million, $3.4 million, and $3.8 million
under non-cancelable sublease agreements at December 31, 2013.

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Financial Guarantees

The Company provides guarantees and indemnifications to its customers to enable them to complete
These guarantees are recorded at their respective fair values in Other liabilities in the Consolidate
guarantees to equal the consideration received.

The following table summarizes the Company s guarantees and indemnifications at December 31,

(in thousands)	F Wi
Financial stand-by letters of credit	$
Performance stand-by letters of credit	
Commercial letters of credit	
Total letters of credit	$

The maximum potential amount of future payments represents the notional amounts that could be fu
default by the guaranteed parties or indemnification provisions were triggered, as applicable, withou
collateral held or pledged.

The Company collects a fee upon the issuance of letters of credit. These fees are initially recorded b
date of the respective guarantees. In addition, the Company requires adequate collateral, typically in
performance stand-by, financial stand-by, and commercial letters of credit. In the event that a borrow
purchase loans that it has sold or otherwise transferred to a third party. Also outstanding at Decemb

In October 2007, Visa U.S.A., a subsidiary of Visa Inc. (Visa) completed a reorganization in con
March 2008. As part of that reorganization, the Community Bank and the former Synergy Bank, alo
stock of Visa. In accordance with GAAP, the Company did not recognize any value for this commo

Visa claims that all Visa U.S.A. member banks are obligated to share with it in losses stemming fro
Covered Litigation). Visa continues to set aside amounts in an escrow account to fund any judgm
amount of shares allocated to the Visa U.S.A. member banks by amounts necessary to cover such li
liability for the fair value of their related contingent obligation to Visa U.S.A., based on the percenta
based on its best estimate of the combined membership interest of the Community Bank and the for
Visa is involved. Depending on the outcome of the Covered Litigation, the Company could incur an
amount of which is not expected to be material.

Derivative Financial Instruments

The Company uses various financial instruments, including derivatives, in connection with its strate
The Company s derivative financial instruments consist of financial forward and futures contracts,
mortgage banking operations, MSRs, and other risk management activities. These activities vary in
held, and other changing market conditions. Please see Note 15, Derivative Financial Instruments.

Legal Proceedings

The Company is involved in various legal actions arising in the ordinary course of its business. All
management to be immaterial to the financial condition and results of operations of the Company.

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NOTE 11: INTANGIBLE ASSETS

Goodwill

Goodwill is presumed to have an indefinite useful life and is tested for impairment, rather than amo
in the carrying amount of goodwill during the years ended December 31, 2013 and 2012. Goodwill

Core Deposit Intangibles

As previously noted, the Company has CDI stemming from its various business combinations with
savings deposits acquired in a business combination. The fair value of the CDI stemming from any
savings attributable to the core deposit funding, relative to an alternative source of funding. CDI is
acquired, but does not exceed 10 years. The Company evaluates such identifiable intangibles for im
were required to be recorded in 2013, 2012, or 2011. If an impairment loss is determined to exist in
Consolidated Statement of Income and Comprehensive Income for the period in which such impair

Analysis of Core Deposit Intangibles

The following table summarizes the gross carrying and accumulated amortization amounts of the C

(in thousands)
Core deposit intangibles

For the year ended December 31, 2013, amortization expenses related to CDI totaled $15.8 million.
December 31, 2013 and deemed them to be appropriate. There were no impairment losses recorded

The following table summarizes the estimated future expense stemming from the amortization of th

(in thousands)
2014
2015
2016
2017
Total remaining intangible assets

Mortgage Servicing Rights

The Company had MSRs of $241.0 million and $144.7 million, respectively, at December 31, 2013
MSRs, whereas the 2012 year-end balance consisted of both residential MSRs and securitized MSR

Residential MSRs are carried at fair value, with changes in fair value recorded as a component of no
instruments to mitigate the income statement-effect of changes in fair value due to changes in valua
changes in the fair value of the derivatives are recorded in Non-interest income. MSRs do not tra
Company bases the fair value of its MSRs on the present value of estimated future net servicing inc
future net servicing income cash flows with assumptions that market participants would use to estin
default rates, refinance rates, servicing costs, escrow account earnings, contractual servicing fee inc
adjusts, the underlying inputs and assumptions to reflect market conditions and assumptions that a r

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The value of residential MSRs at any given time is significantly affected by the mortgage interest ra
influence mortgage loan prepayment speeds. During periods of declining interest rates, the value of
results in an increase in prepayments. Conversely, during periods of rising interest rates, the value o

Securitized MSRs were carried at the lower of the initial carrying value, adjusted for amortization, o
estimated net servicing income. Such MSRs were periodically evaluated for impairment, based on t
was determined that impairment existed, the resultant loss was charged to earnings.

The following table sets forth the changes in the balances of residential and securitized MSRs for th

(in thousands)
Carrying value, beginning of year
Additions
Increase (decrease) in fair value:
Due to changes in interest rates and valuation assumptions
Due to other changes [(1)]
Amortization
Carrying value, end of period

(1) Net servicing cash flows, including loan payoffs, and the passage of time.

The following table presents the key assumptions used in calculating the fair value of the Company

Expected Weighted Average Life
Constant Prepayment Speed
Discount Rate
Primary Mortgage Rate to Refinance
Cost to Service (per loan per year):
Current
30-59 days or less delinquent
60-89 days delinquent
90-119 days delinquent
120 days or more delinquent

As indicated in the preceding table, there were no changes in servicing costs from December 31, 20

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NOTE 12: EMPLOYEE BENEFITS

Retirement Plans

On April 1, 2002, three separate pension plans for employees of the former Queens County Savings Bank were merged together and renamed the New York Community Bancorp Retirement Plan (t Roslyn Savings Bank was merged into the New York Community Plan on September 30, 2004. The merged into the New York Community Plan on March 31, 2008. The New York Community Plan c and employment status requirements prior to the date when the individual plans were frozen by the service, and compensation factors, and became closed to employees who would otherwise have met Plan is subject to the provisions of ERISA.

The following table sets forth certain information regarding the New York Community Plan as of th

(in thousands)
Change in Benefit Obligation:
Benefit obligation at beginning of year
Interest cost
Actuarial (gain) loss
Annuity payments
Settlements
Benefit obligation at end of year
Change in Plan Assets:
Fair value of assets at beginning of year
Actual return on plan assets
Contributions
Annuity payments
Settlements
Fair value of assets at end of year
Funded status (included in other assets)
Changes recognized in other comprehensive income for the year ended December 31:
Amortization of prior service cost
Amortization of actuarial loss
Net actuarial (gain) loss arising during the year
Total recognized in other comprehensive loss for the year (pre-tax)
Accumulated other comprehensive loss (pre-tax) not yet recognized in net periodic benefit cost at December 31:
Prior service cost
Actuarial loss, net
Total accumulated other comprehensive loss (pre-tax)

In 2014, an estimated $3.3 million of unrecognized net actuarial loss for the defined benefit pension comparable amount recognized as net periodic benefit cost in 2013 was $9.4 million. No prior servi discount rates used to determine the benefit obligation at December 31, 2013 and 2012 were 4.8% a

The discount rate reflects rates at which the benefit obligation could be effectively settled. To deter
fixed-income investments that are currently available and are expected to be available during the pe
discounted based on a portfolio of high-quality rated bonds (above-median AA curve) for which the
measurement date.

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The components of net periodic pension (credit) expense were as follows for the years indicated:

(in thousands)
Components of net periodic pension (credit) expense:
Interest cost
Expected return on plan assets
Amortization of prior-service loss
Amortization of net actuarial loss
Net periodic pension (credit) expense

The following table indicates the weighted average assumptions used in determining the net periodi

Discount rate
Expected rate of return on plan assets

New York Community Plan assets are invested in diversified investment funds of the RSI Retireme
stock. At December 31, 2013 and 2012, the amounts of New York Community Plan assets invested
respectively. The investment funds include a series of equity and bond mutual funds or comingled t
detailed in the Trust s Statement of Investment Objectives and Guidelines (the Guidelines). The
strategic asset allocation versus plan liabilities, as governed by the Guidelines.

The long-term investment objectives are to maintain plan assets at a level that will sufficiently cove
or exceed the rate at which long-term obligations will grow. A broadly diversified combination of e
are used to help achieve these objectives.

The Plan s targeted asset allocation was 60% to equities and 40% to fixed income securities. The T
investment strategies and managers utilized within the equity and fixed-income segments, as well a
normally occurs when the allocations vary by more than 10% from their respective targets (i.e., the

The investment goal is to achieve investment results that will contribute to the proper funding of the
addition, investment managers for the Trust are expected to provide above average performance wh
monitored, and risk and volatility are further managed by the distinct investment objectives of each

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The following table presents information about the investments held by the New York Community

(in thousands)	
Mutual Funds Equity:	
Large-cap value [(1)]	
Small-cap core [(2)]	
Large-cap growth [(3)]	
International core [(4)]	
Common/Collective Trusts Equity:	
Large-cap core [(5)]	
Large-cap value [(6)]	
Common/Collective Trusts Fixed Income:	
Market duration fixed [(7)]	
Mutual Funds Fixed Income:	
Intermediate duration [(8)]	
Equity Securities:	
Company common stock	
Cash Equivalents:	
Money market	

(1) This category consists of investments whose sector and industry exposures are maintained w approximately 150 stocks.

(2) This category contains stocks whose sector weightings are maintained within a narrow band than 300 stocks.

(3) This category consists of a pair of mutual funds, one that invests in fast growing large-cap c other that primarily invests in large-cap growth companies based in the U.S.

(4) This category has investments in medium to large non-U.S. companies, including high qualit economic and political systems.

(5) This fund tracks the performance of the S&P 500 Index by purchasing the securities represe

(6) This category contains large-cap stocks with above-average yields. The portfolio typically h

(7) This category consists of an index fund that tracks the Barclays Capital U. S. Aggregate Bon and asset-backed securities.

(8) This category consists of two funds, one containing a diversified portfolio of high-quality bo mortgage-related and asset-backed securities, corporate and municipal bonds, CMOs, and o globally diversified portfolio of higher-quality, intermediate bonds.

Current Asset Allocation

The weighted average asset allocations for the New York Community Plan as of December 31, 201

Equity securities

Debt securities	
Total	

Determination of Long-Term Rate of Return

The long-term rate of return on assets assumption was set based on historical returns earned by equi returns as applied to the New York Community Plan s target allocation of asset classes. Equity secu the ranges of 5% to 9% and 2% to 6%, respectively. The long-term inflation rate was estimated to b Community Plan s target allocation, the result is an expected rate of return of 7% to 11%.

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Expected Contributions

The Company does not expect to contribute to the New York Community Plan in 2014.

Expected Future Annuity Payments

The following annuity payments, which reflect expected future service, as appropriate, are expected

(in thousands)
2014
2015
2016
2017
2018
2019 and thereafter
Total

Qualified Savings Plan

The Company maintains a defined contribution qualified savings plan (the New York Community
participate after one year of service and having attained age 21. No matching contributions are mad

Post-Retirement Health and Welfare Benefits

The Company offers certain post-retirement benefits, including medical, dental, and life insurance (
of service at the time of retirement. The costs of such benefits are accrued during the years that an e

The following table sets forth certain information regarding the Health & Welfare Plan as of the dat

(in thousands)
Change in benefit obligation:
Benefit obligation at beginning of year
Service cost
Interest cost
Actuarial (gain) loss
Premiums and claims paid
Benefit obligation at end of year
Change in plan assets:
Fair value of assets at beginning of year
Employer contribution
Premiums/claims paid
Fair value of assets at end of year
Funded status (included in Other liabilities)

Changes recognized in other comprehensive income for the year ended December 31:
Amortization of prior service cost
Amortization of actuarial gain
Net actuarial (gain) loss arising during the year
Total recognized in other comprehensive loss for the year (pre-tax)
Accumulated other comprehensive loss (pre-tax) not yet recognized in net periodic benefit cost at December 31:
Prior service cost
Actuarial loss, net
Total accumulated other comprehensive loss (pre-tax)

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The discount rates used in the preceding table were 4.3% and 3.5%, respectively, at December 31, 2

The estimated net actuarial loss and the prior service liability that will be amortized from AOCL int
$249,000, respectively.

The following table indicates the components of net periodic benefit cost for the years indicated:

(in thousands)
Components of Net Periodic Benefit Cost:
Service cost
Interest cost
Amortization of prior-service loss
Amortization of net actuarial loss
Net periodic benefit cost

The following table indicates the weighted average assumptions used in determining the net periodi

Discount rate
Current medical trend rate
Ultimate trend rate
Year when ultimate trend rate will be reached

Had the assumed medical trend rate at December 31, 2013 increased by 1% for each future year, the
increased by $754,000, and the aggregate of the benefits earned and the interest components of 201
the assumed medical trend rate decreased by 1% for each future year, the accumulated post-retireme
$644,000, and the aggregate of the benefits earned and the interest components of 2013 net post-reti

Investment Policies and Strategies

The Health & Welfare Plan is an unfunded non-qualified pension plan and is not expected to hold a
Welfare Plan are used to immediately pay plan premiums and claims as they come due.

Expected Contributions

The Company expects to contribute $1.5 million to the Health & Welfare Plan to pay premiums and

Expected Future Payments for Premiums and Claims

The following amounts are currently expected to be paid for premiums and claims during the years

(in thousands)
2014
2015
2016
2017
2018

2019 and thereafter	
Total	

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NOTE 13: STOCK-RELATED BENEFIT PLANS

New York Community Bank Employee Stock Ownership Plan

All full-time employees who have attained 21 years of age and who have completed twelve consecu
Stock Ownership Plan (ESOP), with benefits vesting on a seven-year basis, starting with 20% in
successive year. Benefits are payable upon death, retirement, disability, or separation from service,
defined in the ESOP, any unvested portion of benefits shall vest immediately.

At the time of the Community Bank s conversion to stock form, the Company loaned $19.4 millior
In the second quarter of 2002, the Company loaned an additional $14.8 million to the ESOP for the
secondary offering on May 14, 2002. In 2002, the two loans were consolidated into a single loan wh
not to exceed 30 years. In 2010, the loan was fully repaid and all the remaining shares were releasec

In 2013, 2012, and 2011, the Company allocated 505,354; 644,007; and 526,800 shares, respectivel
and 2011, the Company recorded ESOP-related compensation expense of $8.5 million, $8.4 million

Supplemental Executive Retirement Plan

In 1993, the Community Bank established a Supplemental Executive Retirement Plan (SERP), w
in the ESOP in the form of Company common stock. The SERP was frozen in 1999. Trust-held asse
and 1,369,311 shares at December 31, 2013 and 2012, respectively. The cost of these shares is refle
Statements of Condition. The Company recorded no SERP-related compensation expense in 2013, 2

Stock Incentive and Stock Option Plans

At December 31, 2013, the Company had a total of 16,757,551 shares available for grants as option
Community Bancorp, Inc. 2012 Stock Incentive Plan (the 2012 Stock Incentive Plan), which was
2012. Included in this amount were 1,030,673 shares that were transferred from the New York Com
Plan), which was approved by the Company s shareholders at its Annual Meeting on June 7, 2006
2,327,522 shares of restricted stock during the twelve months ended December 31, 2013, with an av
2011, the Company granted 2,040,425, shares and 1,693,000 shares, respectively, of restricted stock
share on the respective grant dates. The shares of restricted stock that were granted during the years
Compensation and benefits expense related to the restricted stock grants is recognized on a straight-
and $16.7 million, respectively, for the years ended December 31, 2013, 2012, and 2011.

The following table provides a summary of activity with regard to restricted stock awards in the yea

	Number o
Unvested at beginning of year	4,386
Granted	2,327
Vested	(1,369
Cancelled	(300
Unvested at end of year	5,043

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As of December 31, 2013, unrecognized compensation cost relating to unvested restricted stock tota
weighted average period of 3.2 years.

In addition, the Company had the following stock option plans at December 31, 2013: the 1998 Ric
Island Financial Corp. Stock Option Plan; and the 2004 Synergy Financial Group Stock Option Plan
options granted under the Stock Option Plans expire ten years from the date of grant.

The Company uses the modified prospective approach to recognize compensation costs related to sh
costs in the financial statements over the vesting period during which the employee provides service
during 2013, 2012, or 2011, the Company did not record any compensation and benefits expense re

To satisfy the exercise of options, the Company either issues new shares of common stock or uses c
difference between the average cost of Treasury shares and the exercise price is recorded as an adju
December 31, 2013, 2012, and 2011, respectively, there were 126,821; 2,641,344; and 9,006,944 st
under the Stock Option Plans was 11,453 at December 31, 2013.

The status of the Stock Option Plans at December 31, 2013, and the changes that occurred during th

	Number o Optio
Stock options outstanding, beginning of year	2,64
Granted	
Exercised	(3
Expired/forfeited	(2,48
Stock options outstanding, end of year	12
Options exercisable at year-end	12

The intrinsic value of stock options outstanding and exercisable at December 31, 2013 was $277,00
December 31, 2013 was $106,000 There were no stock options exercised during the twelve months
the year ended December 31, 2011 was $1.9 million.

NOTE 14: FAIR VALUE MEASUREMENTS

GAAP set forth a definition of fair value, established a consistent framework for measuring fair valu
measured at fair value on either a recurring or non-recurring basis. GAAP also clarified that fair val
selling an asset, or paid when transferring a liability, in an orderly transaction between market partic
determined based on assumptions that market participants would use in pricing an asset or liability.
fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for iden

Level 2 Inputs to the valuation methodology include quoted prices for similar assets
liability, either directly or indirectly, for substantially the full term of the financial ins

Level 3 Inputs to the valuation methodology are significant unobservable inputs tha
participants use in pricing an asset or liability.

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A financial instrument s categorization within this valuation hierarchy is based upon the lowest lev

The following tables present assets and liabilities that were measured at fair value on a recurring ba
Company s Consolidated Statements of Condition at those dates:

(in thousands)	Quoted Pric in Active Mar for Identical Assets (Level 1)
Assets:	
Mortgage-Related Securities Available for Sale:	
GSE certificates	$
GSE CMOs	
Private label CMOs	
Total mortgage-related securities	$
Other Securities Available for Sale:	
Municipal bonds	$
Capital trust notes	
Preferred stock	89,942
Common stock	52,740
Total other securities	$ 142,682
Total securities available for sale	$ 142,682
Other Assets:	
Loans held for sale	$
Mortgage servicing rights	
Interest rate lock commitments	
Derivative assets-other(2)	1,267
Liabilities:	
Derivative liabilities	$ (590

(1) Includes cash collateral received and pledged.
(2) Includes $1.3 million to purchase Treasury options.

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(in thousands)	Quoted P in Acti Marke for Identi Asset (Level
Assets:	
Mortgage-Related Securities Available for Sale:	
GSE certificates	$
GSE CMOs	
Private label CMOs	
Total mortgage-related securities	$
Other Securities Available for Sale:	
Municipal bonds	$
Capital trust notes	
Preferred stock	124,7
Common stock	39,6
Total other securities	$ 164,4
Total securities available for sale	$ 164,4
Other Assets:	
Loans held for sale	$
Mortgage servicing rights	
Interest rate lock commitments	
Derivative assets-other[1]	5,9
Liabilities:	
Derivative liabilities	$ (2,3

(1) Includes $5.3 million to purchase Treasury options.

The Company reviews and updates the fair value hierarchy classifications for its assets on a quarterl observability of inputs for a fair value measurement may result in a reclassification from one hierarc

A description of the methods and significant assumptions utilized in estimating the fair values of av

Where quoted prices are available in an active market, securities are classified within Level 1 of the securities, exchange-traded securities, and derivatives.

If quoted market prices are not available for the specific security, then fair values are estimated by u independently sourced market parameters as inputs, including, but not limited to, yield curves, inter market information, models incorporate transaction details such as maturity and cash flow assumpti Level 2 of the valuation hierarchy, and primarily include such instruments as mortgage-related and

In certain cases where there is limited activity or less transparency around inputs to the valuation, se capital trust notes, which may include pooled trust preferred securities, collateralized debt obligatio fair value may require benchmarking to similar instruments or analyzing default and recovery rates. collateral composition and cash flow structure of the securities. Key inputs to the model consist of r contractual features. In instances where quoted price information is available, the price is considere less transparency around the inputs to the valuation of preferred stock, the valuation is based on a di

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Periodically, the Company uses fair values supplied by independent pricing services to corroborate
reviews the fair values supplied by independent pricing services, as well as their underlying pricing
services valuations that appear to be unusual or unexpected.

The Company carries loans held for sale originated by the Residential Mortgage Banking segment a
fair value of held-for-sale loans is primarily based on quoted market prices for securities backed by
driven by changes in interest rates subsequent to loan funding, and changes in the fair value of servi
classified within Level 2 of the valuation hierarchy.

MSRs do not trade in an active open market with readily observable prices. The Company bases the
income cash flows, utilizing an internal valuation model. The Company estimates future net servicin
estimate fair value, including estimates of prepayment speeds, discount rates, default rates, refinanc
income, and ancillary income. The Company reassesses and periodically adjusts the underlying inpu
market participant would consider in valuing the MSR asset. MSR fair value measurements use sig

Exchange-traded derivatives that are valued using quoted prices are classified within Level 1 of the
valued using internally developed models that use readily observable market parameters as their bas
external sources, including industry pricing services. Where the types of derivative products have b
accepted in the financial services industry. These models reflect the contractual terms of the derivat
interest rates, volatility, and the credit quality of the counterparty. Furthermore, many of these mode
the models do not require significant judgment, and inputs to the models are readily observable from
and option contracts. Such instruments are generally classified within Level 2 of the valuation hiera
unobservable market parameters, and that are normally traded less actively, have trade activity that
Level 3 of the valuation hierarchy.

The fair value of IRLCs for residential mortgage loans that the Company intends to sell is based on
sum of the value of the forward commitment based on the loans expected settlement dates and the
historical IRLC closing ratios. The closing ratio is computed by the Company s mortgage banking
Such derivatives are classified as Level 3.

While the Company believes its valuation methods are appropriate and consistent with those of othe
determine the fair values of certain financial instruments could result in different estimates of fair v

Fair Value Option

Loans Held for Sale

The Company has elected the fair value option for its loans held for sale. The Company s loans hel
more than 90 days past due at December 31, 2013. Management believes the mortgage banking bus
relevant valuations for the key components of this business, and to reduce timing differences in amo
for sale at fair value to match the recognition of IRLCs, MSRs, and derivatives, all of which are rec
market prices of mortgage-backed securities comprised of loans with similar features to those of loa
servicing value, guaranty fee premiums, and credit spread adjustments.

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The following table reflects the difference between the fair value carrying amount of loans held for
principal balance:

	20	
(in thousands)	Fair Value Carrying Amount	Aggrega Unpaid Princip
Loans held for sale	$ 306,915	$ 303,8

Gains and Losses Included in Income for Assets Where the Fair Value Option Has Been Elected

The assets accounted for under the fair value option are initially measured at fair value. Gains and l
recognized in earnings. For loans held for sale and MSRs, the changes in fair value related to initial
are shown for the periods indicated below:

(in thousands)
Loans held for sale
Mortgage servicing rights
Total gain

(1) Does not include the effect of hedging activities.

The Company has determined that there is no instrument-specific credit risk related to its loans held

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Changes in Level 3 Fair Value Measurements

The following tables present, for the twelve months ended December 31, 2013 and 2012, a roll-forw
financial instruments classified in Level 3 of the valuation hierarchy:

(in thousands)	Fair Value January 1, 2013	Total Realized/Unrealized Gains/(Losses) Recorded in Income/ Loss	Comprehensive (Loss) Income
Available-for-sale capital securities	$ 18,569	$	$
Mortgage servicing rights	144,520	15,699	
Interest rate lock commitments	21,446	(21,188)	

(in thousands)	Fair Value January 1, 2012	Total Realized/Unrealized Gains/(Losses) Recorded in Income/ Loss	Comprehensive (Loss) Income
Available-for-sale capital securities and preferred stock	$ 18,078	$	$ 3,545
Mortgage servicing rights	116,416	(88,303)	
Interest rate lock commitments	15,633	5,813	

The Company s policy is to recognize transfers in and out of Levels 1, 2, and 3 at the end of the rep
months ended December 31, 2013. During the twelve months ended December 31, 2013, the Compa
decreased observable market activity for these securities. During the twelve months ended Decembe
Level 3 to Level 2 as a result of increased observable market activity for these securities. There wer
the twelve months ended December 31, 2013 or 2012. There were no transfers of securities betwee

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For Level 3 assets and liabilities measured at fair value on a recurring basis as of December 31, 201
were as follows:

(dollars in thousands)	Fair Value at Dec. 31, 2013	Valuation Technique
Mortgage Servicing Rights	$ 241,018	Discounted Cash Flo
Interest Rate Lock Commitments	258	Pricing Model

(1) Represents annualized loan repayment rate assumptions.

The significant unobservable inputs used in the fair value measurement of the Company s MSRs ar
discount rate. Significant increases or decreases in any of those inputs in isolation could result in sig
prepayment rate and the discount rate are not directly interrelated, they generally move in opposite

The significant unobservable input used in the fair value measurement of the Company s IRLCs is
interest rate lock position that management estimates will ultimately close. Generally, the fair value
rate, and the fair value of an IRLC is negative if the prevailing interest rate is higher than the IRLC
loans estimated to close) will result in the fair value of the IRLC increasing if in a gain position, or
stage of processing that a loan is currently in, and the change in prevailing interest rates from the tir

Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a non-recurring basis. Such instruments are subject to fa
evidence of impairment). The following tables present assets and liabilities that were measured at fa
2012, and that were included in the Company s Consolidated Statements of Condition at those date

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)
Certain impaired loans	$
Other assets [(1)]	
Total	$

(1) Represents the fair value of OREO, based on the appraised value of the collateral subsequen

(in thousands)	Quoted Prices in Active Markets

	for Identical Assets (Level 1)
Certain impaired loans	$
Other assets [(1)]	
Total	$

(1) Represents the fair value of OREO, based on the appraised value of the collateral subsequen

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The fair values of collateral-dependent impaired loans are determined using various valuation techn
estate market data.

Other Fair Value Disclosures

FASB guidance also requires the disclosure of fair value information about the Company s on- and
are used as the measure of fair value. In cases where quoted market prices are not available, fair val
fair values are significantly affected by the assumptions used, the timing of future cash flows, and th

Because assumptions are inherently subjective in nature, estimated fair values cannot be substantiate
the estimated fair values provided would not necessarily be realized in an immediate sale or settlem

The following tables summarize the carrying values, estimated fair values, and fair value measurem
Company s Consolidated Statements of Condition at December 31, 2013 and December 31, 2012:

(in thousands)	Carrying Value	E
Financial Assets:		
Cash and cash equivalents	$ 644,550	$
Securities held to maturity	7,670,282	
FHLB stock[1]	561,390	
Loans, net	32,727,507	
Financial Liabilities:		
Deposits	$ 25,660,992	$
Borrowed funds	15,105,002	

(1) Carrying value and estimated fair value are at cost.
(2) NOW and money market accounts, savings accounts, and non-interest-bearing accounts.
(3) Certificates of deposit.

(in thousands)	Carrying Value	E
Financial Assets:		
Cash and cash equivalents	$ 2,427,258	$
Securities held to maturity	4,484,262	
FHLB stock[1]	469,145	
Loans, net	31,580,636	
Mortgage servicing rights	193	
Financial Liabilities:		
Deposits	$ 24,877,521	$
Borrowed funds	13,430,191	

(1) *Carrying value and estimated fair value are at cost.*
(2) *NOW and money market accounts, savings accounts, and non-interest-bearing accounts.*
(3) *Certificates of deposit.*

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The methods and significant assumptions used to estimate fair values for the Company s financial i

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks and federal funds sold. The estimated fa values, as these financial instruments are either due on demand or have short-term maturities.

Securities

If quoted market prices are not available for a specific security, then fair values are estimated by usi discounted cash flows. These pricing models primarily use market-based or independently sourced r interest rates, equity or debt prices, and credit spreads. In addition to observable market information cash flow assumptions.

Federal Home Loan Bank Stock

Ownership in equity securities of the FHLB is restricted and there is no established market for their

Loans

The loan portfolio is segregated into various components for valuation purposes in order to group lo (mortgage or other) and payment status (performing or non-performing). The estimated fair values o flows from the respective portfolios. The discount rates reflect current market rates for loans with si of non-performing mortgage and other loans are based on recent collateral appraisals.

The methods used to estimate the fair value of loans are extremely sensitive to the assumptions and estimates that best reflect the Company s loan portfolio and current market conditions, a greater de active markets. Accordingly, readers are cautioned in using this information for purposes of evaluat comparison with any other company.

Mortgage Servicing Rights

MSRs do not trade in an active market with readily observable prices. Accordingly, the Company u cash flows. The model incorporates various assumptions, including estimates of prepayment speeds Company reassesses and periodically adjusts the underlying inputs and assumptions to reflect curren consider in valuing the MSR asset.

Derivative Financial Instruments

For exchange-traded futures and exchange-traded options, fair value is based on observable quoted loans and mortgage-backed securities, fair value is based on observable market prices for similar loa one-to-four family mortgage loans that the Company intends to sell is based on internally developed forward commitment based on the loans expected settlement dates, the value of MSRs arrived at b and historical IRLC fall-out factors.

Deposits

The fair values of deposit liabilities with no stated maturity (i.e., NOW and money market accounts carrying amounts payable on demand. The fair values of CDs represent contractual cash flows, disc characteristics and remaining maturities. These estimated fair values do not include the intangible v Company s deposit base.

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Borrowed Funds

The estimated fair value of borrowed funds is based either on bid quotations received from securitie
currently in effect for borrowed funds with similar maturities and structures.

Off-Balance-Sheet Financial Instruments

The fair values of commitments to extend credit and unadvanced lines of credit are estimated based
similar transactions, considering the remaining terms of the commitments and the creditworthiness
off-balance-sheet financial instruments were insignificant at December 31, 2013 and 2012.

NOTE 15: DERIVATIVE FINANCIAL INSTRUMENTS

The Company s derivative financial instruments consist of financial forward and futures contracts,
MSRs, and other risk management activities, and seek to mitigate or reduce the Company s exposu
scope based on the level and volatility of interest rates, the type of assets held, and other changing n

In accordance with the applicable accounting guidance, the Company takes into account the impact
derivative contracts held with a single counterparty on a net basis, and to offset the net derivative po
liabilities. As a result, the Company s Statements of Financial Condition could reflect derivative co
with positive fair values included in derivative liabilities.

The Company held derivatives with a notional amount of $1.5 billion at December 31, 2013. Chang
earnings. None of these derivatives are designated as hedges for accounting purposes.

The following table sets forth information regarding the Company s derivative financial instrument

(in thousands)
Treasury options
Eurodollar futures
Forward commitments to sell loans/mortgage-backed securities
Forward commitments to buy loans/mortgage-backed securities
Interest rate lock commitments
Total derivatives

(1) Derivatives in a net gain position are recorded as Other assets and derivatives in a net lo
Statements of Condition.

The Company uses various financial instruments, including derivatives, in connection with its strate
instruments may include IRLCs entered into with borrowers or correspondents/brokers to acquire a
will be held for sale. Other derivative instruments include Treasury options and Eurodollar futures.

The Company enters into forward contracts to sell fixed rate mortgage-backed securities to protect a
sale. Forward contracts are entered into with securities dealers in an amount related to the portion o
moves inversely with the value of the loans in response to changes in interest rates.

To manage the price risk associated with fixed rate non-conforming mortgage loans, the Company
forward commitments to sell loans to approved investors. Short positions in Eurodollar futures cont
sale.

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The Company also purchases put and call options to manage the risk associated with variations in th

In addition, the Company mitigates a portion of the risk associated with changes in the value of MS
instruments, the value of which changes in the opposite direction of interest rates, thus partially offs
the same direction as interest rates. Accordingly, the Company purchases Eurodollar futures and cal
purchase mortgage-backed securities.

The following table sets forth the effect of derivative instruments on the Consolidated Statements of

(in thousands)	(Loss) I For the 2013
Treasury options	$ (10,2
Eurodollar futures	(
Forward commitments to buy/sell loans/mortgage-backed securities	17,7
Total gain	$ 7,4

The Company has in place an enforceable master netting arrangement with every counterparty. All
Company s recognized derivative assets, derivative liabilities, and cash collateral received and pled
and liability positions with the cash collateral received and pledged.

The following tables present the effect the master netting arrangements have on the presentation of
of the dates indicated:

(in thousands)	Gross Amounts of Recognized Assets
Derivatives	$ 6,680

(in thousands)	Gross Amounts of Recognized Assets
Derivatives	$ 30,295

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The following tables present the effect the master netting arrangements have on the presentation of t
Condition as of the dates indicated:

(in thousands)	Gross Amounts o Recognized Liabilities
Derivatives	$ 8,012

(in thousands)	Gross Amounts of Recognized Liabilities
Derivatives	$ 8,111

NOTE 16: DIVIDEND RESTRICTIONS ON SUBSIDIARY BANKS

Various legal restrictions limit the extent to which the Company s subsidiary banks can supply fun
subsidiary banks would require the approval of the Superintendent of the New York State Departme
calendar year were to exceed the total of their respective net profits for that year combined with thei
required transfer to paid-in capital. The term net profits is defined as the remainder of all earning
assets, after deducting from the total thereof all current operating expenses, actual losses, if any, and
paid by the Banks to the Parent Company; at December 31, 2013, the Banks could have paid additio
approval.

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NOTE 17: PARENT COMPANY-ONLY FINANCIAL INFORMATION

The following tables present the condensed financial statements for New York Community Bancorp

Condensed Statements of Condition

(in thousands)
ASSETS:
Cash and cash equivalents
Securities available for sale
Investments in subsidiaries
Receivables from subsidiaries
Other assets
Total assets
LIABILITIES AND STOCKHOLDERS EQUITY:
Junior subordinated debentures
Other liabilities
Total liabilities
Stockholders equity
Total liabilities and stockholders equity

Condensed Statements of Income

(in thousands)
Interest income
Dividends received from subsidiaries
Loss on debt redemption
Other income
Gross income
Operating expenses
Income before income tax benefit and equity in undistributed (overdistributed) earnings of subsidiar
Income tax benefit
Income before equity in undistributed (overdistributed) earnings of subsidiaries
Equity in undistributed (overdistributed) earnings of subsidiaries
Net income

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Condensed Statements of Cash Flows

(in thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:
Net income
Change in other assets
Change in other liabilities
Other, net
Equity in (undistributed) overdistributed earnings of subsidiaries
Net cash provided by operating activities
CASH FLOWS FROM INVESTING ACTIVITIES:
Proceeds from sales and repayments of securities
Change in receivable from subsidiaries, net
Net cash provided by investing activities
CASH FLOWS FROM FINANCING ACTIVITIES:
Treasury stock purchases
Cash dividends paid on common stock
Net cash received from exercise of stock options
Payments for debt redemptions
Net cash used in financing activities
Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents at beginning of year
Cash and cash equivalents at end of year

NOTE 18: REGULATORY MATTERS

The Company is subject to examination, regulation, and periodic reporting under the Bank Holding
Reserve Board of Governors (the FRB). The FRB has adopted capital adequacy guidelines for ba
those of the FDIC for the Banks.

The following tables present the regulatory capital ratios for the Company at December 31, 2013 an
FRB for capital adequacy purposes:

At December 31, 2013	Lev
(dollars in thousands)	Amo
Total regulatory capital	$ 3,664
Minimum for capital adequacy purposes	1,745
Excess	$ 1,918

At December 31, 2012 *(dollars in thousands)*	Lev Amo
Total regulatory capital	$ 3,605
Minimum for capital adequacy purposes	1,631
Excess	$ 1,974

The Banks are subject to regulation, examination, and supervision by the NYDFS and the FDIC (th
laws and regulations, including the FDIC Improvement Act of 1991, which established five categor
undercapitalized. Such classifications are used by the FDIC to determine various matters, including
premium assessments. Capital amounts and classifications are also subject to the Regulators quali
other factors.

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The quantitative measures established to ensure capital adequacy require that banks maintain minim
and total risk-based capital to risk-weighted assets (as such measures are defined in the regulations)
requirements to which they were subject.

As of December 31, 2013, the most recent notifications from the FDIC categorized the Community
framework for prompt corrective action. To be categorized as well capitalized, a bank must maintai
capital ratio of 6.00%; and a minimum total risk-based capital ratio of 10.00%. In the opinion of ma
change these capital adequacy classifications.

The following tables present the actual capital amounts and ratios for the Community Bank at Dece
required for capital adequacy purposes:

At December 31, 2013	Lev
(dollars in thousands)	Amo
Total regulatory capital	$ 3,196
Minimum for capital adequacy purposes	1,627
Excess	$ 1,569

At December 31, 2012	Lev
(dollars in thousands)	Amo
Total regulatory capital	$ 3,156
Minimum for capital adequacy purposes	1,514
Excess	$ 1,641

The following tables present the actual capital amounts and ratios for the Commercial Bank at Dece
required for capital adequacy purposes:

At December 31, 2013	
(dollars in thousands)	A
Total regulatory capital	$ 3
Minimum for capital adequacy purposes	1
Excess	$ 2

At December 31, 2012	
(dollars in thousands)	A
Total regulatory capital	$ 3
Minimum for capital adequacy purposes	1
Excess	$ 2

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NOTE 19: SEGMENT REPORTING

The Company s operations are divided into two reportable business segments: Banking Operations
identified based on the Company s organizational structure. The segments require unique technolog
the Company is managed as an integrated organization, individual executive managers are held acco

The Company measures and presents information for internal reporting purposes in a variety of way
planning and measurement of operating activities, and to which most managers are held accountable

The management accounting process uses various estimates and allocation methodologies to measu
performance for each segment, the Company allocates capital, funding charges and credits, certain n
applicable. Allocation methodologies are subject to periodic adjustment as the internal management
segments change. In addition, because the development and application of these methodologies is a

The Company seeks to maximize shareholder value by, among other means, optimizing the return o
segment, the combination of which is equivalent to the Company s consolidated total, on an econon
the segment. Capital allocations are made to cover the following risk categories: credit risk, liquidity
risk.

The Company allocates expenses to the reportable segments based on various factors, including the
equivalent employees. Income taxes are allocated to the various segments based on taxable income

Banking Operations Segment

The Banking Operations Segment serves consumers and businesses by offering and servicing a vari

Residential Mortgage Banking Segment

The Residential Mortgage Banking segment originates, sells, aggregates, and services one-to-four fa
agency-conforming fixed- and adjustable-rate loans and, to a lesser extent, jumbo hybrid loans, for t
Residential Mortgage Banking segment earns interest on loans held in the warehouse and non-intere
gains or losses from the sale of such loans.

The following tables provide a summary of the Company s segment results for the years ended Dec

(in thousands)
Net interest income
Provisions for loan losses
Non-Interest Income:
Third party[(1)]
Inter-segment
Total non-interest income
Non-interest expense[(2)]
Income before income tax expense
Income tax expense

Net income

Identifiable segment assets (period-end)

(1) Includes ancillary fee income.
(2) Includes both direct and indirect expenses.

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The following table provides a summary of the Company s segment results for the twelve months e

(in thousands)
Net interest income
Provisions for loan losses
Non-Interest Income:
Third party[1]
Inter-segment
Total non-interest income
Non-interest expense[2]
Income before income tax expense
Income tax expense
Net income
Identifiable segment assets (period-end)

(1) Includes ancillary fee income.

(2) Includes both direct and indirect expenses.

NOTE 20: SUBSEQUENT EVENTS

The Company evaluated whether any subsequent events that require recognition or disclosure in the date these financial statements were issued (February 28, 2014) and determined that no such subseq

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REPORT OF INDEPENDENT REGISTERED PU

The Board of Directors and Stockholders

New York Community Bancorp, Inc.:

We have audited the accompanying consolidated statements of condition of New York Community
2012, and the related consolidated statements of income and comprehensive income, changes in sto
ended December 31, 2013. These consolidated financial statements are the responsibility of the Co
consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Over
perform the audit to obtain reasonable assurance about whether the financial statements are free of
supporting the amounts and disclosures in the financial statements. An audit also includes assessing
management, as well as evaluating the overall financial statement presentation. We believe that our

In our opinion, the consolidated financial statements referred to above present fairly, in all material
subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flo
in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversig
reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated F*
Treadway Commission (COSO), and our report dated February 28, 2014 expressed an unqualified c
reporting.

New York, New York

February 28, 2014

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REPORT OF INDEPENDENT REGISTERED PU

The Board of Directors and Stockholders

New York Community Bancorp, Inc.:

We have audited New York Community Bancorp, Inc. and subsidiaries (the Company) internal
established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponso
management is responsible for maintaining effective internal control over financial reporting and fo
reporting, included in the accompanying Management s Report on Internal Control over Financial
internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Overs
the audit to obtain reasonable assurance about whether effective internal control over financial repo
understanding of internal control over financial reporting, assessing the risk that a material weaknes
internal control based on the assessed risk. Our audit also included performing such other procedure
provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable a
financial statements for external purposes in accordance with generally accepted accounting princip
policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accu
company; (2) provide reasonable assurance that transactions are recorded as necessary to permit pre
accounting principles, and that receipts and expenditures of the company are being made only in ac
and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acqu
effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or dete
future periods are subject to the risk that controls may become inadequate because of changes in co
deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over fina
Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizat

We also have audited, in accordance with the standards of the Public Company Accounting Oversig
Company as of December 31, 2013 and 2012, and the related consolidated statements of income an
each of the years in the three-year period ended December 31, 2013, and our report dated February
statements.

New York, New York

February 28, 2014

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCO
None.

ITEM 9A. CONTROLS AND PROCEDURES
(a) Evaluation of Disclosure Controls and Procedures

Under the supervision, and with the participation, of our Chief Executive Officer and Chief Financi
operation of the Company s disclosure controls and procedures pursuant to Rule 13a-15(b), as adop
Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, the Chief Exe
disclosure controls and procedures were effective as of the end of the period covered by this annual

Disclosure controls and procedures are the controls and other procedures that are designed to ensure
files or submits under the Exchange Act is recorded, processed, summarized, and reported within th
procedures include, without limitation, controls and procedures designed to ensure that information
under the Exchange Act is accumulated and communicated to management, including the Chief Exe
decisions regarding required disclosure.

(b) Management s Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal cont
the supervision of management, including our Chief Executive Officer and Chief Financial Officer,
reporting and the preparation of the Company s financial statements for external reporting purposes

Our internal control over financial reporting includes policies and procedures that pertain to the mai
transactions and dispositions of assets; provide reasonable assurances that transactions are recorded
GAAP, and that receipts and expenditures are made only in accordance with the authorization of ma
provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition,
on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or dete
periods are subject to the risk that the controls may become inadequate because of changes in condi
deteriorate.

As of December 31, 2013, management assessed the effectiveness of the Company s internal contr
Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of th
concluded that the Company s internal control over financial reporting as of December 31, 2013 wa

The effectiveness of the Company s internal control over financial reporting as of December 31, 20
accounting firm that audited the Company s consolidated financial statements as of and for the yea
preceding page, which expresses an unqualified opinion on the effectiveness of the Company s inte

(c) Changes in Internal Control over Financial Reporting

There have not been any changes in the Company s internal control over financial reporting (as suc
during the fiscal quarter to which this report relates that have materially affected, or are reasonably
reporting.

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANC

Information regarding our directors, executive officers, and corporate governance appears in our Pr
2014 (hereafter referred to as our 2014 Proxy Statement) under the captions Information with R
Beneficial Ownership Reporting Compliance, Meetings and Committees of the Board of Directo

A copy of our Code of Business Conduct and Ethics, which applies to our Chief Executive Officer,
Officer as officers of the Company, and all other senior financial officers of the Company designate
Investor Relations portion of our websites, www.myNYCB.com, www.NewYorkCommercialBank.
upon written request to the Corporate Secretary at 615 Merrick Avenue, Westbury, NY 11590.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive compensation appears in our 2014 Proxy Statement under the capti
and Insider Participation, Compensation Discussion and Analysis, Executive Compensation a
this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MA

The following table provides information regarding the Company s equity compensation plans at D

Plan category	Number of securiti issued upon exe of outstanding opti warrants, and ri *(a)*
Equity compensation plans approved by security holders	126
Equity compensation plans not approved by security holders	
Total	126

Information relating to the security ownership of certain beneficial owners and management appear
Certain Beneficial Owners and Information with Respect to Nominees, Continuing Directors, an

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIR

Information regarding certain relationships and related transactions appears in our 2014 Proxy State
Corporate Governance, and is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding principal accountant fees and services appears in our 2014 Proxy Statement u
this reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES
(a) Documents Filed As Part of This Report

1. Financial Statements

The following are incorporated by reference from Item 8 hereof:

Reports of Independent Registered Public Accounting Firm;

Consolidated Statements of Condition at December 31, 2013 and 2012;

Consolidated Statements of Income and Comprehensive Income for each of the years in the three-y

Consolidated Statements of Changes in Stockholders Equity for each of the years in the three-year

Consolidated Statements of Cash Flows for each of the years in the three-year period ended Decemb

Notes to the Consolidated Financial Statements.

The following are incorporated by reference from Item 9A hereof:

Management s Report on Internal Control over Financial Reporting; and

Changes in Internal Control over Financial Reporting.

2. Financial Statement Schedules

Financial statement schedules have been omitted because they are not applicable or because the req
Notes thereto.

3. Exhibits Required by Securities and Exchange Commission Regulation S-K

The following exhibits are filed as part of this Form 10-K and this list includes the Exhibit Index.

Exhibit No.	
3.1	Amended and Restated Certificate of Incorporation (1)
3.2	Certificates of Amendment of Amended and Restated Certificate of Incorporation (2)
3.3	Amended and Restated Bylaws (3)
4.1	Specimen Stock Certificate (4)
4.2	Registrant will furnish, upon request, copies of all instruments defining the rights of h subsidiaries.

10.1	Form of Employment Agreement between New York Community Bancorp, Inc. and . and John J. Pinto [5]
10.2	Retirement Agreement between New York Community Bancorp, Inc. and Michael F.
10.3	Retirement Agreement between New York Community Bancorp, Inc. and James J. O

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10.4	Synergy Financial Group, Inc. 2004 Stock Option Plan (as assumed by New York Con
10.5	Form of Change in Control Agreements among the Company, the Bank, and Certain O
10.6	Form of Queens County Savings Bank Employee Severance Compensation Plan [8]
10.7	Form of Queens County Savings Bank Outside Directors Consultation and Retiremer
10.8	Form of Queens County Bancorp, Inc. Employee Stock Ownership Plan and Trust [8]
10.9	Incentive Savings Plan of Queens County Savings Bank [9]
10.10	Retirement Plan of Queens County Savings Bank [8]
10.11	Supplemental Benefit Plan of Queens County Savings Bank [10]
10.12	Excess Retirement Benefits Plan of Queens County Savings Bank [8]
10.13	Queens County Savings Bank Directors Deferred Fee Stock Unit Plan[8]
10.14	Richmond County Financial Corp. 1998 Stock Compensation Plan [11]
10.15	Long Island Financial Corp. 1998 Stock Option Plan, as amended [12]
10.16	New York Community Bancorp, Inc. Management Incentive Compensation Plan [13]
10.17	New York Community Bancorp, Inc. 2006 Stock Incentive Plan [13]
10.18	New York Community Bancorp, Inc. 2012 Stock Incentive Plan [14]
11.0	Statement Re: Computation of Per Share Earnings (See Note 2 to the Consolidated Fin
12.0	Statement Re: Ratio of Earnings to Fixed Charges (attached hereto)
21.0	Subsidiaries information incorporated herein by reference to Part I, Subsidiaries
23.0	Consent of KPMG LLP, dated February 28, 2014 (attached hereto)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer of the Company in accordance

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31.2	Rule 13a-14(a) Certification of Chief Financial Officer of the Company in accordance
32.0	Section 1350 Certifications of the Chief Executive Officer and Chief Financial Officer of 2002 (attached hereto)
101	The following materials from the Company s Annual Report on Form 10-K for the ye Reporting Language): (i) the Consolidated Statements of Condition, (ii) the Consolida Statements of Changes in Stockholders Equity, (iv) the Consolidated Statements of C

(1) Incorporated by reference to Exhibits filed with the Company s Form 10-Q for the quarterly
(2) Incorporated by reference to Exhibits filed with the Company s Form 10-K for the year end
(3) Incorporated by reference to Exhibits to the Company s Form 8-K filed with the Securities a
(4) Incorporated by reference to Exhibits filed with the Company s Registration Statement on F
(5) Incorporated by reference to Exhibits filed with the Company s Form 8-K filed with the Sec
(6) Incorporated by reference to Exhibits filed with the Company s Form 10-Q for the quarterly
(7) Incorporated by reference to Exhibits to Form S-8, Registration Statement filed on October 4
(8) Incorporated by reference to Exhibits filed with the Company s Registration Statement on F
(9) Incorporated by reference to Exhibits to Form S-8, Registration Statement filed on October 2
(10) Incorporated by reference to Exhibits filed with the 1995 Proxy Statement for the Annual M
(11) Incorporated by reference to Exhibits to Form S-8, Registration Statement filed on July 31, 2
(12) Incorporated by reference to Exhibits to Form S-8, Registration Statement filed on January 9
(13) Incorporated by reference to Exhibits filed with the 2006 Proxy Statement for the Annual M
(14) Incorporated by reference to Exhibits filed with the 2012 Proxy Statement for the Annual M

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the reg
undersigned, thereunto duly authorized.

February 28, 2014

New
(Regi

/s/ Jos
Josep
Presic
(Princ

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed be
and on the dates indicated.

/s/ Joseph R. Ficalora **Joseph R. Ficalora** President, Chief Executive Officer, and Director (Principal Executive Officer)	2/28/14	/s/ Thom **Thomas** Senior E Chief Fin (Principa
/s/ John J. Pinto **John J. Pinto** Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	2/28/14	
/s/ Dominick Ciampa **Dominick Ciampa** Chairman of the Board of Directors	2/28/14	/s/ Maure **Maureen** Director
/s/ Hanif W. Dahya **Hanif W. Dahya** Director	2/28/14	/s/ Max L **Max L.** Director
/s/ Michael J. Levine **Michael J. Levine** Director	2/28/14	/s/ James **James J.** Director
/s/ Ronald A. Rosenfeld **Ronald A. Rosenfeld** Director	2/28/14	/s/ Lawre **Lawrenc** Director
/s/ John M. Tsimbinos **John M. Tsimbinos** Director	2/28/14	/s/ Spiros **Spiros J.** Director
/s/ Robert Wann **Robert Wann**	2/28/14	

Senior Executive Vice President, Chief Operating Officer,
and Director

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