DIME COMMUNITY BANCSHARES INC
Form 10-K
March 11, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Year Ended December 31, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 0-27782
Dime Community Bancshares, Inc.
(Exact name of registrant as specified in its charter)

Delaware	11-3297463
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
209 Havemeyer Street, Brooklyn, NY	11211
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (718) 782-6200

Securities Registered Pursuant to Section 12(b) of the Act:
None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, par value $.01 per share
(Title of Class)

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

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

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

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

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) 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.

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

LARGE ACCELERATED FILER ACCELERATED FILER NON-ACCELERATED FILER SMALLER REPORTING COMPANY

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2015 was approximately $517.6 million based upon the $16.94 closing price on the NASDAQ National Market for a share of the registrant's common stock on June 30, 2015.

As of March 11, 2016, there were 37,371,992 shares of the registrant's common stock, $0.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be distributed on behalf of the Board of Directors of Registrant in connection with the Annual Meeting of Shareholders to be held on May 26, 2016 and any adjournment thereof, are incorporated by reference in Part III.

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This Annual Report on Form 10-K contains a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by use of words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "seek," "may," "outlook," "plan," "potential," "predict," "project," "should," "will," "would" and similar terms and phrases, including references to assumptions.

Forward-looking statements are based upon various assumptions and analyses made by Dime Community Bancshares, Inc. (the "Holding Company," and together with its direct and indirect subsidiaries, the "Company") in light of management's experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes appropriate under the circumstances. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors (many of which are beyond the Company's control) that could cause actual conditions or results to differ materially from those expressed or implied by such forward-looking statements. These factors include, without limitation, the following:

- the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Company's control;
- there may be increases in competitive pressure among financial institutions or from non-financial institutions;
- the net interest margin is subject to material short-term fluctuation based upon market rates;
- changes in deposit flows, loan demand or real estate values may adversely affect the business of The Dime Savings Bank of Williamsburgh (the "Bank");
- changes in accounting principles, policies or guidelines may cause the Company's financial condition to be perceived differently;
- changes in corporate and/or individual income tax laws may adversely affect the Company's business or financial condition;
- general economic conditions, either nationally or locally in some or all areas in which the Company conducts business, or conditions in the securities markets or the banking industry, may be less favorable than the Company currently anticipates;
- legislation or regulatory changes may adversely affect the Company's business;
- technological changes may be more difficult or expensive than the Company anticipates;
- success or consummation of new business initiatives may be more difficult or expensive than the Company anticipates;
- litigation or other matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than the Company anticipates; and
- Other risks, as enumerated in the section entitled "Risk Factors."

The Company has no obligation to update any forward-looking statements to reflect events or circumstances after the date of this document.

PART I

Item 1. Business

General

The Holding Company is a Delaware corporation and parent company of the Bank, a New York State chartered savings bank. The Bank's principal business is gathering deposits, and lending them primarily in multifamily residential, commercial real estate and mixed use loans, as well as investing in mortgage-backed securities ("MBS"), obligations of the U.S. Government and Government Sponsored Entities ("GSEs"), and corporate debt and equity securities. The Bank's revenues are derived principally from interest on its loan and securities portfolios, and other investments. The Bank's primary sources of funds are, in general, deposits; loan amortization, prepayments and maturities; MBS amortization, prepayments and maturities; investment securities maturities and sales; and advances from the Federal Home Loan Bank of New York ("FHLBNY").

The primary business of the Holding Company is the ownership of its wholly-owned subsidiary, the Bank. The Holding Company is a unitary savings and loan holding company, which, under existing law, is generally not restricted as to the types of business activities in which it may engage.

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The Holding Company neither owns nor leases any property, but instead uses the premises and equipment of the Bank. The Holding Company employs no persons other than certain officers of the Bank, who receive no additional compensation as officers of the Holding Company. The Holding Company utilizes the support staff of the Bank from time to time, as required. Additional employees may be hired as deemed appropriate by Holding Company management.

The Company's website address is www.dime.com. The Company makes available free of charge through its website, by clicking the Investor Relations tab under "About Us" and selecting "SEC Filings," its Annual and Transition Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC").

Market Area and Competition

The Bank has historically operated as a community-oriented financial institution providing financial services and loans primarily for multifamily housing within its market areas. The Bank maintains its headquarters in the Williamsburg section of the borough of Brooklyn, New York, and operates twenty-five full-service retail banking offices located in the New York City ("NYC") boroughs of Brooklyn, Queens, and the Bronx, and in Nassau County, New York. The Bank gathers deposits primarily from the communities and neighborhoods in close proximity to its branches, and, to a lesser extent, via the internet. The Bank's primary lending area is the NYC metropolitan area, although it's overall lending area is larger, extending approximately 50 miles in each direction from its corporate headquarters in Brooklyn. The majority of the Bank's mortgage loans are secured by properties located in its primary lending area, with approximately 88% secured by real estate located in the NYC boroughs of Brooklyn, Queens and Manhattan on December 31, 2015.

The NYC banking environment is extremely competitive. The Bank's competition for loans exists principally from other savings banks, commercial banks, mortgage banks, internet banks and insurance companies. The Bank continues to face sustained competition for the origination of multifamily residential and commercial real estate loans, which together comprised 98% of the Bank's loan portfolio at December 31, 2015.

The Bank gathers deposits in direct competition with other savings banks, commercial banks and brokerage firms, many among the largest in the nation. It must additionally compete for deposit monies with the stock and bond markets, especially during periods of strong performance in those arenas. Over the previous decade, consolidation in the financial services industry, coupled with the emergence of Internet banking, has dramatically altered the deposit gathering landscape. Facing increasingly larger and more efficient competitors, the Bank's strategy to attract depositors has utilized various marketing approaches and the delivery of technology-enhanced, customer-friendly banking services while controlling operating expenses.

Banking competition occurs within an economic and financial marketplace that is largely beyond the control of any individual financial institution. The interest rates paid to depositors and charged to borrowers, while affected by marketplace competition, are generally a function of broader-based macroeconomic and financial factors, including the U.S. Gross Domestic Product, the supply of, and demand for, loanable funds, and the impact of global trade and international financial markets. Within this environment, Federal Open Market Committee ("FOMC") monetary policy and governance of short-term rates also significantly influence the interest rates paid and charged by financial institutions.

The Bank's success is additionally impacted by the overall condition of the economy, particularly in the NYC metropolitan area. As home to several national companies in the financial and business services industries, and as a popular destination for domestic and international travelers, the NYC economy is particularly sensitive to the health of both the national and global economies.

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Lending Activities

The Bank originates primarily non-recourse loans on multifamily and commercial real estate properties to limited liability companies.

Loan Portfolio Composition. At December 31, 2015, the Bank's loan portfolio totaled $4.69 billion, consisting primarily of mortgage loans secured by multifamily residential apartment buildings, including buildings organized under a cooperative form of ownership; commercial properties; and one- to four-family residences and individual condominium or cooperative apartments. Within the loan portfolio, $3.75 billion, or 80.0%, were classified as multifamily residential loans; $863.2 million, or 18.4%, were classified as commercial real estate loans; and $72.1 million, or 1.5%, were classified as one- to four-family residential, including condominium or cooperative apartments. Of the total mortgage loan portfolio outstanding on December 31, 2015, $3.69 billion, or 78.7%, were adjustable-rate mortgage loans ('"ARMs") and $997.2 million, or 21.3%, were fixed-rate loans. Of the Bank's multifamily residential and commercial real estate loans, over 75% were ARMs at December 31, 2015, the majority of which were contracted to reprice no later than 7 years from their origination date and carried a total amortization period of no longer than 30 years. At December 31, 2015, the Bank's loan portfolio additionally included $1.6 million in consumer loans, composed of depositor, consumer installment and other loans. As of December 31, 2015, $3.07 billion, or 65.4% of the loan portfolio, was scheduled to mature or reprice within five years. In addition at December 31, 2015, loans totaling $474.7 million were only required to make monthly interest payments on their outstanding principal balance. The great majority of these loans commence principal amortization prior to their contractual maturity date.

The Bank does not originate or purchase loans, either whole loans or collateral underlying MBS, that would be considered subprime at origination (i.e., mortgage loans advanced to borrowers who do not qualify for market interest rates because of problems with their income or credit history).

The types of loans the Bank may originate are subject to New York State laws and regulations (See "Item 1. Business - Regulation – Regulation of New York State Chartered Savings Banks").

At December 31, 2015, the Bank had $219.0 million of loan commitments that were accepted by the borrowers. All of these commitments are expected to close during the year ending December 31, 2016. At December 31, 2014, the Bank had $122.1 million of loan commitments that were accepted by the borrowers. All of these closed during the year ended December 31, 2015.

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The following table sets forth the composition of the Bank's real estate and other loan portfolios (including loans held for sale) in dollar amounts and percentages at the dates indicated:

	At December 31,								
	2015	Percent of Total	2014	Percent of Total	2013	Percent of Total	2012	Percent of Total	2011
	Dollars in Thousands								
Real Estate loans:									
Multifamily residential	$3,752,328	80.02 %	$3,292,753	80.05 %	$2,917,380	78.97 %	$2,671,533	76.30 %	$2,599,850
Commercial real estate	863,184	18.41	745,463	18.12	700,606	18.96	735,224	21.00	751,586
One- to four-family, including condominium and cooperative apartment	72,095	1.54	73,500	1.79	73,956	2.00	91,876	2.62	100,712
Construction and land acquisition	-	-	-	-	268	0.01	476	0.01	5,827
Total real estate loans	4,687,607	99.97	4,111,716	99.96	3,692,210	99.94	3,499,109	99.93	3,457,975
Consumer loans:									
Depositor loans	557	0.01	677	0.01	763	0.02	712	0.02	483
Consumer installment and other	1,033	0.02	1,152	0.03	1,376	0.04	1,711	0.05	1,966
Total consumer loans	1,590	0.03	1,829	0.04	2,139	0.06	2,423	0.07	2,449
Gross loans	4,689,197	100.00%	4,113,545	100.00%	3,694,349	100.00%	3,501,532	100.00%	3,460,424
Net unearned costs	7,579		5,695		5,170		4,836		3,463
Allowance for loan losses	(18,514)		(18,493)		(20,153)		(20,550)		(20,254)
Loans, net	$4,678,262		$4,100,747		$3,679,366		$3,485,818		$3,443,633
Loans serviced for others:									
One- to four-family including condominium	$4,374		$5,215		$6,746		$8,786		$10,841

and cooperative apartment					
Multifamily residential	18,735	19,038	240,517	353,034	475,673
Total loans serviced for others	$23,109	$24,253	$247,263	$361,820	$486,514

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Loan Originations, Purchases, Sales and Servicing. For the year ended December 31, 2015, total loan originations were $1.35 billion. The Bank originates both ARMs and fixed-rate loans, depending upon customer demand and market rates of interest. ARMs were 94% of total loan originations during the period. The great majority of both ARM and fixed-rate originations were multifamily residential and commercial real estate loans.

The typical multifamily residential and commercial real estate ARM carries a final maturity of 10 or 12 years, and an amortization period not exceeding 30 years. These loans generally have an interest rate that adjusts once after the fifth or seventh year, indexed to the 5-year FHLBNY advance rate plus a spread typically approximating 250 basis points, but generally may not adjust below the initial interest rate of the loan. Prepayment fees are assessed throughout the majority of the life of the loans. In some instances, these loans do not amortize any principal during the contractual maturity period, such loans are referred to as "interest only loans." The Bank also offers fixed-rate, self-amortizing, multifamily residential and commercial real estate loans with maturities of up to fifteen years.

Multifamily residential real estate loans are either retained in the Bank's portfolio or sold in the secondary market to other third-party financial institutions. The Bank currently has no formal arrangement pursuant to which it sells commercial or multifamily residential real estate loans to the secondary market.

The Bank generally retains servicing rights in connection with multifamily loans it sells in the secondary market. Loan servicing fees are typically derived based upon the difference between the actual origination rate and contractual pass-through rate of the loans at the time of sale. At December 31, 2015, the Bank had recorded mortgage servicing rights ("MSR") of $239,000 associated with the sale of one- to four-family and multifamily residential loans to third party institutions.

Prior to February 2013, the Bank generally sold its newly originated one- to four-family fixed-rate mortgage loans in the secondary market. During the year ended December 31, 2013, the Bank ceased all one- to four-family fixed-rate mortgage lending in order to focus on its core multifamily residential and commercial real estate lending activities.

At December 31, 2015, the Bank's portfolio of whole loans or loan participations that it originated and sold to other financial institutions with servicing retained totaled $23.1 million, all of which were sold without recourse.

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The following table sets forth the Bank's loan originations (including loans held for sale), sales, purchases and principal repayments for the periods indicated:

	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
	Dollars in Thousands				
Gross loans:					
At beginning of period	$4,113,545	$3,694,349	$3,501,532	$3,460,424	$3,468,479
Real estate loans originated:					
Multifamily residential	1,098,841	748,067	872,421	942,326	563,696
Commercial real estate	236,320	191,944	187,202	142,418	98,607
One- to four-family, including condominium and cooperative apartment (1)	5,316	2,302	5,896	12,184	7,094
Equity lines of credit on multifamily residential or commercial properties	3,389	4,657	7,578	2,764	7,685
Construction and land acquisition	-	-	-	-	1,712
Total mortgage loans originated	1,343,866	946,970	1,073,097	1,099,692	678,794
Other loans originated	1,334	1,263	1,354	1,414	1,552
Total loans originated	1,345,200	948,223	1,074,451	1,101,106	680,346
Loans purchased (2)	99,745	225,604	52,031	30,425	54,364
Less:					
Principal repayments (including satisfactions and refinances)	859,721	737,776	923,110	1,020,525	698,928
Loans sold (3)	9,572	16,865	8,087	67,593	38,320
Write down of principal balance for expected loss	-	-	1,685	2,305	5,517
Loans transferred to other real estate owned	-	-	783	-	-
Gross loans at end of period	$4,689,197	$4,113,545	$3,694,349	$3,501,532	$3,460,424

(1) Includes one- to four-family home equity and home improvement loans.
(2) Includes $225.6 million, $52.0 million, $30.4 million and $26.4 million of serviced loans previously sold to a third party that were re-acquired during the years ended December 31, 2014, 2013, 2012 and 2011, respectively.
(3) Includes $9.6 million, $3.9 million, $6.1 million, $30.9 million and $29.8 million of note sales on problem loans from portfolio during the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

Loan Maturity and Repricing. The following table distributes the Bank's real estate and consumer loan portfolios (including loans held for sale) at December 31, 2015 by the earlier of the maturity or next repricing date. ARMs are included in the period during which their interest rates are next scheduled to adjust. The table does not include scheduled principal amortization.

	Real Estate Loans	Consumer Loans	Total
	(Dollars in Thousands)		
Amount due to Mature or Reprice During the Year Ending:			
December 31, 2016	$169,627	$ 1,590	$171,217
December 31, 2017	513,118	-	513,118
December 31, 2018	482,871	-	482,871
December 31, 2019	800,725	-	800,725
December 31, 2020	1,098,887	-	1,098,887
Sub-total (within 5 years)	3,065,228	1,590	3,066,818
December 31, 2021 and beyond	1,622,379	-	1,622,379

TOTAL	$4,687,607	$ 1,590	$4,689,197

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The following table sets forth the outstanding principal balances of the Bank's real estate and consumer loan portfolios (including loans held for sale) at December 31, 2015 that are due to mature or reprice after December 31, 2016, and whether such loans have fixed or adjustable interest rates:

	Due after December 31, 2016		
	Fixed	Adjustable	Total
	(Dollars in Thousands)		
Real estate loans	$973,519	$3,544,461	$4,517,980
Consumer loans	-	-	-
Total loans	$973,519	$3,544,461	$4,517,980

Multifamily Residential Lending and Commercial Real Estate Lending. The majority of the Bank's lending activities consist of originating adjustable- and fixed-rate multifamily residential (generally buildings possessing a minimum of five residential units) and commercial real estate loans. The properties securing these loans are generally located in the Bank's primary lending area. At December 31, 2015, $3.75 billion, or 80.0% of the Bank's gross loan portfolio, were multifamily residential loans. Of the multifamily residential loans, $3.53 billion, or 94.1%, were secured by apartment buildings and $219.9 million, or 5.9%, were secured by buildings organized under a cooperative form of ownership. The Bank also had $863.2 million of commercial real estate loans in its portfolio at December 31, 2015, representing 18.4% of its total loan portfolio. Of the $863.2 million, approximately $485.9 million were secured by collateral containing strictly commercial tenants, while the remaining $377.3 million had a portion of the underlying collateral composed of residential units.

At December 31, 2015, multifamily residential and commercial real estate loans originated by the Bank were secured by three distinct property types: (1) fully residential apartment buildings; (2) "mixed-use" properties featuring a combination of residential and commercial units within the same building; and (3) fully commercial buildings. The underwriting procedures for each of these property types were substantially similar. The Bank classified loans secured by fully residential apartment buildings as multifamily residential loans in all instances. Loans secured by fully commercial real estate were classified as commercial real estate loans in all instances. Loans secured by mixed-use properties were classified as either residential mixed use (a component of total multifamily residential loans) or commercial mixed use (a component of total commercial real estate loans) based upon the percentage of the property's rental income received from its residential as compared to its commercial tenants. If 50% or more of the rental income was received from residential tenants, the full balance of the loan was classified as multifamily residential. If less than 50% of the rental income was received from residential tenants, the full balance of the loan was classified as commercial real estate. At December 31, 2015, mixed-use properties classified as multifamily residential or commercial real estate loans totaled $1.77 billion.

Multifamily residential and commercial real estate loans in the Bank's portfolio generally range in amount from $250,000 to $5.0 million, and, at December 31, 2015, had an average outstanding balance of approximately $2.3 million. Multifamily residential loans in this range are generally secured by buildings that contain between 5 and 100 apartments. As of December 31, 2015, the Bank had a total of $3.53 billion of multifamily residential loans in its portfolio secured by buildings with under 100 units, representing 94% of its multifamily residential real estate loan portfolio.

At December 31, 2015, the Bank had 197 multifamily residential or commercial real estate loans in portfolio with principal balances greater than $5.0 million, totaling $1.71 billion. Within this total were forty-one loans totaling $643.9 million with outstanding balances greater than $10.0 million. These 197 loans, while underwritten to the same standards as all other multifamily residential and commercial real estate loans, tend to expose the Bank to a higher degree of risk due to the potential impact of losses from any one loan relative to the size of the Bank's capital position.

Repayment of multifamily residential loans is dependent, in significant part, on cash flow from the collateral property sufficient to satisfy operating expenses and debt service. Future increases in interest rates, increases in vacancy rates on multifamily residential or commercial buildings, and other economic events which are outside the control of the borrower or the Bank could negatively impact the future net operating income of such properties. Similarly, government regulations, such as the existing NYC Rent Regulation and Rent Stabilization laws, could limit future increases in the revenue from these buildings. As a result, rental income might not rise sufficiently over time to satisfy increases in either the loan rate at repricing or in overhead expenses (e.g., utilities, taxes, and insurance).

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The Bank's underwriting standards for multifamily residential and commercial real estate loans generally require: (1) a maximum loan-to-value ratio of 75% based upon an appraisal performed by an independent, state licensed appraiser, and (2) sufficient rental income from the underlying property to adequately service the debt, represented by a minimum debt service ratio of 120% for multifamily residential and 125% for commercial real estate loans. The weighted average loan-to-value and debt service ratios approximated 57% and 194%, respectively, on all multifamily residential real estate loans originated during the year ended December 31, 2015, and 53% and 275%, respectively, on commercial real estate loans originated during the year ended December 31, 2015. The Bank additionally requires all multifamily residential and commercial real estate borrowers to represent that they are unaware of any environmental risks directly related to the collateral. In instances where the Bank's property inspection procedures indicate a potential environmental risk on a collateral property, the Bank will require a Phase 1 environmental risk analysis to be completed, and will decline loans where any significant residual environmental liability is indicated. The Bank further considers the borrower's experience in owning or managing similar properties, the Bank's lending experience with the borrower, and the borrower's credit history and business experience (See "Item 1. Business - Lending Activities - Loan Approval Authority and Underwriting" for a discussion of the Bank's underwriting procedures utilized in originating multifamily residential and commercial real estate loans).

It is the Bank's policy to require appropriate insurance protection at closing, including title and hazard insurance, on all real estate mortgage loans. Borrowers generally are required to advance funds for certain expenses such as real estate taxes, hazard insurance and flood insurance.

Commercial real estate loans are generally viewed as exposing lenders to a greater risk of loss than both one- to four-family and multifamily residential mortgage loans. Because payments on loans secured by commercial real estate are often dependent upon successful operation or management of the collateral properties, as well as the success of the business and retail tenants occupying the properties, repayment of such loans is generally more vulnerable to weak economic conditions. Further, the collateral securing such loans may depreciate over time, be difficult to appraise, or fluctuate in value based upon its rentability, among other commercial factors. This increased risk is partially mitigated in the following manners: (i) the Bank requires, in addition to the security interest in the commercial real estate, a security interest in the personal property associated with the collateral and standby assignments of rents and leases from the borrower; (ii) the Bank will generally favor investments in mixed-use commercial properties that derive some portion of income from residential units, which provide a more reliable source of cash flow and lower vacancy rates, and (iii) the interest rate on commercial real estate loans generally exceeds that on multifamily residential loans. At December 31, 2015, approximately $377.3 million, or 43.7%, of the Bank's commercial real estate loans were secured by mixed-use commercial properties that derived some portion of income from residential units. The average outstanding balance of commercial real estate loans was $2.2 million at December 31, 2015.

The Bank's three largest multifamily residential loans at December 31, 2015 were: (i) a $53.5 million loan initially originated in September 2008 (subsequently re-financed in March 2012 and August 2014) secured by seventeen mixed-use buildings located in Manhattan, New York, containing, in aggregate, 401 residential units and 11 commercial units; (ii) a $28.2 million loan originated in November 2012 secured by three apartment building complexes located in Queens, New York, containing 514 residential units and one commercial unit; and (iii) a $27.0 million loan originated in August 2014 secured by three cooperative residential apartment buildings located in Manhattan, New York, containing 436 residential units and one commercial unit. Each of these loans made all contractual payments during the year ended December 31, 2015.

The Bank's three largest commercial real estate loans at December 31, 2015 were: (i) a $19.8 million loan originated in July 2015 secured by a building with 10 stores located in Manhattan, New York; (ii) an $18.2 million loan originated in April 2015 secured by a mixed use building located in Brooklyn, New York, containing 18 residential and 2 commercial retail units, and (iii) an $18.1 million loan initially originated in February 2013 secured by three commercial buildings located in Queens, New York containing 14 retail stores.

As a New York State-chartered savings bank originating loans secured by real estate having a market value at least equal to the loan amount at the time of origination, the Bank is generally not subject to New York State Department of Financial Services ("NYSDFS") regulations limiting individual loan or borrower exposures.

Small Mixed-Use Lending (Small Investment Property Loans). From 2003 through 2008, the Bank originated small investment property loans (secured by urban buildings with four or less total units, one of which was commercial, and the remainder residential). These loans were typically sourced through loan brokers. At December

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31, 2015, the Bank held $18.0 million of loans in portfolio classified as small investment property, or approximately 0.4% of the gross loan portfolio, with, at the time of origination, a weighted average borrower FICO score of 714 and a weighted average loan-to-value ratio of 54%.

One- to Four-Family Residential and Condominium / Cooperative Apartment Lending.   In 2013, the Bank ceased origination of residential first and second mortgage loans secured primarily by owner-occupied, one- to four-family residences, including condominium and cooperative apartments. At December 31, 2015, $72.1 million, or 1.5%, of the Bank's loans consisted of one- to four-family residential and condominium or cooperative apartment loans.

Home Equity and Home Improvement Loans. The Bank ceased origination of home equity and home improvement loans during the year ended December 31, 2013,. Home equity loans and home improvement loans, the great majority of which are included in one- to four-family loans, were previously originated to a maximum of $500,000. The combined balance of the first mortgage and home equity or home improvement loan was not permitted to exceed 75% of the appraised value of the collateral property at the time of origination of the home equity or home improvement loan. Interest on home equity and home improvement loans was initially the "prime lending" rate at the time of origination. After six months, the interest rate adjusts and ranges from the prime interest rate to 100 basis points above the prime interest rate in effect at the time. The interest rate on the loan can never fall below the rate at origination. The combined outstanding balance of the Bank's home equity and home improvement loans was $8.2 million at December 31, 2015.

Equity Lines of Credit on Multifamily Residential and Commercial Real Estate Loans. Equity credit lines are available on multifamily residential and commercial real estate loans. These loans are underwritten in the same manner as first mortgage loans on these properties, except that the combined first mortgage amount and equity line are used to determine the loan-to-value ratio and minimum debt service coverage ratio. The interest rate on multifamily residential and commercial real estate equity lines of credit adjusts regularly. The outstanding balance of loans advanced under equity lines of credit was $5.6 million at December 31, 2015, on outstanding total lines of $38.7 million.

Construction Lending. The Bank had no unfunded construction loan commitments at December 31, 2015, and the last new construction loan commitment issued by the Bank occurred in September 2008.

Land Development and Acquisition Loans. The Bank had no outstanding land development or acquisition loans at December 31, 2015 and 2014.

Loan Approval Authority and Underwriting.   The Board of Directors of the Bank establishes lending authority levels for the various loan products offered by the Bank. The Bank maintains a Loan Operating Committee consisting, as of December 31, 2015, of the Chief Executive Officer, President, Chief Operating Officer, Chief Accounting Officer, Chief Lending Officer and Chief Retail Officer. The Loan Operating Committee may approve any portfolio loan origination, however, larger loans, generally in excess of $500,000, require its approval. All loans approved by the Loan Operating Committee are presented to the Bank's Board of Directors for its review.

Asset Quality

General

At both December 31, 2015 and December 31, 2014, the Company had neither whole loans nor loans underlying MBS that would have been considered subprime loans at origination, i.e., mortgage loans advanced to borrowers who did not qualify for market interest rates because of problems with their income or credit history. See Note 4 to the condensed consolidated financial statements for a discussion of impaired investment securities and MBS.

Monitoring and Collection of Delinquent Loans

Management of the Bank reviews delinquent loans on a monthly basis and reports to its Board of Directors at each regularly scheduled Board meeting regarding the status of all non-performing and otherwise delinquent loans in the Bank's portfolio.

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The Bank's loan servicing policies and procedures require that an automated late notice be sent to a delinquent borrower as soon as possible after a payment is ten days late in the case of multifamily residential or commercial real estate loans, or fifteen days late in connection with one- to four-family or consumer loans. A second letter is sent to the borrower if payment has not been received within 30 days of the due date. Thereafter, periodic letters are mailed and phone calls placed to the borrower until payment is received. When contact is made with the borrower at any time prior to foreclosure, the Bank will attempt to obtain the full payment due or negotiate a repayment schedule with the borrower to avoid foreclosure.

Accrual of interest is generally discontinued on a loan that meets any of the following three criteria: (i) full payment of principal or interest is not expected; (ii) principal or interest has been in default for a period of 90 days or more (unless the loan is both deemed to be well secured and in the process of collection); or (iii) an election has otherwise been made to maintain the loan on a cash basis due to deterioration in the financial condition of the borrower. Such non-accrual determination practices are applied consistently to all loans regardless of their internal classification or designation. Upon entering non-accrual status, the Bank reverses all outstanding accrued interest receivable.

The Bank generally initiates foreclosure proceedings when a loan enters non-accrual status based upon non-payment, and typically does not accept partial payments once foreclosure proceedings have commenced. At some point during foreclosure proceedings, the Bank procures current appraisal information in order to prepare an estimate of the fair value of the underlying collateral. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure action is completed, the property securing the loan is transferred to Other Real Estate Owned ("OREO") status. The Bank generally attempts to utilize all available remedies, such as note sales in lieu of foreclosure, in an effort to resolve non-accrual loans and OREO properties as quickly and prudently as possible in consideration of market conditions, the physical condition of the property and any other mitigating circumstances. In the event that a non-accrual loan is subsequently brought current, it is returned to accrual status once the doubt concerning collectability has been removed and the borrower has demonstrated performance in accordance with the loan terms and conditions for a period of at least six months.

Non-accrual Loans

Within the Bank's permanent portfolio, seventeen non-accrual loans (excluding deposit overdraft loans) totaled $1.6 million at December 31, 2015 and fourteen non-accrual loans (excluding deposit overdraft loans) totaled $6.2 million at December 31, 2014. During the year ended December 31, 2015, three non-accrual loans totaling $5.0 million were disposed of through note sales, two non-accrual loans totaling $115,000 were returned to accrual status based upon favorable payment performance, three non-accrual loans totaling $442,000 were fully satisfied according to their contractual terms, a $130,000 non-accrual loan was transferred to OREO, and principal amortization of $124,000 was recognized on seven non-accrual loans. These reductions were partially offset by twelve loans totaling $1.3 million that were added to non-accrual status during the period.

Impaired Loans

The recorded investment in loans deemed impaired (as defined in Note 5 to the consolidated financial statements) was approximately $9.6 million, consisting of nine loans, at December 31, 2015, compared to $20.0 million, consisting of twelve loans, at December 31, 2014. During the year ended December 31, 2015, three impaired loans totaling $5.9 million were fully satisfied according to their contractual terms, two impaired loans totaling $4.9 million were disposed of through note sales, and principal amortization totaling $163,000 was recognized on seven impaired loans. These reductions were partially offset by two loans totaling $547,000 that were added to impaired status during the period.

The following is a reconciliation of non-accrual and impaired loans as of the dates indicated:

	At December 31, 2015	At December 31, 2014
	(Dollars in Thousands)	
Non-accrual loans (excluding non-accrual loans held for sale)	$1,611	$ 6,198
Non-accrual one- to four-family and consumer loans deemed homogeneous loans	(1,116)	(1,314)
Troubled debt restructured loans ("TDRs") retained on accrual status	9,066	15,100
Impaired loans	$9,561	$ 19,984

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TDRs

Under ASC 310-40-15, the Bank is required to recognize loans for which certain modifications or concessions have been made as TDRs. A TDR has been created in the event that any of the following criteria is met:

- For economic or legal reasons related to the debtor's financial difficulties, a concession has been granted that would not have otherwise been considered
- A reduction of interest rate has been made for the remaining term of the loan
- The maturity date of the loan has been extended with a stated interest rate lower than the current market rate for new debt with similar risk
- The outstanding principal amount and/or accrued interest have been reduced

In instances in which the interest rate has been reduced, management would not deem the modification a TDR in the event that the reduction in interest rate reflected either a general decline in market interest rates or an effort to maintain a relationship with a borrower who could readily obtain funds from other sources at the current market interest rate, and the terms of the restructured loan are comparable to the terms offered by the Bank to non-troubled debtors. The Bank did not modify any loans in a manner that met the criteria for a TDR during the year ended December 31, 2015.

Accrual status for TDRs is determined separately for each TDR in accordance with the policies for determining accrual or non-accrual status that are outlined on page F-12. At the time an agreement is entered into between the Bank and the borrower that results in the Bank's determination that a TDR has been created, the loan can be either on accrual or non-accrual status. If a loan is on non-accrual status at the time it is restructured, it continues to be classified as non-accrual until the borrower has demonstrated compliance with the modified loan terms for a period of at least six months. Conversely, if at the time of restructuring the loan is performing (and accruing); it will remain accruing throughout its restructured period, unless the loan subsequently meets any of the criteria for non-accrual status under the Bank's policy, as disclosed on page F-12 and agency regulations.

The Bank never accepts receivables or equity interests in satisfaction of TDRs.

At both December 31, 2015 and 2014, all TDRs were collateralized by real estate that generated rental income. For TDRs that demonstrated conditions sufficient to warrant accrual status, the present value of the expected net cash flows of the underlying property was utilized as the primary means of determining impairment. Any shortfall in the present value of the expected net cash flows calculated at each measurement period (typically quarter-end) compared to the present value of the expected net cash flows at the time of the original loan agreement was recognized as either an allocated reserve (in the event that it related to lower expected interest payments) or a charge-off (if related to lower expected principal payments). For TDRs on non-accrual status, an appraisal of the underlying real estate collateral is deemed the most appropriate measure to utilize when evaluating impairment, and any shortfall in valuation from the recorded balance is accounted for through a charge-off. In the event that either an allocated reserve or a charge-off is recognized on TDRs, the periodic loan loss provision is impacted.

The following table summarizes outstanding TDRs by collateral type as of the dates indicated:

	As of December 31, 2015		As of December 31, 2014	
	No. of Loans	Balance	No. of Loans	Balance
	(Dollars in thousands)			

One- to four-family residential, including condominium and cooperative apartment	2	$598	2	$605
Multifamily residential and residential mixed use	3	696	4	1,105
Commercial mixed use real estate	1	4,344	1	4,400
Commercial real estate	2	3,635	4	13,707
Total real estate	8	$9,273	11	$19,817

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The following table summarizes outstanding TDRs by accrual status as of the dates indicated:

	As of December 31, 2015		As of December 31, 2014	
	No. of Loans	Balance	No. of Loans	Balance
	(Dollars in thousands)			
Outstanding principal balance at period end	8	$ 9,273	11	$ 19,817
TDRs on accrual status at period end	7	9,066	9	15,100
TDRs on non-accrual status at period end	1	207	2	4,717

The following table summarizes activity related to TDRs for the periods indicated:

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(Dollars in thousands)					
Loan modifications during the period that met the definition of a TDR:						
Commercial mixed use real estate	-	-	-	1	$ 4,400	$ 4,400
Commercial real estate	-	-	-	1	3,500	3,500
TOTAL	-	-	-	2	$ 7,900	$ 7,900

OREO

Property acquired by the Bank, or a subsidiary, as a result of foreclosure on a mortgage loan or a deed in lieu of foreclosure is classified as OREO. Upon entering OREO status, the Bank obtains a current appraisal on the property and reassesses the likely realizable value (a.k.a. fair value) of the property quarterly thereafter. OREO is carried at the lower of the fair value or book balance, with any write downs recognized through a provision recorded in non-interest expense. Only the appraised value, or either contractual or formal marketed values that fall below the appraised value, is used when determining the likely realizable value of OREO at each reporting period. The Bank typically seeks to dispose of OREO properties in a timely manner. As a result, OREO properties have generally not warranted subsequent independent appraisals.

OREO properties totaled $148,000 at December 31, 2015 and $18,000 at December 31, 2014. The Bank did not recognize any provisions for losses on OREO properties during the years ended December 31, 2015 and 2014.

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The following table sets forth information regarding non-accrual loans and certain other non-performing assets (including OREO) at the dates indicated:

	At December 31,				
	2015	2014	2013	2012	2011
Non-accrual Loans and Non-Performing Assets	(Dollars in Thousands)				
One- to four-family residential including condominium and cooperative apartment	$1,113	$1,310	$1,242	$938	$2,205
Multifamily residential and residential mixed use real estate	287	167	1,197	507	7,069
Commercial real estate and commercial mixed use real estate	207	4,717	10,107	7,435	16,674
Consumer	4	4	3	8	4
Sub-total	1,611	6,198	12,549	8,888	25,952
Non-accrual loans held for sale	-	-	-	560	3,022
Total non-accrual loans	1,611	6,198	12,549	9,448	28,974
Non-performing pooled trust preferred securities ("TRUPS")	1,236	904	898	892	1,012
OREO	148	18	18	-	-
Total non-performing assets	2,995	7,120	13,465	10,340	29,986
Ratios:					
Total non-accrual loans to total loans	0.03 %	0.15 %	0.34 %	0.25 %	0.84 %
Total non-performing assets to total assets	0.06	0.16	0.33	0.26	0.75
TDRs and Impaired Loans					
TDRs	$9,273	$19,817	$24,327	$51,123	$48,753
Impaired loans (1)	9,561	19,984	30,189	53,144	73,406

(1) Amount includes all TDRs. See the discussion entitled "Impaired Loans" commencing on page F-12 for a reconciliation of non-accrual and impaired loans.

Other Potential Problem Loans

(i) Accruing Loans 90 Days or More Past Due

The Bank continued accruing interest on twelve real estate loans with an aggregate outstanding balance of $4.5 million at December 31, 2015, and eight real estate loans with an aggregate outstanding balance of $3.3 million at December 31, 2014, all of which were 90 days or more past due on their respective contractual maturity dates. These loans continued to make monthly payments consistent with their initial contractual amortization schedule exclusive of the balloon payments due at maturity. These loans were well secured and were expected to be refinanced, and, therefore, remained on accrual status and were deemed performing assets at the dates indicated above.

(ii) Loans Delinquent 30 to 89 Days

The Bank had six real estate loans totaling $3.0 million that were delinquent between 30 and 89 days at December 31, 2015, a net increase of approximately $1.6 million compared to six such loans totaling $1.4 million at December 31, 2014. The 30 to 89 day delinquency levels fluctuate monthly, and are generally considered a less accurate indicator of near-term credit quality trends than non-accrual loans.

(iii) Temporary Loan Modifications

There were no temporary modifications (modifications that were either sufficiently minor or temporary in nature so as to not meet the criteria of a TDR) entered into during the years ended December 31, 2015 or 2014. Temporary modifications previously entered into performed according to their contractual terms during the years ended December 31, 2015 and 2014.

Allowance for Loan Losses

Accounting Principles Generally Accepted in the United States ("GAAP") require the Bank to maintain an appropriate allowance for loan losses. The Bank maintains a Loan Loss Reserve Committee charged with, among other functions, responsibility for monitoring the appropriateness of the loan loss reserve.

To assist the Loan Loss Reserve Committee in carrying out its assigned duties, the Bank, during the years ended December 31, 2015 and 2014, engaged the services of an experienced third-party loan review firm to perform

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a review of the loan portfolio. The 2015 review program covered 100% of construction and land development loans and 50% of the non-one- to four-family and consumer loan portfolio. Included within the annual 50% target were: (1) 50% of the twenty largest loans in the multifamily and commercial real estate loan portfolio (the remaining 50% not covered in the vendor review were reviewed internally); (2) the ten largest pure commercial real estate loans; (3) the ten largest commercial mixed use real estate loans; (4) 50% of the ten largest multifamily residential real estate loans (the remaining 50% not covered in the vendor review were reviewed internally); (5) 50% of the ten largest residential mixed use real estate loans (the remaining 50% not covered in the vendor review were reviewed internally); (6) 30% of all new loan originations during the year; (7) 100% of the internally criticized and classified loans over $250,000; (8) 50% of the twenty largest borrower relationships (the remaining 50% not covered in the vendor review were reviewed internally), (9) 70% of all commercial real estate loans; (10) all loans over $500,000 that were collateralized by properties located in Long Island, New York; (11) all loans over $500,000 that were scheduled to reprice during the year; (12) all loans over $500,000 that were in the lowest three categories of pass loan grade (including Watch list loans); and (13) 50% of loans over $250,000 originated under the small mixed use lending program.

The Loan Loss Reserve Committee's findings, along with recommendations for changes to loan loss reserve provisions, if any, are reported directly to the Bank's executive management and the Lending and CRA Committee of the Board of Directors. The following table sets forth activity in the Bank's allowance for loan losses at or for the dates indicated:

	At or for the Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in Thousands)				
Total loans outstanding at end of period [1]	$4,696,776	$4,119,240	$3,699,519	$3,506,368	$3,463,887
Average total loans outstanding during the period[1]	$4,328,977	$3,964,520	$3,606,039	$3,402,838	$3,447,035
Allowance for loan losses:					
Balance at beginning of period	$18,493	$20,153	$20,550	$20,254	$19,166
Provision (credit) for loan losses	(1,330)	(1,872)	369	3,921	6,846
Charge-offs					
Multifamily residential	(48)	(87)	(504)	(2,478)	(2,750)
Commercial real estate	(44)	(336)	(400)	(1,342)	(2,307)
One- to four-family including condominium and cooperative apartment	(115)	(46)	(117)	(777)	(89)
Construction	-	-	-	(3)	(962)
Consumer	(2)	(9)	(21)	(10)	(29)
Total charge-offs	(209)	(478)	(1,042)	(4,610)	(6,137)
Recoveries	1,560	690	276	903	212
Reserve for loan commitments transferred from other liabilities	-	-	-	82	167
Balance at end of period	$18,514	$18,493	$20,153	$20,550	$20,254
Allowance for loan losses to total loans at end of period	0.39%	0.45%	0.54%	0.59%	0.58%
Allowance for loan losses to total non-performing loans at end of period	1,149.22	298.37	160.59	231.21	78.04
Allowance for loan losses to total non-performing loans and TDRs at end of period	170.10	71.09	64.66	42.58	29.08
Ratio of net charge-offs to average loans outstanding during the period	(0.03)	(0.01)	0.02	0.11	0.17

(1) Total loans represent gross loans (including loans held for sale), net of deferred loan fees and discounts.

Based upon its evaluation of the loan portfolio, management believes that the Bank maintained its allowance for loan losses at a level appropriate to absorb probable losses incurred within the Bank's loan portfolio as of the balance sheet dates. Factors considered in determining the appropriateness of the allowance for loan losses include the Bank's past loan loss experience, known and inherent risks in the portfolio, existing adverse situations which may affect a borrower's ability to repay, estimated value of underlying collateral and current economic conditions in the Bank's lending area. Although management uses available information to estimate losses on loans, future additions to, or reductions in, the allowance may be necessary based on changes in economic conditions or other factors beyond management's control. In addition, the Bank's regulators, as an integral part of their examination processes, periodically review the Bank's allowance for loan losses, and may require the Bank to recognize additions to, or reductions in, the allowance based upon judgments different from those of management.

The Bank's periodic evaluation of its allowance for loan losses has traditionally been comprised of different components, each of which is discussed in Note 6 to the Company's consolidated audited financial statements.

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The following table sets forth the Bank's allowance for loan losses allocated by underlying collateral type and the percent of each to total loans at the dates indicated. Any allocated allowance associated with loans both deemed impaired and internally graded as Special Mention is reflected on the impaired loan line. Please refer to Notes 5 and 6 to the Company's consolidated audited financial statements for a description of impaired, substandard, special mention and pass graded loans.

	At December 31, 2015		2014		2013		2012		2011	
	Allocated Amount	Percent of Loans in Each Category to Total Loans	Allocated Amount	Percent of Loans in Each Category to Total Loans	Allocated Amount	Percent of Loans in Each Category to Total Loans	Allocated Amount	Percent of Loans in Each Category to Total Loans	Allocated Amount	Percent of Loans in Each Category to Total Loans
	(Dollars in Thousands)									
Impaired loans	$-	0.20 %	$19	0.49 %	$1,771	0.82 %	$520	1.52 %	$2,175	2.12 %
Substandard loans not deemed impaired	348	0.37	371	0.44	53	0.15	795	0.44	-	-
Special Mention loans	88	0.37	228	0.81	185	0.42	145	0.54	800	0.56
Pass graded loans:										
Multifamily residential	13,942	79.69	13,600	79.38	13,743	78.49	14,118	75.99	14,057	74.67
Commercial real estate	3,902	17.88	4,156	17.15	4,189	17.81	4,750	19.08	2,893	19.67
One-to four-family including condominium and cooperative apartment	214	1.46	95	1.68	188	1.75	195	2.36	303	2.82
Construction and land acquisition	-	-	-	-	-	-	-	-	-	0.09
Consumer	20	0.03	24	0.05	24	0.06	27	0.07	26	0.07
Total	$18,514	100.00%	$18,493	100.00%	$20,153	100.00%	$20,550	100.00%	$20,254	100.00%

Reserve Liability on the First Loss Position

Until February 20, 2014, the Bank serviced a pool of multifamily loans it sold to the Federal National Mortgage Association ("FNMA"), and retained an obligation (off-balance sheet contingent liability) to absorb a portion of any losses (as defined in the seller/servicer agreement) incurred by FNMA in connection with the loans sold (the "First Loss Position"). The reserve liability maintained in connection with the First Loss Position was recorded as a component of other liabilities, and was estimated using a methodology similar to the allowance for loan losses, with periodic increases or decreases recognized through provisions, charge-offs or recoveries. On February 20, 2014, the Bank repurchased the remaining loans within the pool previously sold to FNMA, and extinguished both the First Loss Position and the remaining $1.0 million related reserve liability.

Reserve for Loan Commitments

At December 31, 2015, the Bank maintained a reserve of $50,000 associated with unfunded loan commitments accepted by the borrower at December 31, 2015. This reserve is determined based upon the outstanding volume of loan commitments at each period end. Any increases or reductions in this reserve are recognized in periodic non-interest expense.

Investment Activities

Investment strategies are implemented by the Asset and Liability Committee ("ALCO"), which is comprised of the Chief Operating Officer, Chief Investment Officer, Chief Risk Officer and other senior officers. The strategies take into account the overall composition of the Bank's balance sheet, including loans and deposits, and are intended to protect and enhance the Bank's earnings and market value, and effectively manage both interest rate risk and liquidity. The strategies are reviewed periodically by the ALCO and reported to the Board of Directors.

Investment Policy of the Bank. The investment policy of the Bank, which is adopted by its Board of Directors, is designed to help achieve the Bank's overall asset/liability management objectives while complying with applicable regulations. Generally, when selecting investments for the Bank's portfolio, the policy emphasizes principal preservation, liquidity, diversification, short maturities and/or repricing terms, and a favorable return on investment. The policy permits investments in various types of liquid assets, including obligations of the U.S. Treasury and federal agencies, investment grade corporate debt, various types of MBS, commercial paper, certificates of deposit ("CDs") and overnight federal funds sold to financial institutions. The Bank's Board of Directors periodically approves all financial institutions to which the Bank sells federal funds.

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The Bank's investment policy limits a combined investment in securities issued by any one entity, with the exception of obligations of the U.S. Government, federal agencies and GSEs, to an amount not exceeding the lesser of either 2% of its total assets or 15% of its total tangible capital (20% of tangible capital in the event all securities of the obligor maintain a "AAA" credit rating). The Bank was in compliance with this policy limit at both December 31, 2015 and 2014. The Bank may, with Board approval, engage in hedging transactions utilizing derivative instruments. During the years ended December 31, 2015 and 2014, the Bank did not hold any derivative instruments or embedded derivative instruments that required bifurcation.

Federal Agency Obligations. Federal agency obligations are purchased from time to time in order to provide the Bank a favorable yield in comparison to overnight investments. These securities possess sound credit ratings, and are readily accepted as collateral for the Bank's borrowings. The Bank owned no federal agency obligation investments at December 31, 2015.

MBS. The Bank's investment policy calls for the purchase of only priority tranches when investing in MBS. MBS provide the portfolio with investments offering desirable repricing, cash flow and credit quality characteristics. MBS yield less than the loans that underlie the securities as a result of the cost of payment guarantees and credit enhancements which reduce credit risk to the investor. Although MBS guaranteed by federally sponsored agencies carry a reduced credit risk compared to whole loans, such securities remain subject to the risk that fluctuating interest rates, along with other factors such as the geographic distribution of the underlying mortgage loans, may alter the prepayment rate of such loans and thus affect the value of such securities. MBS, however, are more liquid than individual mortgage loans and may readily be used to collateralize borrowings. MBS also provide the Company with important interest rate risk management features, as the entire portfolio provides monthly cash flow for re-investment at current market interest rates. At December 31, 2015, all MBS owned by the Company possessed the highest credit rating from at least one nationally recognized rating agency.

The Company's consolidated investment in MBS totaled $431,000 at December 31, 2015, all of which were owned by the Holding Company and were comprised of adjustable rate, pass-through securities guaranteed by the Government National Mortgage Association ("GNMA"). The average duration of these securities was 1.0 year (one-year ARM securities) as of December 31, 2015. During the year ended December 31, 2015, the Bank sold its entire investment in MBS.

The Company typically classifies MBS as available-for-sale in recognition of the prepayment uncertainty associated with these securities, and carries them at fair market value. The fair value of MBS available-for-sale was $13,000 above their amortized cost at December 31, 2015.

The following table sets forth activity in the MBS portfolio for the periods indicated:

	For the Year Ended December 31,		
	2015	2014	2013
	Dollars in Thousands		
Amortized cost at beginning of period	$24,946	$29,962	$47,448
(Sales) Purchases, net	(22,919)	875	-
Principal repayments	(1,602)	(5,863)	(17,372)
Premium amortization, net	(7)	(28)	(114)
Amortized cost at end of period	$418	$24,946	$29,962

Corporate Debt Obligations. The Bank may invest in investment-grade debt obligations of various corporations. The Bank's investment policy limits new investments in corporate debt obligations to companies rated single "A" or better by one of the nationally recognized rating agencies at the time of purchase. As mentioned previously, with certain exceptions, the Bank's investment policy also limits a combined investment in corporate securities issued by any one entity to an amount not exceeding the lesser of either 2% of its total assets or 15% of its total tangible capital (20% of core capital in the event all securities of the obligor maintain a "AAA" credit rating).

As of December 31, 2015, the Bank's investment in corporate debt obligations was comprised solely of seven TRUPS with an aggregate remaining amortized cost of $15.3 million (based upon their purchase cost basis) that were secured primarily by the preferred debt obligations of pools of U.S. banks (with a small portion secured by debt obligations of insurance companies). All seven securities were designated as held-to-maturity at December 31, 2015.

At December 31, 2015, four of the seven securities had previously recognized other than temporary impairment ("OTTI") charges, the most recent of which occurred during the year ended December 31, 2012. The aggregate OTTI charge recognized on these securities was $9.3 million at December 31, 2015, of which $8.7 million was determined to be attributable to credit related factors and $579,000 was determined to be attributable to non-credit related factors. At December 31, 2015, these four securities had credit ratings ranging from "C" to "Caa3." The remaining three securities, which were not subject to OTTI charges as of December 31, 2015, had credit ratings ranging from "BA1" to "A1" on that date.

At December 31, 2015, the remaining aggregate amortized cost of TRUPS that could be subject to future OTTI charges through earnings was $6.6 million. Of this total, unrealized losses of $1.4 million have already been recognized as a component of accumulated other comprehensive loss.

Investment Strategies of the Holding Company. The Holding Company's investment policy generally calls for investments in relatively short-term, liquid securities similar to those permitted by the securities investment policy of the Bank. The investment policy calls for the purchase of only priority tranches when investing in MBS, limits new investments in corporate debt obligations to companies rated single "A" or better by one of the nationally recognized rating agencies at the time of purchase, and limits investments in any one corporate entity to the lesser of 1% of total assets or 5% of the Company's total consolidated capital. The Holding Company may, with Board approval, engage in hedging transactions utilizing derivative instruments. During the years ended December 31, 2015 and 2014, the Holding Company did not hold any derivative instruments or embedded derivative instruments that required bifurcation.

Holding Company investments are generally intended primarily to provide future liquidity which may be utilized for general business activities, including, but not limited to: (1) purchases of the Holding Company's common stock into treasury; (2) repayment of principal and interest on the Holding Company's $70.7 million trust preferred securities debt; (3) subject to applicable restrictions, the payment of dividends on the Holding Company's common stock; and/or (4) investments in the equity securities of other financial institutions and other investments not permitted to the Bank.

The Holding Company cannot assure that it will engage in these investment activities in the future. At December 31, 2015, the Holding Company's principal asset was its $487.2 million investment in the Bank's common stock. This investment in its subsidiary is not actively managed and falls outside of the Holding Company investment policy and strategy discussed above.

Equity Investments. The Holding Company's investment in mutual funds (primarily equity mutual funds) totaled $14.0 million at December 31, 2015, of which $3.8 million was classified as available for sale, and $10.2 million was classified as trading. At December 31, 2015, the aggregate fair value of the available for sale mutual fund investments was $234,000 below their cost basis, and the aggregate fair value of the mutual fund investments classified as trading was $188,000 below their cost basis. The reduction of fair value below the cost basis of the available for sale equity investments was deemed temporary in nature as of December 31, 2015.

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The following table sets forth the amortized/historical cost and fair value of the total portfolio of investment securities and MBS by accounting classification and type of security, that were owned by either the Bank or Holding Company at the dates indicated:

	At December 31,					
	2015		2014		2013	
	Amortized/ Historical Cost (1)	Fair Value	Amortized/ Historical Cost (1)	Fair Value	Amortized/ Historical Cost (1)	Fair Value
MBS	Dollars in Thousands					
Available-for-Sale:						
Federal Home Loan Mortgage Corporation ("FHLMC") pass through certificates	$-	$-	$17,080	$18,145	$20,686	$21,766
FNMA pass through certificates	-	-	5,763	6,125	7,168	7,619
GNMA pass through certificates	418	431	1,311	1,337	553	574
Private issuer MBS	-	-	449	455	662	680
Agency issued Collateralized Mortgage Obligations ("CMOs")	-	-	-	-	319	321
Private issuer CMOs	-	-	343	347	574	583
Total MBS available-for-sale	418	431	24,946	26,409	29,962	31,543
INVESTMENT SECURITIES						
TRUPS Held-to-Maturity	5,242	7,051	5,367	6,263	5,341	5,163
Total investment securities held-to-maturity	5,242	7,051	5,367	6,263	5,341	5,163
Available-for-Sale:						
Federal agency obligations	-	-	70	70	15,070	15,091
Mutual funds	3,990	3,756	3,860	3,736	2,760	3,558
Total investment securities Available-for-Sale	3,990	3,756	3,930	3,806	17,830	18,649
Trading:						
Mutual funds	10,390	10,201	8,640	8,559	6,385	6,822
Total trading securities	10,390	10,201	8,640	8,559	6,385	6,822
TOTAL INVESTMENT SECURITIES AND MBS	$20,040	$21,439	$42,883	$45,037	$59,518	$62,177

(1) Amount is net of cumulative credit related OTTI totaling $8.7 million on TRUPS held-to-maturity at December 31, 2015, $9.0 million on TRUPS held-to-maturity at December 31, 2014, and $9.0 million on TRUPS held-to-maturity and $106,000 on mutual funds available-for-sale at December 31, 2013.

The following table presents the amortized cost, fair value and weighted average yield of the Company's consolidated MBS at December 31, 2015, categorized by remaining period to contractual maturity:

	Amortized Cost	Fair Value	Weighted Average Tax Equivalent Yield	
	(Dollars in Thousands)			
Due within 1 year	$-	$ -	-	%
Due after 1 year but within 5 years	-	-	-	
Due after 5 years but within 10 years	-	-	-	

Due after ten years	418	431	1.74
Total	$418	$ 431	$ 1.74

With respect to MBS, the entire carrying amount of each security at December 31, 2015 is reflected in the above table in the maturity period that includes the final security payment date and, accordingly, no effect has been given to periodic repayments or possible prepayments. As mentioned previously, the investment policies of both the Holding Company and the Bank call for the purchase of only priority tranches when investing in MBS. As a result, the weighted average duration of the Company's MBS approximated 1.0 year as of December 31, 2015 when giving consideration to anticipated repayments or possible prepayments, which is significantly less than their weighted average maturity.

GAAP requires that investments in debt securities be classified in one of the following three categories and accounted for accordingly: trading securities, securities available-for-sale or securities held-to-maturity. GAAP requires investments in equity securities that have readily determinable fair values be classified as either trading

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securities or securities available-for-sale. Unrealized gains and losses on available-for-sale securities are reported as a separate component of stockholders' equity referred to as accumulated other comprehensive income, net of deferred taxes. At December 31, 2015, the Company owned, on a consolidated basis, $4.2 million of securities classified as available-for-sale, which represented only 0.1% of total assets. Based upon the size of the available-for-sale portfolio, future variations in the market value of the available-for-sale portfolio are not expected to result in material fluctuations in the Company's consolidated stockholders' equity.

Sources of Funds

General. The Bank's primary sources of funding for its lending and investment activities include deposits, loan and MBS payments, investment security principal and interest payments, and advances from the FHLBNY. The Bank may also sell selected multifamily residential, mixed use and one- to four-family residential real estate loans to private sector secondary market purchasers and has in the past sold such loans to FNMA. The Company may additionally issue debt under appropriate circumstances. Although maturities and scheduled amortization of loans and investments are predictable sources of funds, deposit flows and prepayments on mortgage loans and MBS are influenced by interest rates, economic conditions and competition.

Deposits. The Bank offers a variety of deposit accounts possessing a range of interest rates and terms. At December 31, 2015, the Bank offered, and presently offers, savings, money market, interest bearing and non-interest bearing checking accounts, and CDs. The flow of deposits is influenced significantly by general economic conditions, changes in prevailing interest rates, and competition from other financial institutions and investment products. The Bank relies upon direct and general marketing, customer service, convenience and long-standing relationships with customers or borrowers to generate deposits. The communities in which the Bank maintains branch offices have historically provided the great majority of its deposits. At December 31, 2015, the Bank had deposit liabilities of $3.18 billion, up $524.5 million from $2.66 billion at December 31, 2014 (See "Part II - Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources"). Within total deposits at December 31, 2015, Individual Retirement Accounts totaled $314.4 million, or 9.9%.

The Bank is also eligible to participate in the Certificate of Deposit Account Registry Service ("CDARS"), through which it can either purchase or sell CDs. Purchases of CDs through this program are limited by Bank policy to an aggregate of 10% of the Bank's average interest earning assets. As of December 31, 2015, deposits taken through this program totaled $1.9 million.

The Bank is authorized to accept brokered deposits up to an aggregate limit of $120.0 million. At December 31, 2015 and 2014, total brokered deposits consisted solely of the $1.9 million purchased CDARS deposits.

The following table presents the deposit activity of the Bank for the periods indicated:

	Year Ended December 31,		
DEPOSIT ACTIVITY	2015	2014	2013
	(Dollars in Thousands)		
Deposits	$6,306,645	$4,052,651	$4,204,263
Withdrawals	5,805,132	3,919,596	4,196,473
Deposits greater than Withdrawals	$501,513	$133,055	$7,790
Interest credited	23,005	19,591	19,927
Total increase in deposits	$524,518	$152,646	$27,717

At December 31, 2015, the Bank had $437.1 million in CDs with a minimum denomination of one-hundred thousand dollars as follows:

Maturity Date	Amount	Weighted Average Rate
(Dollars in Thousands)		
Within three months	$26,982	0.79 %
After three but within six months	35,054	1.02
After six but within twelve months	79,848	1.10
After 12 months	295,176	1.76
Total	$437,060	1.52 %

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The following table sets forth the distribution of the Bank's deposit accounts and the related weighted average interest rates at the dates indicated:

	At December 31, 2015			At December 31, 2014			At December 31, 2013		
	Amount	Percent of Total Deposits	Weighted Average Rate	Amount	Percent of Total Deposits	Weighted Average Rate	Amount	Percent of Total Deposits	Weighted Average Rate
	(Dollars in Thousands)								
Savings accounts	$368,671	11.6 %	0.05 %	$372,753	14.0 %	0.05 %	$376,900	15.0 %	0.05 %
CDs	858,847	27.0	1.44	926,318	34.8	1.43	828,409	33.0	1.55
Money market accounts	1,618,617	50.8	0.81	1,094,698	41.2	0.61	1,040,079	41.5	0.50
Interest bearing checking accounts	78,994	2.5	0.08	78,430	2.9	0.08	87,301	3.5	0.08
Non-interest bearing checking accounts	259,181	8.1	-	187,593	7.1	-	174,457	7.0	-
Totals	$3,184,310	100.0 %	0.81 %	$2,659,792	100.0 %	0.76 %	$2,507,146	100.0 %	0.73 %

The weighted average maturity of the Bank's CDs at December 31, 2015 was 19.9 months, compared to 19.8 months at December 31, 2014. The following table presents, by interest rate ranges, the dollar amount of CDs outstanding at the dates indicated and the period to maturity of the CDs outstanding at December 31, 2015:

	Period to Maturity at December 31,						
Interest Rate Range	One Year or Less	Over One Year to Three Years	Over Three Years to Five Years	Over Five Years	Total at December 31, 2015	Total at December 31, 2014	Total at December 31, 2013
(Dollars in Thousands)							
1.00% and below	$184,565	$46,417	$-	$-	$230,982	$345,955	$407,927
1.01% to 2.00%	91,369	260,086	67,699	5,966	425,120	310,993	142,030
2.01% to 3.00%	28,760	66,816	87,860	181	183,617	201,215	123,923
3.01% and above	-	19,086	-	42	19,128	68,155	154,529
Total	$304,694	$392,405	$155,559	$6,189	$858,847	$926,318	$828,409

Borrowings. The Bank has been a member and shareholder of the FHLBNY since 1980. One of the privileges offered to FHLBNY shareholders is the ability to secure advances from the FHLBNY under various lending programs at competitive interest rates. The Bank's total borrowing line equaled at least $1.75 billion at December 31, 2015.

The Bank had $1.2 billion of FHLBNY advances outstanding at both December 31, 2015 and December 31, 2014. The Bank maintained sufficient collateral, as defined by the FHLBNY (principally in the form of real estate loans), to secure such advances.

FHLBNY Advances:

	At or for the Year Ended December 31,		
	2015	2014	2013
	(Dollars in Thousands)		
Balance outstanding at end of period	$1,166,725	$1,173,725	$910,000
Average interest cost at end of period	1.32 %	1.74 %	2.35 %
Weighted average balance outstanding during the period	$1,019,020	$1,039,203	$761,491
Average interest cost during the period	1.65 %	2.28 %	2.89 %
Maximum balance outstanding at month end during period	$1,166,725	$1,173,725	$910,000

The Company had no Securities Sold Under Agreements to Repurchase outstanding at December 31, 2015 or 2014.

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Subsidiary Activities

In addition to the Bank, the Holding Company's direct and indirect subsidiaries consist of nine corporations, two of which are wholly-owned by the Holding Company and seven of which are wholly-owned by the Bank. The following table presents an overview of the Holding Company's subsidiaries, other than the Bank, as of December 31, 2015:

Subsidiary	Year/ State of Incorporation	Primary Business Activities
Direct Subsidiaries of the Holding Company:		
842 Manhattan Avenue Corp.	1995/ New York	Currently in the process of dissolution.
Dime Community Capital Trust I	2004/ Delaware	Statutory Trust (1)
Direct Subsidiaries of the Bank:		
Boulevard Funding Corp.	1981 / New York	Management and ownership of real estate
Dime Insurance Agency Inc. (f/k/a Havemeyer Investments, Inc.)	1997 / New York	Sale of non-FDIC insured investment products
DSBW Preferred Funding Corp.	1998 / Delaware	Real Estate Investment Trust investing in multifamily residential and commercial real estate loans
DSBW Residential Preferred Funding Corp.	1998 / Delaware	Real Estate Investment Trust investing in one-to four-family real estate loans
Dime Reinvestment Corporation	2004 / Delaware	Community Development Entity. Currently inactive.
195 Havemeyer Corp.	2008 / New York	Management and ownership of real estate. Currently inactive.
DSB Holdings NY, LLC	2015 / New York	Management and ownership of real estate. Currently inactive.

(1) Dime Community Capital Trust I was established for the exclusive purpose of issuing and selling capital securities and using the proceeds to acquire approximately $70 million of junior subordinated debt securities issued by the Holding Company. The junior subordinated debt securities (referred to in this Annual Report as "trust preferred securities payable") bear an interest rate of 7.0%, mature on April 14, 2034, became callable at any time after April 2009, and are the sole assets of Dime Community Capital Trust I. In accordance with revised interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51," Dime Community Capital Trust I is not consolidated with the Holding Company for financial reporting purposes.

Personnel

As of December 31, 2015, the Company had 340 full-time and 48 part-time employees. The employees are not represented by a collective bargaining unit, and the Holding Company and all of its subsidiaries consider their relationships with their employees to be good.

Federal, State and Local Taxation

The following is a general description of material tax matters and does not purport to be a comprehensive review of the tax rules applicable to the Company.

Federal Taxation

General. For federal income tax purposes, the Company files a consolidated income tax return on a December 31st fiscal year basis using the accrual method of accounting and is subject to federal income taxation in the same manner as other corporations with some exceptions, including, particularly, the Bank's tax reserve for bad debts, discussed below.

Tax Bad Debt Reserves. The Bank, as a "large bank" under Internal Revenue Service classifications (i.e., one with assets having an adjusted basis in excess of $500 million), is: (i) unable to make additions to its tax bad debt reserve, (ii) permitted to deduct bad debts only as they occur, and (iii) required to recapture (i.e., take into taxable income) the balance of its "base year tax bad debt reserve" (i.e., its tax bad debt reserve as of December 31, 1987) under certain distribution scenarios discussed below. No deferred tax liability is required to be recorded for the tax liability that would result upon the recapture of the base year tax bad debt reserve, so the resulting tax liability would be recorded as additional income tax expense. The amount of tax liability that would result from a full recapture of the base year tax bad debt reserve is $6.8 million. The Bank does not anticipate making any distributions that would result in a full or partial recapture of the base year tax bad debt reserve.

Distributions. Capital distributions to the Bank's shareholder are first considered distributions from the Bank's "current and accumulated earnings and profits," to the extent thereof, then as distributions from the base year tax bad debt reserve, to the extent thereof, and then as a return of capital. Capital distributions in direct redemption of the Bank's stock from the Bank's shareholder are first considered distributions from the Bank's base year tax bad debt

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reserve to the extent thereof, then as distributions from the Bank's current and accumulated earnings and profits to the extent thereof, and then as a return of capital. The Bank currently has no intention of making capital distributions to the Bank's shareholder in excess of the Bank's current and accumulated earnings and profits or in direct redemption of the Bank's stock and therefore does not anticipate any recapture of the base year tax bad debt reserve.

Corporate Alternative Minimum Tax. The Company's federal tax rate for the year ended December 31, 2015 was 35% of taxable income. The Internal Revenue Code of 1986, as amended, also imposes a tax on alternative minimum taxable income ("AMTI") at a rate of 20%. This tax is paid only to the extent it exceeds the Company's regular income tax liability. AMTI is derived by adjusting corporate taxable income in a manner that negates the deferral or deduction of certain expense or exclusion items compared to their customary tax treatment. Thus, the Company's AMTI is increased by 75% of the amount by which the Company's adjusted current earnings exceed its AMTI (determined without regard to this adjustment and prior to reduction for net operating losses). To the extent the 20% tax on AMTI exceeds the Company's regular tax liability, thereby requiring payment of this excess liability, such excess is creditable to future periods as an offset to the Company's regular tax liability. Consequently, any such excess tax liability paid on AMTI is recorded as a deferred tax asset.

State and Local Taxation

New York State ("NYS") Franchise Tax

The Company is subject to NYS franchise tax on a consolidated basis.

NYS recently enacted several reforms (the "Tax Reform Package") to its tax structure, including changes to the franchise, sales, estate and personal income taxes. These changes generally became effective for tax years beginning on or after January 1, 2015. The Tax Reform Package is intended to simplify the existing corporate tax code for NYS businesses while remaining relatively neutral in relation to corporate tax receipts.

Under the Tax Reform Package, the NYS corporate income tax rate dropped, effective January 1, 2016, from 7.10% to 6.50%. The metropolitan commuter transportation district surcharge ("MTA Tax") increased from 17.0% to 25.6% of the surcharge tax base for tax years beginning on or after January 1, 2015, and to 28% of the surcharge base for tax years beginning on or after January 1, 2016. The MTA Tax rate for tax years beginning on or after January 1, 2017 will be adjusted based upon future Metropolitan Transit Authority budget projections.

Some of the most significant elements of the Tax Reform Package include the merger of the bank franchise tax regime into the general corporate franchise tax regime, expanded application of economic nexus, adoption of water's-edge unitary reporting, and apportionment of source income solely by reference to customer location.

Merger of the Bank Franchise Tax Regime into the Corporate Franchise Tax Regime. NYS had historically imposed a franchise tax on general business corporations, commonly referred to as the "Article 9-A Corporate Franchise Tax," and a separate franchise tax on banking corporations, commonly referred to as the "Article 32 Bank Tax." Under these statutes, NYS financial service companies and banks were previously taxed under different regimes.

The Tax Reform Package repealed the Article 32 Bank Tax, merging it into the Article 9-A Corporate Franchise Tax. It also makes several subtraction modifications to the Article 9-A Corporate Franchise Tax to accommodate the merger, most notably by providing a choice between three potential financial tax subtraction modifications: 1) a subtraction modification equal to 32% of NYS entire net income available to all thrifts and community banks with assets that do not exceed $8 billion, provided certain residential lending tests are met; 2) a subtraction modification, available to both small thrifts and community banks with assets that do not exceed $8 billion, based upon 50% of the net interest income from loans multiplied by the fraction of interest received from loans secured by real estate located in NYS or small business loans made to NYS borrowers with a principal amount of $5 million or less divided by total interest income from all loans; and 3) both small thrifts and community banks with assets that do not exceed $8 billion that owned a captive real estate investment trust ("REIT") as of April 1, 2014, may, for tax years beginning on or after January 1, 2015, subtract 160% of dividends received from the REIT in determining NYS taxable income. Small thrifts and community banks with assets that do not exceed $8 billion and that continue to maintain grandfathered REITs are prohibited from claiming the first two subtraction modifications described above. Consequently, under the revised Article 9-A Corporate Franchise Tax structure, for tax years beginning on or after January 1, 2015, the Bank is required to claim the 60% subtraction for dividends received from its captive

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REIT subsidiaries for any year the REITS remain in existence. If the REITS are no longer maintained, then the Bank would be entitled to choose on an annual basis between options 1) or 2) above.

Adoption of a Full Water's-Edge Unitary Combined Filing. The Tax Reform Package requires that all firms meeting an ownership test of 50% or more be deemed a unitary business and required to file a combined tax return. Substantial intercompany transactions are eliminated, and a domestic corporation without any assets or customers in NYS, but engaged in a unitary business with a related New York taxpayer, could become part of the NYS unitary group.

Source Income Solely by Reference to the Location of the Customer. The Tax Reform Package requires business income to be apportioned to and taxed by NYS using a single receipts factor based on the customer's location. These provisions also contain favorable apportionment rules for asset-backed securities that are beneficial to the Company.

The Company has adjusted both its deferred tax asset and income tax expense to reflect the expected adjustment in its NYS tax rate resulting from the Tax Reform Package. Such adjustments were not material to its consolidated financial condition or results of operations. The Company owns REIT subsidiaries and utilized the dividend received subtraction method upon its initial conformity to the Tax Reform Package during the year ended December 31, 2015. However, the Company may utilize different tax strategies in the future.

NYC FranchiseTax

The Company is subject to NYC franchise tax on a consolidated basis.

NYC generally conforms its tax law to NYS tax law, and adopted conforming Tax Reform Package provisions similar to those described above for NYS purposes, with only a few minor differences. For tax years beginning on or after January 1, 2015, the NYC income tax rate applied to the Company apportioned NYC taxable income is 8.85%.

The Company has adjusted both its deferred tax asset and income tax expense to reflect the expected adjustment in its NYC tax rate resulting from the Tax Reform Package. Such adjustments were not material to its consolidated financial condition or results of operations. The Company owns REIT subsidiaries and utilized the dividend received subtraction method upon its initial conformity to the Tax Reform Package during the year ended December 31, 2015. However, the Company may utilize different tax strategies in the future.

State of Delaware.

As a Delaware holding company not conducting business in Delaware, the Holding Company is exempt from Delaware corporate income tax. However, it is required to file an annual report and pay an annual franchise tax to the State of Delaware based upon its number of authorized shares.

Regulation

General

The Bank is a New York State-chartered stock savings bank. The Bank's primary regulator is the NYSDFS, and the Bank's primary federal regulator is the Federal Deposit Insurance Corporation ("FDIC"), which regulates and examines state-chartered banks that are not members of the Federal Reserve System ("State Nonmember Banks"). The FDIC also administers laws and regulations applicable to all FDIC-insured depository institutions. The Holding Company is subject to regulation and examination by the Board of Governors of the Federal Reserve System ("FRB") and, more specifically, the Federal Reserve Bank of Philadelphia. The Bank has elected to be treated as a "savings association" under Section 10(l) of the Home Owners' Loan Act, as amended ("HOLA"), for purposes of the regulation of the Holding Company. The Holding Company is therefore regulated as a savings and loan holding company by the FRB as long as the Bank continues to satisfy the requirements to remain a "qualified thrift lender" ("QTL") under HOLA. If the Bank fails to remain a QTL, the Holding Company must register with the FRB, and be treated as, a bank holding company. The Holding Company does not expect that regulation as a bank holding company rather than a savings and loan holding company would be a significant change.

The Bank's deposit accounts are insured up to applicable limits by the FDIC under the Deposit Insurance Fund ("DIF"). The Bank is required to file reports with both the NYSDFS and the FDIC concerning its activities and financial condition, and to obtain regulatory approval prior to entering into certain transactions, such as mergers

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with, or acquisitions of, other depository institutions. Both the NYSDFS and the FDIC conduct periodic examinations to assess the Bank's safety and soundness and compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which a state-chartered savings bank may engage and is intended primarily for the protection of the DIF and depositors. As a publicly-held unitary savings bank holding company, the Holding Company is also required to file certain reports with, and otherwise comply with the rules and regulations of, both the SEC, under the federal securities laws, and the Federal Reserve Bank of Philadelphia.

The NYSDFS and the FDIC possess significant discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such policies, whether by the NYSDFS, the FDIC or through legislation, could have a material adverse impact on the operations of either the Bank or Holding Company.

The following discussion is intended to be a summary of the material statutes and regulations applicable to New York State chartered savings banks and savings and loan holding companies, and does not purport to be a comprehensive description of all such statutes and regulations.

Regulation of New York State Chartered Savings Banks

Business Activities. The Bank derives its lending, investment, and other authority primarily from the New York Banking Law ("NYBL") and the regulations of the NYSDFS, subject to limitations under applicable FDIC laws and regulations. Pursuant to the NYBL, the Bank may invest in mortgage loans secured by residential and commercial real estate, commercial and consumer loans, certain types of debt securities (including certain corporate debt securities and obligations of federal, state, and local governments and agencies), and certain other assets. The lending powers of New York State-chartered savings banks and commercial banks are not generally subject to percentage-of-assets or capital limitations, although there are limits applicable to loans to individual borrowers. The Bank may also establish service corporations that may engage in activities not otherwise permissible for the Bank, including certain real estate equity investments and securities and insurance brokerage activities.

Recent Financial Regulatory Reforms. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Reform Act"), which became law in 2010, was intended to address perceived weaknesses in the U.S. financial regulatory system and prevent future economic and financial crises. Through December 31, 2015, the Reform Act did not have a material impact on the Company's core operations. Many provisions of the Reform Act remain subject to final rulemaking or phase in over several years. The Company believes that the following provisions of the Reform Act, when fully implemented, may have an impact on the Company:

The Reform Act created the Consumer Financial Protection Bureau ("CFPB"). With respect to insured depository institutions with less than $10 billion in assets, such as the Bank, the CFPB has rulemaking, but not enforcement, authority for federal consumer protection laws, such as the Truth in Lending Act, the Equal Credit Opportunity Act, the Real Estate Settlement Procedures Act, and the Truth in Savings Act, among others, and may participate in examinations conducted by the federal bank regulatory agencies to determine compliance with consumer protection laws and regulations. The CFPB may impose requirements more severe than the previous bank regulatory agencies.

In January 2013, the CFPB issued final regulations governing consumer mortgage lending, including mortgage servicing, certain mortgage origination standards and "qualified mortgages." Included in the final regulations were provisions governing compliance with both the Truth in Lending and Real Estate Settlement Procedures Acts. The Bank has fully implemented all applicable standards.

The Volcker Rule prohibits banking entities from acquiring and retaining an ownership interest in, sponsoring, or having certain relationships with, a "covered fund." The Volcker Rule generally treats as a covered fund any entity that would be an investment company under the Investment Company Act of 1940, except for the application of the exemptions from SEC registration set forth in Section 3(c)(1) (fewer than 100 beneficial owners) or Section 3(c)(7) (qualified purchasers) of the 1940 Act. Under the Volcker Rule, banking entities are also prohibited from engaging in proprietary trading.

In December 2013, the Office of the Comptroller of the Currency (the "OCC"), FRB, SEC and the Commodity Futures Trading Commission ("CFTC") adopted final rules implementing Section

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619 of the Reform Act. Section 619 and the final implementing rules are commonly referred to as the "Volcker Rule." All banking organizations were granted until July 21, 2015 to conform their activities and investments to the requirements of the final Volcker Rule.

On January 14, 2014, the OCC, FDIC, FRB, SEC and CFTC approved a final rule permitting banking entities to indefinitely retain interests in certain collateralized debt obligations backed primarily by trust preferred securities ("TRUP CDOs") that could otherwise not be retained after July 21, 2015 under the covered fund investment prohibitions of the Volcker Rule. Under the final rule, the agencies permit the retention of an interest in, or sponsorship of, covered funds by banking entities if the following qualifications are satisfied:

- the TRUP CDO was established, and the interest was issued, before May 19, 2010;
- the banking entity reasonably believes that the offering proceeds received by the TRUP CDO were invested primarily in qualifying TRUP CDO collateral, as defined; and
- the banking entity's interest in the TRUP CDO was acquired on or before December 10, 2013, the date the agencies issued final rules implementing the Volcker Rule.

A non-exclusive list of TRUP CDO issuers that satisfy the requirements of the final rule was concurrently released by the agencies. All TRUP CDO investments owned by the Bank satisfied the retention requirements issued by the regulatory agencies on January 14, 2014. Management does not currently anticipate that the Volcker Rule will have a material effect on the operations of either the Bank or Holding Company.

Basel III Capital Rules. In July 2013, the Bank's primary federal regulator, the FDIC, and the Holding Company's principal regulator, the FRB, published final rules (the "Basel III Capital Rules") that implement, in part, agreements reached by the Basel Committee on Banking Supervision ("Basel Committee") in "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems" ("Basel III") and imposed new capital requirements on the Bank and the Holding Company, effective January 1, 2015.

The Basel III Capital Rules provide for the following minimum capital to risk-weighted assets ratios as of January 1, 2015: a) 4.5% based upon common equity tier 1 capital ("CET1"); b) 6.0% based upon tier 1 capital; and c) 8.0% based upon total regulatory capital. A minimum leverage ratio (tier 1 capital as a percentage of total average assets) of 4.0% is also required under the Basel III Capital Rules. When fully phased in, the Basel III Capital Rules will additionally require institutions to retain a capital conservation buffer, composed of CET1, of 2.5% above these required minimum capital ratio levels. Banking organizations that fail to maintain the minimum 2.5% capital conservation buffer could face restrictions on capital distributions or discretionary bonus payments to executive officers. Restrictions would begin phasing in where the banking organization's capital conservation buffer was below 2.5% at the beginning of a quarter, and distributions and discretionary bonus payments would be completely prohibited if no capital conservation buffer exists. When the capital conservation buffer is fully phased in on January 1, 2019, the Holding Company and the Bank will effectively have the following minimum capital to risk-weighted assets ratios: a) 7.0% based upon CET1; b) 8.5% based upon tier 1 capital; and c) 10.5% based upon total regulatory capital.

The Basel III Capital Rules provide for a number of deductions from, and adjustments to, CET1. These include, for example, the requirement that MSR, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

Implementation of the deductions from, and other adjustments to, CET1 began on January 1, 2015 and will be phased-in over a 4-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016 at 0.625% and increase by 0.625% each subsequent January 1, until it reaches 2.5% on January 1, 2019.

The Basel III Capital Rules prescribe a new standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes. In particular, the Basel III Capital Rules provide stricter rules related to the risk weighting of past due and certain commercial real estate loans, as well as on some equity investment exposures, and replace the existing credit rating approach for determining the risk weighting of securitization exposures with an alternative approach in which senior securitization tranches are assigned a risk weight associated with the underlying exposure

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and requiring a banking organization to hold capital for the senior tranche based on the risk weight of the underlying exposures. Under the revised approach, for subordinate securitization tranches, a banking organization must hold capital for the subordinate tranche, as well as all more senior tranches for which the subordinate tranche provides credit support.

With respect to the Bank, the Basel III Capital Rules revise the "prompt corrective action" ("PCA") regulations adopted pursuant to Section 38 of the Federal Deposit Insurance Act by: (i) introducing a CET1 ratio requirement at each PCA category (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum tier 1 capital ratio for well-capitalized status being 8.0% (as compared to the current 6.0%); and (iii) eliminating the current provision that a bank with a composite supervisory rating of 1 may have a 3.0% leverage ratio and still be adequately capitalized. The Basel III Capital Rules do not change the total risk-based capital requirement for any PCA category.

The Basel III Capital Rules will increase the required capital levels of the Bank and will subject the Holding Company to consolidated capital rules. The Bank and Company made the one-time, permanent election to continue to exclude the effects of accumulated other comprehensive income or loss items included in stockholders' equity for the purposes of determining the regulatory capital ratios. The following table summarizes the capital ratios calculated under the Basel III Capital Rules framework as of December 31, 2015.

	Actual		For Capital Adequacy Purposes(1)		To Be Categorized as "Well Capitalized"	
As of December 31, 2015	Amount	Ratio	Amount	Minimum Ratio	Amount	Minimum Ratio
Tier 1 Capital / % of average total assets						
Bank	$440,374	9.17 %	$194,314	4.0 %	$242,892	5.0 %
Consolidated Company	447,111	10.70	195,008	4.0	N/A	N/A
Common equity Tier 1 capital / % of risk weighted assets						
Bank	440,374	11.55	171,628	4.5	247,908	6.5
Consolidated Company	447,111	11.67	172,456	4.5	N/A	N/A
Tier 1 Capital / % of risk weighted assets						
Bank	440,374	11.55	228,838	6.0	305,117	8.0
Consolidated Company	515,626	13.45	229,941	6.0	N/A	N/A
Total Capital / % of risk weighted assets						
Bank	458,938	12.03	305,117	8.0	381,397	10.0
Consolidated Company	534,190	13.94	306,588	8.0	N/A	N/A

(1) In accordance with the Basel III rules.

Implementation of the Basel III Capital Rules effective January 1, 2015 did not have a material impact upon the operations of the Bank or Holding Company. Management believes that, as of December 31, 2015, the Bank and the Holding Company would meet all capital categories requirements under the Basel III Capital Rules on a fully phased in basis as if such requirement had been in effect on that date.

FDIC Guidance on Managing Market Risk. In October 2013, the FDIC published guidance entitled "Managing Sensitivity to Market Risk in a Challenging Interest Rate Environment". This guidance notes the FDIC's ongoing supervisory concern that certain institutions may be insufficiently prepared or positioned for sustained increases in, or volatility of, interest rates. The guidance emphasizes a series of best practices to ensure that state nonmember institutions, such as the Bank, have adopted a comprehensive asset-liability and interest rate risk management process. These practices include: (i) effective board governance and oversight; (ii) a sound policy framework and prudent exposure limits; (iii) well-developed risk measurement tools for effective measurement and monitoring of interest rate risk and; (iv) effective risk mitigation strategies. The Bank has implemented the best practices as of December 31, 2015.

NYSDFS Guidelines for Bank Lending to Multifamily Properties Under the Community Reinvestment Act. On September 5, 2013, the NYSDFS published guidelines addressing responsible multifamily lending. The guidelines report DFS' future intention to have Community Reinvestment Act ("CRA") examinations review whether a bank has satisfied its responsibility to ensure that any loan contributes to, and does not undermine, the availability of affordable housing or neighborhood conditions. Under the guidelines, a loan on a multifamily property would not be found to have a community development purpose, and would not be CRA eligible if it: (i) significantly reduces or has the potential to reduce affordable housing; (ii) facilitates substandard living conditions; (iii) is in technical default; or (iv) has been underwritten in an unsound manner.

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The guidelines also recommend that banks consider adopting a series of best practices in an effort to help avoid reductions in qualitative or quantitative CRA credit on multifamily loans.

Implementation of these guidelines has not materially impacted the business and operations of the Bank.

Interagency Guidance on Nontraditional Mortgage Product Risks. In 2006, the federal bank regulatory authorities (collectively the "Agencies") published the Interagency Guidance on Nontraditional Mortgage Product Risks (the "Nontraditional Mortgage Product Guidance"). The Nontraditional Mortgage Product Guidance describes sound practices for managing risk, as well as marketing, originating and servicing nontraditional mortgage products, which include, among others, interest only loans. The Nontraditional Mortgage Product Guidance sets forth supervisory expectations with respect to loan terms and underwriting standards, portfolio and risk management practices and consumer protection. For example, the Nontraditional Mortgage Product Guidance indicates that originating interest only loans with reduced documentation is considered a layering of risk and that institutions are expected to demonstrate mitigating factors to support their underwriting decision and the borrower's repayment capacity. Specifically, the Nontraditional Mortgage Product Guidance indicates that a lender may accept a borrower's statement as to its income without obtaining verification only if there are mitigating factors that clearly minimize the need for direct verification of repayment capacity and that, for many borrowers, institutions should be able to readily document income.

Limitations on Individual Loans and Aggregate Loans to One Borrower. As an NYS-chartered savings bank originating loans secured by real estate having a market value at least equal to the loan amount at the time of origination, the Bank is generally not constrained by NYSDFS regulations limiting individual loan or borrower exposures.

QTL Test. In order for the Holding Company to be regulated by the FRB as a savings and loan holding company rather than a bank holding company, the Bank must remain a QTL. To satisfy this requirement, the Bank must maintain at least 65% of its "portfolio assets" in certain "qualified thrift investments" during at least nine of the most recent twelve months. "Portfolio assets" mean, in general, the Bank's total assets less the sum of: (i) specified liquid assets up to 20% of total assets, (ii) certain intangibles, including goodwill, credit card relationships and purchased MSR, and (iii) the value of property used to conduct the Bank's business. "Qualified thrift investments" include various types of loans made for residential and housing purposes; investments related to such purposes, including certain mortgage-backed and related securities; and small business, education, and credit card loans. At December 31, 2015, the Bank maintained 78.3% of its portfolio assets in qualified thrift investments. The Bank also satisfied the QTL test in each month during 2015, and, therefore, was a QTL. If the Bank fails to remain a QTL, the Holding Company must register with the FRB as a bank holding company. While the Holding Company intends to remain a savings and loan holding company, regulation as a bank holding company rather than a savings and loan holding company would be not be expected to have a material impact upon its financial condition or results of operations.

A savings association that fails the QTL test will generally be prohibited from (i) engaging in any new activity not permissible for a national bank, (ii) paying dividends, unless the payment would be permissible for a national bank, is necessary to meet obligations of a company that controls the savings bank, and is specifically approved by the FDIC and the FRB, and (iii) establishing any new branch office in a location not permissible for a national bank in the association's home state. A savings association that fails to satisfy the QTL test may be subject to FDIC enforcement action. In addition, within one year of the date a savings association ceases to satisfy the QTL test, any company controlling the association must register under, and become subject to the requirements of, the Bank Holding Company Act of 1956, as amended ("BHCA"). A savings association that has failed the QTL test may requalify under the QTL test and be relieved of the limitations; however, it may do so only once. If the savings association does not requalify under the QTL test within three years after failing the QTL test, it will be required to terminate any activity, and dispose of any investment, not permissible for a national bank. These provisions remain in effect under the Reform Act.

Advisory on Interest Rate Risk Management. In January 2010, the Agencies released an Advisory on Interest Rate Risk Management (the "IRR Advisory") to remind institutions of the supervisory expectations regarding sound practices for managing IRR. While some degree of IRR is inherent in the business of banking, the Agencies expect institutions to have sound risk management practices in place to measure, monitor and control IRR exposures, and IRR management should be an integral component of an institution's risk management infrastructure. The Agencies expect all institutions to manage their IRR exposures using processes and systems commensurate with their earnings

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and capital levels, complexity, business model, risk profile and scope of operations. The IRR Advisory further reiterates the importance of effective corporate governance, policies and procedures, risk measuring and monitoring systems, stress testing, and internal controls related to the IRR exposures of institutions.

The IRR Advisory encourages institutions to use a variety of techniques to measure IRR exposure, which include simple maturity gap analysis, income measurement and valuation measurement for assessing the impact of changes in market rates as well as simulation modeling to measure IRR exposure. Institutions are encouraged to use the full complement of analytical capabilities of their IRR simulation models. The IRR Advisory also reminds institutions that stress testing, which includes both scenario and sensitivity analysis, is an integral component of IRR management. The IRR Advisory indicates that institutions should regularly assess IRR exposures beyond typical industry conventions, including changes in rates of greater magnitude (e.g., up and down 300 and 400 basis points as compared to the generally used up and down 200 basis points) across different tenors to reflect changing slopes and twists of the yield curve.

The IRR Advisory emphasizes that effective IRR management not only involves the identification and measurement of IRR, but also provides for appropriate actions to control the risk. The adequacy and effectiveness of an institution's IRR management process and the level of its IRR exposure are critical factors in the Agencies' evaluation of an institution's sensitivity to changes in interest rates and capital adequacy.

Limitation on Capital Distributions. The NYBL and the New York banking regulations, as well as FDIC and FRB regulations impose limitations upon capital distributions by state-chartered savings banks, such as cash dividends, payments to purchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger, and other distributions charged against capital.

Under the NYBL and the New York banking regulations, New York State-chartered stock savings banks may declare and pay dividends out of net profits, unless there is an impairment of capital, however, approval of the New York State Superintendent of Financial Services ("Superintendent") is required if the total of all dividends declared by the bank in a calendar year would exceed the total of its net profits for that year combined with its retained net profits for the preceding two years less prior dividends paid.

As the subsidiary of a savings and loan holding company, the Bank is required to file a notice with the FRB at least 30 days prior to each capital distribution. The FRB can prohibit a proposed capital distribution if it determines that the bank would be "undercapitalized", as defined in the Federal Deposit Insurance Act, as amended ("FDIA"), following the distribution or that a proposed distribution would constitute an unsafe or unsound practice. Further, under FDIC PCA regulations, the Bank would be prohibited from making a capital distribution if, after the distribution, the Bank would fail to satisfy its minimum capital requirements, as described above (See "PCA").

Liquidity. Pursuant to FDIC regulations, the Bank is required to maintain sufficient liquidity to ensure its safe and sound operation (See "Part II-Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" for further discussion). At December 31, 2015, the Bank satisfied all such liquidity requirements.

Assessments. New York State-chartered savings banks are required by the NYBL to pay annual assessments to the NYSDFS in connection with its regulation and supervision (including examination) of the Bank. This annual assessment is based primarily on the asset size of the Bank, among other factors determined by the NYSDFS. The Bank is not required to pay additional assessments to the FDIC for its regulation and supervision (including examination) of the Bank as a state nonmember bank, however, the Bank is required to pay assessments to the FDIC as an insured depository institution. (See "Insurance of Deposit Accounts").

Branching. Subject to certain limitations, NYS and federal law permit NYS-chartered savings banks to establish branches in any state of the United States. In general, federal law allows the FDIC, and the NYBL allows the Superintendent, to approve an application by a state banking institution to acquire interstate branches by merger. The NYBL authorizes New York State-chartered savings banks to open and occupy de novo branches outside the State of New York. Pursuant to the Reform Act, the FDIC is authorized to approve the establishment by a state bank of a de novo interstate branch if the intended host state allows de novo branching within that state by banks chartered by that state.

Community Reinvestment. Under the Community Reinvestment Act ("CRA"), as implemented by FDIC regulations, an insured depository institution possesses a continuing and affirmative obligation, consistent with its

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safe and sound operation, to help satisfy the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services it believes are most appropriate to its particular community. The CRA requires the FDIC, in connection with its examination of a State Nonmember Bank, to assess the bank's record of satisfying the credit needs of its community and consider such record in its evaluation of certain applications by the bank. The CRA also requires all institutions to make public disclosure of their CRA ratings. The Bank received a "Satisfactory" CRA rating in its most recent examination. Regulations additionally require that the Bank publicly disclose certain agreements that are in fulfillment of the CRA. The Bank has no such agreements.

The Bank is also subject to provisions of the NYBL that impose continuing and affirmative obligations upon a New York State-chartered savings bank to serve the credit needs of its local community (the "NYCRA"). Such obligations are substantially similar to those imposed by the CRA. The NYCRA requires the NYSDFS to make a periodic written assessment of an institution's compliance with the NYCRA, utilizing a four-tiered rating system, and to make such assessment available to the public. The NYCRA also requires the Superintendent to consider the NYCRA rating when reviewing an application to engage in certain transactions, including mergers, asset purchases and the establishment of branch offices or ATMs, and provides that such assessment may serve as a basis for the denial of any such application. The Bank became subject to the NYCRA at the Charter Conversion, and has not yet received a NYCRA rating.

Transactions with Related Parties. The Bank's authority to engage in transactions with its "affiliates" is limited by FDIC regulations, Sections 23A and 23B of the Federal Reserve Act ("FRA"), and Regulation W issued by the FRB. FDIC regulations regarding transactions with affiliates generally conform to Regulation W. These provisions, among other matters, prohibit, limit or place restrictions upon a depository institution extending credit to, purchasing assets from, or entering into certain transactions (including securities lending, repurchase agreements and derivatives activities) with, its affiliates, which, for the Bank, would include the Holding Company and any other subsidiary of the Holding Company.

As a "savings association" under Section 10(l) of the HOLA, the Bank is additionally subject to the rules governing transactions with affiliates for savings associations under HOLA Section 11. These rules prohibit, subject to certain exemptions, a savings association from: (i) advancing a loan to an affiliate engaged in non-bank holding company activities; and (ii) purchasing or investing in securities issued by an affiliate that is not a subsidiary.

The Bank's authority to extend credit to its directors, executive officers, and stockholders owning 10% or more of the Holding Company's outstanding common stock, as well as to entities controlled by such persons, is additionally governed by the requirements of Sections 22(g) and 22(h) of the FRA and Regulation O of the FRB enacted thereunder. Among other matters, these provisions require that extensions of credit to insiders: (i) be made on terms substantially the same as, and follow credit underwriting procedures not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and (ii) not exceed certain amount limitations individually and in the aggregate, which limits are based, in part, on the amount of the bank's capital. Regulation O additionally requires that extensions of credit in excess of certain limits be approved in advance by the bank's board of directors.

New York banking regulations impose certain limits and requirements on various transactions with "insiders," as defined in the New York banking regulations to include certain executive officers, directors and principal stockholders.

The Holding Company and Bank both presently prohibit loans to directors and executive management.

Enforcement. Under the NYBL, the Superintendent possesses enforcement power over New York State-chartered savings banks. The NYBL gives the Superintendent authority to order a New York State-chartered savings bank to appear and explain an apparent violation of law, to discontinue unauthorized or unsafe practices and to maintain prescribed books and accounts. Upon a finding by the Superintendent that a director, trustee or officer of a savings bank has violated any law, or has continued unauthorized or unsafe practices in conducting its business after having been notified by the Superintendent to discontinue such practices, such director, trustee, or officer may be removed from office after notice and an opportunity to be heard. The Superintendent also has authority to appoint a conservator or receiver, such as the FDIC, for a savings bank under certain circumstances.

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Under the FDIA, the FDIC possesses enforcement authority for FDIC insured depository institutions and has the authority to bring enforcement action, including civil monetary penalties, against all "institution-affiliated parties," including any controlling stockholder or any shareholder, attorney, appraiser or accountant who knowingly or recklessly participates in any violation of applicable law or regulation, breach of fiduciary duty or certain other wrongful actions that cause, or are likely to cause, more than minimal loss to or other significant adverse effect on an insured depository institution. Under HOLA and the FDIA, the FRB possesses similar authority to bring enforcement actions and impose civil monetary penalties against savings and loan holding companies for violations of applicable law or regulation. In addition, regulators possess substantial discretion to take enforcement action against an institution that fails to comply with the law, particularly with respect to capital requirements. Possible enforcement actions range from informal enforcement actions, such as a memorandum of understanding, to formal enforcement actions, such as a written agreement, cease and desist order or civil money penalty, the imposition of a capital plan and capital directive to receivership, conservatorship, or the termination of deposit insurance.

Standards for Safety and Soundness. Pursuant to FDICIA, as amended by the Riegle Community Development and Regulatory Improvement Act of 1994, the FDIC, together with the other federal bank regulatory agencies, has adopted guidelines prescribing safety and soundness standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the guidelines require, among other features, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the FDIC has adopted regulations pursuant to FDICIA that authorize, but do not require, the FDIC to order an institution that has been given notice by the FDIC that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so ordered, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the FDIC must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized bank is subject under the PCA provisions of FDICIA (See "Part I - Item 1 – Business - Regulation - Regulation of New York State Chartered Savings Banks –PCA"). If an institution fails to comply with such an order, the FDIC may seek enforcement in judicial proceedings and the imposition of civil money penalties.

Insurance of Deposit Accounts. The standard maximum amount of FDIC deposit insurance is $250,000 per depositor. Insured depository institutions are required to pay quarterly deposit insurance assessments to the DIF. Assessments are based on average total assets minus average tangible equity. The assessment rate is determined through a risk-based system. For depository institutions with less than $10 billion in assets, such as the Bank, the FDIC assigns an institution to one of four risk categories based on its safety and soundness supervisory ratings (its "CAMELS" ratings) and its capital levels. The initial base assessment rate depends on the institution's risk category, as well as, if it is in the highest category (indicating the lowest risk), certain financial measures. The initial base assessment rate currently ranges from 5 to 35 basis points on an annualized basis. The initial base assessment rate is then decreased depending on the institution's ratio of long-term unsecured debt to its assessment base (with such decrease not to exceed the lesser of 5 basis points or 50% of the initial base assessment rate) and, for institutions not in the highest risk category, increased if the institution's brokered deposits are more than 10 percent of its domestic deposits (with such increase not to exceed 10 basis points). The current total base assessment rate is therefore from 2.5 to 45 basis points on an annualized basis.

As a result of the recent failures of a number of banks and thrifts, there has been a significant increase in the loss provisions of the DIF. This resulted in a decline in the DIF reserve ratio during 2008 below the then minimum designated reserve ratio of 1.15%. In October 2010, the FDIC adopted a new DIF restoration plan to ensure that the fund reserve ratio reaches 1.35% by September 30, 2020, as required by the Reform Act. The FDIC has established a long-term target for the reserve ratio of 2.0%. At least semi-annually, the FDIC will update its loss and income projections for the fund and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking if required.

The Deposit Insurance Funds Act of 1996 amended the FDIA to recapitalize the Savings Association Insurance Fund ("SAIF") [which was merged with the Bank Insurance Fund ("BIF") into the newly-formed DIF on March 31, 2006] and expand the assessment base for the payment of Financing Corporation ("FICO") bonds. FICO bonds were sold by the federal government in order to finance the recapitalization of the SAIF and BIF that was necessitated following payments from the funds to compensate depositors of federally-insured depository institutions that experienced bankruptcy and dissolution during the 1980's and 1990's. These payments, which

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approximate 10% of the Bank's annual FDIC insurance payments, will continue until the FICO bonds mature in 2017 through 2019.

Acquisitions. Under the federal Bank Merger Act, prior approval of the FDIC is required for the Bank to merge with or purchase the assets or assume the deposits of another insured depository institution. In reviewing applications seeking approval of merger and acquisition transactions, the FDIC will consider, among other factors, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the CRA (see "Community Reinvestment") and its compliance with fair housing and other consumer protection laws and the effectiveness of the subject organizations in combating money laundering activities.

Privacy and Security Protection. The federal banking agencies have adopted regulations for consumer privacy protection that require financial institutions to adopt procedures to protect customers and their "non-public personal information." The regulations require the Bank to disclose its privacy policy, including identifying with whom it shares "non-public personal information," to customers at the time of establishing the customer relationship, and annually thereafter if there are changes to its policy. In addition, the Bank is required to provide its customers the ability to "opt-out" of: (1) the sharing of their personal information with unaffiliated third parties if the sharing of such information does not satisfy any of the permitted exceptions; and (2) the receipt of marketing solicitations from Bank affiliates.

The Bank is additionally subject to regulatory guidelines establishing standards for safeguarding customer information. The guidelines describe the federal banking agencies' expectations for the creation, implementation and maintenance of an information security program, including administrative, technical and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. The standards set forth in the guidelines are intended to ensure the security and confidentiality of customer records and information, and protect against anticipated threats or hazards to the security or integrity of such records and unauthorized access to or use of such records or information that could result in substantial customer harm or inconvenience.

Federal law additionally permits each state to enact legislation that is more protective of consumers' personal information. Currently, there are a number of privacy bills pending in the New York legislature. Management of the Company cannot predict the impact, if any, of these bills if enacted.

Cybersecurity more broadly has become a focus of federal and state regulators. In March 2015, federal regulators issued two statements regarding cybersecurity to reiterate regulatory expectations regarding cyberattacks compromising credentials and business continuity planning to ensure the rapid recovery of an institution's operations after a cyberattack involving destructive malware. The NYSDFS has announced that it is considering issuing proposed regulations that would require an institution to maintain a cybersecurity program designed to perform core cyber security functions that meet specific requirements. See "Item 1A - Risk Factors" for a further discussion of cybersecurity risks.

Consumer Protection and Compliance Provisions. The Bank is subject to various consumer protection laws and regulations. The Bank may be subject to potential liability for material violations of these laws and regulations, in the form of litigation by governmental and consumer groups, the FDIC and other federal regulatory agencies including the Department of Justice. Moreover, the CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all depository institutions, as well as the authority to prohibit "unfair, deceptive or abusive" acts and practices.

Insurance Activities. As a New York State chartered savings bank, the Bank is generally permitted to engage in certain insurance activities: (i) directly in places where the population does not exceed 5,000 persons, or (ii) in places with larger populations through subsidiaries if certain conditions are satisfied. Federal agency regulations prohibit depository institutions from conditioning the extension of credit to individuals upon either the purchase of an insurance product or annuity or an agreement by the consumer not to purchase an insurance product or annuity from an entity not affiliated with the depository institution. The regulations additionally require prior disclosure of this prohibition if such products are offered to credit applicants. Compliance with these regulations has not had a material impact upon the Bank's financial condition or results of operations.

Federal Home Loan Bank ("FHLB") System. The Bank is a member of the FHLBNY, which is one of the twelve regional FHLBs composing the FHLB System. Each FHLB provides a central credit facility primarily for its member institutions. Any advances from the FHLBNY must be secured by specified types of collateral, and long-

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term advances may be obtained only for the purpose of providing funds for residential housing finance. The Bank, as a member of the FHLBNY, is currently required to acquire and hold shares of FHLBNY Class B stock as a membership requirement and must hold additional stock based on its FHLB borrowing and certain other activities. The Bank was in compliance with these requirements with an investment in FHLBNY Class B stock of $58.7 million at December 31, 2015. The FHLBNY can adjust the specific percentages and dollar amount periodically within the ranges established by the FHLBNY capital plan.

Federal Reserve System. The Bank is subject to FRA and FRB regulations requiring state-chartered depository institutions to maintain cash reserves against their transaction accounts (primarily NOW and regular checking accounts). Because required reserves must be maintained in the form of vault cash, a low-interest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the FRB, the effect of this reserve requirement is to reduce the Bank's interest-earning assets. The balances maintained to satisfy the FRB reserve requirements may be used to satisfy liquidity requirements imposed by the FDIC.

The Federal Reserve Banks pay interest on depository institutions' required and excess reserve balances. The interest rate paid on required reserve balances and excess balances is currently 0.50 percent.

Depository institutions are additionally authorized to borrow from the Federal Reserve "discount window," however, FRB regulations require such institutions to hold reserves in the form of vault cash or deposits with Federal Reserve Banks in order to borrow.

Anti-Money Laundering and Customer Identification. Financial institutions are subject to Bank Secrecy Act amendments and specific federal agency guidance in relation to implementing the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("PATRIOT Act"). The PATRIOT Act provides the federal government with powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, Title III of the PATRIOT Act enacted measures intended to encourage information sharing among bank regulatory and law enforcement agencies. In addition, certain provisions of Title III and the FDIC guidance impose affirmative obligations on a broad range of financial institutions, including banks and thrifts. Title III imposes the following requirements, among others, with respect to financial institutions: (i) establishment of anti-money laundering programs; (ii) establishment of procedures for obtaining identifying information from customers opening new accounts, including verifying their identity within a reasonable period of time; (iii) establishment of enhanced due diligence policies, procedures and controls designed to detect and report money laundering; and (iv) prohibition on correspondent accounts for foreign shell banks and compliance with recordkeeping obligations with respect to correspondent accounts of foreign banks. In addition, the NYSDFS issued a proposed regulation in December 2015 that sets forth, for financial institutions chartered or licensed under the New York Banking Law, the attributes of certain compliance programs such institutions must have to ensure compliance with Bank Secrecy Act/Anti-Money Laundering laws and regulations and sanctions administered by the Office of Foreign Assets Control ("OFAC"). The proposed regulation would require a senior compliance officer of an institution to make an annual certification as to an institution's compliance with the requirements of the regulation, with the potential for criminal penalties for the officer if the certification is incorrect or false.

Finally, bank regulators are directed to consider an organization's effectiveness in preventing money laundering when reviewing and acting on regulatory applications.

OFAC Regulation. OFAC, administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals, and others. Failure to comply with these sanctions could have serious legal and reputational consequences.

Regulation of the Holding Company

The Bank has made an election under Section 10(l) of the HOLA to be treated as a "savings association" for purposes of regulation of the Holding Company. As a result, the Holding Company continues, after the Charter Conversion, to be registered with the FRB as a non-diversified unitary savings and loan holding company within the meaning of the HOLA. The Holding Company is currently subject to FRB regulations, examination, enforcement and supervision, as well as reporting requirements applicable to savings and loan holding companies. Among other things, this authority permits the FRB to restrict or prohibit activities that are determined to be a serious risk to the safety, soundness or stability of a subsidiary depository institution. In addition, the FRB has enforcement authority

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over the Holding Company's non-depository institution subsidiaries. If the Bank does not continue to satisfy the QTL test, the Holding Company must change its status with the FRB as a savings and loan holding company and register as a bank holding company under the BHCA. (See "Regulation of New York State-Chartered Savings Banks–QTL Test").

HOLA prohibits a savings and loan holding company, directly or indirectly, or through one or more subsidiaries, from acquiring another savings association or holding company thereof, without prior written approval of the FRB; acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary savings association, non-subsidiary holding company, or non-subsidiary company engaged in activities other than those permitted by HOLA; or acquiring or retaining control of a depository institution that is not insured by the FDIC. In evaluating an application by a holding company to acquire a savings association, the FRB must consider the financial and managerial resources and future prospects of the company and savings association involved, the effect of the acquisition on the risk to the insurance funds, the convenience and needs of the community, and competitive factors.

The Gramm-Leach Bliley Act of 1999 ("Gramm-Leach") additionally restricts the powers of certain unitary savings and loan holding companies. A unitary savings and loan holding company that is "grandfathered," i.e., became a unitary savings and loan holding company pursuant to an application filed with the Office of Thrift Supervision (the regulator of savings and loan holding companies prior to the FRB) prior to May 4, 1999, such as the Holding Company, retains the authority it possessed under the law in existence as of May 4, 1999. All other savings and loan holding companies are limited to financially related activities permissible for bank holding companies, as defined under Gramm-Leach. Gramm-Leach also prohibits non-financial companies from acquiring grandfathered savings and loan holding companies.

Upon any non-supervisory acquisition by the Holding Company of another savings association or a savings bank that satisfies the QTL test and is deemed to be a savings association and that will be held as a separate subsidiary, the Holding Company will become a multiple savings and loan holding company and will be subject to limitations on the types of business activities in which it may engage. HOLA limits the activities of a multiple savings and loan holding company and its non-insured subsidiaries primarily to activities permissible under Section 4(c) of the BHCA, subject to prior approval of the FRB, or the activities permissible for financial holding companies under Section 4(k) of the BHCA, if the company meets the requirements to be treated as a financial holding company, and to other activities authorized by federal agency regulations.

Federal agency regulations prohibit regulatory approval of any acquisition that would result in a multiple savings and loan holding company controlling savings associations in more than one state, subject to two exceptions: an acquisition of a savings association in another state (i) in a supervisory transaction, or (ii) pursuant to authority under the laws of the state of the association to be acquired that specifically permit such acquisitions. The conditions imposed upon interstate acquisitions by those states that have enacted authorizing legislation vary.

The Bank must file a notice with the FRB prior to the payment of any dividends or other capital distributions to the Holding Company (See "Regulation-Regulation of New York State Chartered Savings Banks - Limitation on Capital Distributions"). The FRB has the authority to deny such payment request.

Restrictions on the Acquisition of the Holding Company. Under the Federal Change in Bank Control Act ("CIBCA") and implementing regulations, a notice must be submitted to the FRB if any person (including a company), or group acting in concert, seeks to acquire 10% or more of the Holding Company's shares of outstanding common stock, unless the FRB has found that the acquisition will not result in a change in control of the Holding Company. Under CIBCA and implementing regulations, the FRB generally has 60 days within which to act on such notices, taking into consideration certain factors, including the financial and managerial resources of the acquirer; the convenience and needs of the communities served by the Holding Company, the Bank; and the anti-trust effects of the acquisition. Under HOLA, any company would be required to obtain approval from the FRB before it may obtain "control" of the

Holding Company within the meaning of HOLA. Control is generally defined to mean the ownership or power to vote 25% or more of any class of voting securities of the Holding Company or the ability to control in any manner the election of a majority of the Holding Company's directors, although a person or entity may also be determined to "control" the Holding Company without satisfying these requirements if it is determined that he, she or it directly or indirectly exercises a controlling influence over the management or policies of the Holding Company. In addition, an existing bank holding company or savings and loan holding company would, under federal banking laws and regulations, generally be required to obtain FRB approval before acquiring more than 5% of the Holding Company's voting stock.

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In addition to the applicable federal laws and regulations, New York State Banking Law generally requires prior approval of the New York State Superintendent of Financial Services before any action is taken that causes any company to acquire direct or indirect control of a banking institution organized in New York.

Basel III. See "Regulation of New York State Chartered Savings Banks–Basel III" for a discussion of the potential impact(s) of Basel III upon the Holding Company.

Federal Securities Laws

The Holding Company's common stock is registered with the SEC under Section 12(g) of the Exchange Act. It is subject to the periodic reporting, proxy solicitation, insider trading restrictions and other requirements under the Exchange Act.

Delaware Corporation Law

The Holding Company is incorporated under the laws of the State of Delaware, and, therefore, is subject to regulation by the State of Delaware, and the rights of its shareholders are governed by the Delaware General Corporation Law.

Item 1A. Risk Factors

The Company's business may be adversely affected by conditions in the financial markets and economic conditions generally.

The Company's financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon the business environment in the markets where the Company operates, in the New York metropolitan area and in the United States as a whole. Conditions in the marketplace for the Bank's property collateral types (mainly multifamily and commercial real estate) remained stronger than most other parts of the country throughout the years of the financial crisis, and in fact have recently rebounded to healthy pre-crisis levels. Nevertheless, given the precarious nature of financial and economic conditions both nationally and globally, this status is always subject to change, which could adversely affect the credit quality of the Bank's loans, results of operations and financial condition.

The Bank's commercial real estate lending may subject it to greater risk of an adverse impact on operations from a decline in the economy.

The credit quality of the Bank's portfolio can have a significant impact on the Company's earnings, results of operations and financial condition. As part of the Company's strategic plan, it originates loans secured by commercial real estate that are generally viewed as exposing lenders to a greater risk of loss than both one- to four-family and multifamily residential mortgage loans. Because payments on loans secured by commercial real estate are often dependent upon successful operation or management of the collateral properties, as well as the success of the business and retail tenants occupying the properties, repayment of such loans are generally more vulnerable to weak economic conditions. Further, the collateral securing such loans may depreciate over time, be difficult to appraise, or fluctuate in value based upon the rentability, among other commercial factors.

The performance of Bank's multifamily and mixed-use loans could be adversely impacted by regulation or a weakened economy.

Multifamily and mixed use loans generally involve a greater risk than one- to four- family residential mortgage loans because government regulations such as rent control and rent stabilization laws, which are outside the control of the borrower or the Bank, could impair the value of the security for the loan or the future cash flow of such properties. As a result, rental income might not rise sufficiently over time to satisfy increases in the loan rate at repricing or increases in overhead expenses (e.g., utilities, taxes, etc.). Impaired loans are thus difficult to identify before they become problematic. In addition, if the cash flow from a collateral property is reduced (e.g., if leases are not obtained or renewed), the borrower's ability to repay the loan and the value of the security for the loan may be impaired.

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Extensions of credit on multifamily, mixed-use or commercial real estate loans may result from reliance upon inaccurate or misleading information received from the borrower.

In deciding whether to extend credit on multifamily, mixed-use or commercial real estate loans, the Bank may rely on information furnished by or on behalf of a customer and counterparties, including financial statements, credit reports and other financial information. In the event such information is inaccurate or misleading, reliance on it could have a material adverse impact on the Company's business and, in turn, its financial condition and results of operations.

Geographic and borrower concentrations could adversely impact financial performance.

The Company's financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans, as well as the value of collateral securing those loans, is highly dependent upon business and economic conditions in the United States, particularly in the local New York metropolitan area where the Company conducts substantially all of its business. Conditions in these marketplaces have begun to rebound in recent months after several years of deterioration. Should such conditions fail to continue to improve, they may adversely affect the credit quality of the Bank's loans, its results of operations and its financial condition.

Conditions in the real estate markets in which the collateral for the Bank's mortgage loans are located strongly influence the level of the Bank's non-performing loans and the value of its collateral. Real estate values are affected by, among other items, fluctuations in general or local economic conditions, supply and demand, changes in governmental rules or policies, the availability of loans to potential purchasers and acts of nature. Declines in real estate markets have in the past, and may in the future, negatively impact the Company's results of operations, cash flows, business, financial condition and prospects. In addition, at December 31, 2014 the Bank had four borrowers for which its total lending exposure equaled or exceeded 10% of its Tier 1 risk-based capital (its lowest capital measure). Default by these borrowers could adversely impact the Bank's financial condition and results of operations.

The Bank's allowance for loan losses may be insufficient.

The Bank's allowance for loan losses is maintained at a level considered adequate by management to absorb probable losses inherent in its loan portfolio. The amount of inherent loan losses which could be ultimately realized is susceptible to changes in economic, operating and other conditions, including changes in interest rates, that could be beyond the Bank's control. Such losses could exceed current estimates. Although management believes that the Bank's allowance for loan losses is adequate, there can be no assurance that the allowance will be sufficient to satisfy actual loan losses should such losses be realized. Any increases in the allowance for loan losses will result in a decrease in net income and capital, and may have a material adverse effect on the Bank's financial condition and results of operations.

Increases in interest rates may reduce the Company's profitability.

The Bank's primary source of income is its net interest income, which is the difference between the interest income earned on its interest earning assets and the interest expense incurred on its interest bearing liabilities. The Bank's one-year interest rate sensitivity gap is the difference between interest rate sensitive assets maturing or repricing within one year and its interest rate sensitive liabilities maturing or repricing within one year, expressed as both a total amount and as a percentage of total assets. At December 31, 2015, the Bank's one year interest rate gap was negative 21%, indicating that the overall level of its interest rate sensitive liabilities maturing or repricing within one year exceeded that of its interest rate sensitive assets maturing or repricing within one year. In a rising interest rate environment, an institution with a negative gap would generally be expected, absent the effects of other factors, to experience a greater increase in its cost of liabilities relative to its yield on assets, and thus a decline in net interest income from its existing investments and funding sources.

Based upon historical experience, if interest rates were to rise, the Bank would expect the demand for multifamily loans to decline. Decreased loan origination volume would likely negatively impact the Bank's interest income. In addition, if interest rates were to rise rapidly and result in an economic decline, the Bank would expect its level of non-performing loans to increase. Such an increase in non-performing loans may result in an increase to the provision/allowance for loan losses and possible increased charge-offs, which would negatively impact the Company's net income.

Further, the actual amount of time before mortgage loans and MBS are repaid can be significantly impacted by changes in mortgage redemption rates and market interest rates. Mortgage prepayment, satisfaction and refinancing rates will vary due to several factors, including the regional economy in the area where the underlying mortgages were originated, seasonal factors, and other demographic variables. However, the most significant factors affecting prepayment, satisfaction and refinancing rates are prevailing interest rates, related mortgage refinancing opportunities and competition. The level of mortgage and MBS prepayment, satisfaction and refinancing activity impacts the Company's earnings due to its effect on fee income earned on prepayment and refinancing activities, along with liquidity levels the Company will experience to fund new investments or ongoing operations.

As a New York State chartered savings bank, the Bank is required to monitor changes in its Economic Value of Equity ("EVE"), which is the difference between the present value of the expected future cash flows of the Bank's assets and liabilities plus the value of any off-balance sheet items, such as firm commitments to originate loans, or derivatives, if applicable. To monitor its overall sensitivity to changes in interest rates, the Bank also simulates the effect of instantaneous changes in interest rates of up to 400 basis points on its assets, liabilities and net interest income. Interest rates do and will continue to fluctuate, and the Bank cannot predict future FOMC actions or other factors that will cause interest rates to vary.

The Company operates in a highly regulated industry and is subject to uncertain risks related to changes in laws, government regulation and monetary policy.

The Holding Company and the Bank are subject to extensive supervision, regulation and examination by the NYSDFS (the Bank's primary regulator), the FRB (the Holding Company's primary regulator) and the FDIC, as its deposit insurer. Such regulation limits the manner in which the Holding Company and Bank conduct business, undertake new investments and activities and obtain financing. This regulation is designed primarily for the protection of the deposit insurance funds and the Bank's depositors, and not to benefit the Bank or its creditors. The regulatory structure also provides the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to capital levels, the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Failure to comply with applicable laws and regulations could subject the Holding Company and Bank to regulatory enforcement action that could result in the assessment of significant civil money penalties against the Holding Company and Bank. For further information regarding the laws and regulations that affect the Holding Company and the Bank, see "Item 1. Business - Regulation - Regulation of New York State Chartered Savings Banks," and "Item 1. Business - Regulation - Regulation of Holding Company."

The fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on the Company's results of operations. The FRB regulates the supply of money and credit in the United States. Its policies determine in significant part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the Company's net interest margin. Government action can materially decrease the value of the Company's financial assets, such as debt securities, mortgages and MSR. Governmental policies can also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in FRB or governmental policies are beyond the Company's control and difficult to predict; consequently, the impact of these changes on the Company's activities and results of operations is difficult to predict.

Financial institution regulation has been the subject of significant legislation in recent years, and may be the subject of further significant legislation in the future, none of which is within the control of the Holding Company or the Bank. Significant new laws or changes in, or repeals of, existing laws may cause the Company's results of operations to differ materially. Further, federal monetary policy significantly affects credit conditions for the Company, primarily through open market operations in United States government securities, the discount rate for bank borrowings and reserve requirements for liquid assets. A material change in any of these conditions would have a material impact on the Bank, and therefore, on the Company's results of operations.

In addition, the Company expects to continue to face increased regulation and supervision of the Bank's industry as a result of the financial crisis in the banking and financial markets, and there will be additional requirements and conditions imposed to the extent that it participates in any of the programs established or to be established by the U.S. Department of the Treasury ("Treasury") or by the federal bank regulatory agencies. Such additional regulation and supervision may increase costs and limit the Company's ability to pursue business opportunities.

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Competition from other financial institutions in originating loans and attracting deposits may adversely affect profitability.

The Bank operates in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes, and continued consolidation.

The Bank's retail banking and a significant portion of its lending business are concentrated in the NYC metropolitan area. The NYC banking environment is extremely competitive. The Bank's competition for loans exists principally from savings banks, commercial banks, mortgage banks and insurance companies. The Bank has faced sustained competition for the origination of multifamily residential and commercial real estate loans. Management anticipates that the current level of competition for multifamily residential and commercial real estate loans will continue for the foreseeable future, and this competition may inhibit the Bank's ability to maintain its current level and pricing of such loans.

Clients could pursue alternatives to the Bank's deposits, causing the Bank to lose a historically less expensive source of funding. The Bank gathers deposits in direct competition with commercial banks, savings banks and brokerage firms, many among the largest in the nation. In addition, it must also compete for deposit monies against the stock markets, mutual funds, and other securities. Over the previous decade, consolidation in the financial services industry, coupled with the emergence of Internet banking, has altered the deposit gathering landscape and may increase competitive pressures on the Bank.

The Bank may not be able to meet the cash flow requirements of its depositors and borrowers or meet its operating cash needs.

Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. The liquidity of the Bank is used to make loans and repay deposit liabilities as they become due or are demanded by customers. Liquidity policies and limits are established by the board of directors. The Holding Company's overall liquidity position and the liquidity position of the Bank are regularly monitored to ensure that various alternative strategies exist to cover unanticipated events that could affect liquidity. Funding sources include deposits, repayments of loans and MBS, investment security maturities and redemptions, and advances from the FHLBNY. The Bank maintains a portfolio of securities that can be used as a secondary source of liquidity. The Bank also can borrow through the Federal Reserve Bank's discount window. If the Bank was unable to access any of these funding sources when needed, it might be unable to meet customers' needs, which could adversely impact the Company's financial condition, results of operations, cash flows, and level of regulatory capital.

The soundness of other financial institutions could adversely affect the Company.

The Company's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. The Company has exposure to many different industries and counterparties. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by the Company or by other institutions. There is no assurance that any such losses would not materially and adversely affect the Company's results of operations.

Negative public opinion could damage the Company's reputation and adversely impact its business and revenues.

As a financial institution, the Bank's earnings and capital are subject to risks associated with negative public opinion. Negative public opinion could result from the Company's actual or alleged conduct in any number of activities, including lending practices, the failure of any product or service sold by the Bank to meet customers' expectations or applicable regulatory requirements, corporate governance and acquisitions, or from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect the Company's ability to attract and/or retain clients and can expose the Company to litigation and regulatory action. Actual or alleged conduct by one of the Company's businesses can result in negative public opinion about its other businesses. Negative public opinion could also affect the Company's credit ratings, which are important to its access to unsecured wholesale borrowings. Significant changes in these ratings could change the cost and availability of these sources of funding.

The recent adoption of regulatory reform legislation has created uncertainty and may have a material effect on the Company's operations and capital requirements.

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The Reform Act creates minimum standards for the origination of mortgage loans. The CFPB recently adopted rules imposing extensive regulations governing an institution's obligation to evaluate a borrower's ability to repay a mortgage loan. The rule applies to all consumer mortgages (except home equity lines of credit, timeshare plans, reverse mortgages or temporary loans). The rule also prohibits prepayment fees on certain types of mortgage loans.

Congress and various federal regulators also may significantly impact the financial services industry and the Company's business. Complying with any new legislative or regulatory requirements could have an adverse impact on the Company's consolidated results of operations, its ability to fill positions with the most qualified candidates available, and the Holding Company's ability to maintain its dividend.

Furthermore, the Federal Government may take action to transform the role of government in the U.S. housing market, such as reducing the size and scope of FNMA and FHLMC, or diminishing other government support to such markets. Congressional leaders have voiced similar plans for future legislation. It is too early to determine the nature and scope of any legislation that may develop along these lines, or the roles FNMA and FHLMC or the private sector will play in future housing markets. However, it is possible that legislation will be proposed over the near term that would considerably limit the nature of GSE guarantees relative to historical measurements, which could have broad adverse implications for the market and significant implications for the Company's business.

The Bank has recently become subject to more stringent capital requirements.

Effective January 1, 2015, the federal banking agencies have adopted the Basel III Capital Rules, which apply to both the Bank and Holding Company. These rules are subject to phase-in periods until January 1, 2019 for certain of their components. The Basel III Capital Rules will result in significantly higher capital requirements and more restrictive leverage and liquidity ratios for the Bank than those previously in effect. The Basel III Capital Rules will also apply to the Holding Company, which, as a savings and loan holding company, was not previously subject to consolidated risk-based capital requirements.

While the Bank expects to satisfy the requirements of the Basel III Capital Rules, inclusive of the capital conservation buffer, as phased in by the FRB, it may fail to do so. In addition, these requirements could have a negative impact on the Bank's ability to lend, grow deposit balances, make acquisitions and make capital distributions in the form of increased dividends or share repurchases. Higher capital levels could also lower the Company's consolidated return on equity.

The Company's accounting estimates and risk management processes rely on analytical and forecasting models.

The processes the Company uses to estimate its probable loan losses and to measure the fair value of some financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on the Company's financial condition and results of operations, depends upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models the Company uses for interest rate risk and asset-liability management are inadequate, the Company may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models the Company uses for determining its probable loan losses are inadequate, the allowance for loan losses may not be sufficient to support future charge-offs. If the model the Company uses to measure the fair value financial instruments is inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what the Company could realize upon sale or settlement of such financial instruments. Any such failure in the Company's analytical or forecasting models could have a material adverse effect on the Company's business, financial condition and results of operations.

The value of the Company's goodwill and other intangible assets may decline in the future.

As of December 31, 2015, the Company had $55.6 million of goodwill and other intangible assets. A significant decline in the Company's expected future cash flows, a significant adverse change in the business climate, slower growth rates or a significant and sustained decline in the price of the Holding Company's common stock may necessitate taking charges in the future related to the impairment of the Company's goodwill and other intangible assets. If the Company were to conclude that a future write-down of goodwill and other intangible assets

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is necessary, the Company would record the appropriate charge, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's controls and procedures may fail or be circumvented.

The Company's internal controls, disclosure controls and procedures, and corporate governance policies and procedures are based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are satisfied. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's risk management practices may not be effective in mitigating the risks to which it is subject or in reducing the potential for losses in connection with such risks.

As a financial institution, the Company is subject to a number of risks, including credit, interest rate, liquidity, market, operational, legal/compliance, reputational, and strategic. The Company's risk management framework is designed to minimize the risks to which it is subject, as well as any losses resulting from such risks. Although the Company seeks to identify, measure, monitor, report, and control the Company's exposure to such risks, and employ a broad and diversified set of risk monitoring and mitigation techniques in the process, those techniques are inherently limited because they cannot anticipate the existence or development of risks that are currently unknown and unanticipated.

For example, recent economic conditions, heightened legislative and regulatory scrutiny of the financial services industry, and increases in the overall complexity of the Company's operations, among other developments, have resulted in the creation of a variety of risks that were previously unknown and unanticipated, highlighting the intrinsic limitations of the Company's risk monitoring and mitigation techniques. As a result, the further development of previously unknown or unanticipated risks may result in the Company incurring losses in the future that could adversely impact its financial condition and results of operations.

The Company's operations rely on certain external vendors.

The Company relies on certain external vendors to provide products and services necessary to maintain its day-to-day operations. Accordingly, the Company's operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements. The failure of an external vendor to perform in accordance with the contracted arrangements because of changes in the vendor's organizational structure, financial condition, support for existing products and services, or strategic focus, or for any other reason, could be disruptive to the Company's operations, which could have a material adverse impact on the Company's business and, in turn, the Company's financial condition and results of operations.

The Company is subject to environmental liability risk associated with lending activities.

A significant portion of the Company's loan portfolio is secured by real property. During the ordinary course of business, the Company may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Company may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Company to incur substantial expenses and may materially reduce the affected property's value or limit the Company's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Company's exposure to environmental liability. Environmental reviews of real property before initiating foreclosure may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on the Company's business, financial condition and results of operations.

Severe weather, natural disasters, acts of war or terrorism and other external events could significantly impact the Company's business.

Severe weather, natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on the Company's ability to conduct business. In addition, such events could affect the stability of the Company's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Company to incur additional expenses. The occurrence of any such event in the future could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

Credit risk stemming from held-for-investment lending activities may adversely impact on the Company's consolidated net income.

The loans originated by the Bank for investment are primarily multi-family residential loans and, to a lesser extent, commercial real estate loans. Such loans are generally larger, and have higher risk-adjusted returns and shorter maturities, than one-to four-family mortgage loans. Credit risk would ordinarily be expected to increase with the growth of these loan portfolios.

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

Although the Bank's losses have been comparatively limited, despite the economic weakness in its market, it cannot guarantee that this record will be maintained in future periods. The ability of the Bank's borrowers to repay their loans could be adversely impacted by a further decline in real estate values and/or an increase in unemployment, which not only could result in an increase in charge-offs and/or the provision for loan losses. Either of these events would have an adverse impact on the Company's consolidated net income.

Security measures may not be sufficient to mitigate the risk of a cyber attack.

Communications and information systems are essential to the conduct of the Company's business, as it uses such systems to manage its customer relationships, general ledger, deposits, and loans. The Company's operations rely on the secure processing, storage, and transmission of confidential and other information in its computer systems and networks. Although the Company takes protective measures and endeavors to modify them as circumstances warrant, the security of its computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber attacks that could have a security impact.

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

Furthermore, the Company may be required to expend significant additional resources to modify its protective measures or investigate and remediate vulnerabilities or other exposures arising from operational and security risks. Also, the Company may be subject to wholly or partially uninsured litigation and financial losses.

In addition, the Company routinely transmits and receives personal, confidential, and proprietary information by e-mail and other electronic means. The Company has discussed and worked with its appropriate customers and counterparties to develop secure transmission capabilities, however, it does not have, and may be unable to install, secure capabilities with all of these constituents, and may be unable to ensure that these third parties have appropriate controls in place to protect the confidentiality of such information. Any interception, misuse, or mishandling of personal, confidential, or proprietary information transmitted to or received from a customer or counterparty could result in legal liability, regulatory action, and reputational harm, and could have a significant adverse effect on the Company's competitive position, financial condition, and results of operations.

Security measures may not protect the Company from systems failures or interruptions

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Communications and information systems are essential to the conduct of the Company's business, as it uses such systems to manage its customer relationships, general ledger, deposits, and loans. The Company's operations rely on the secure processing, storage, and transmission of confidential and other information in its computer systems and networks. The security of its computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber attacks that could have a security impact.

A failure in or breach of security may occur through intentional or unintentional acts by those having authorized or unauthorized access to the Company's confidential or other information or the confidential or other information of its customers, clients, or counterparties. If one or more of such events were to occur, the confidential and other information processed and stored in, and transmitted through, the Company's computer systems and networks could potentially be jeopardized, or the operations of the Company or its customers, clients, or counterparties could otherwise experience interruptions or malfunctions. If this confidential or proprietary information were to be mishandled, misused or lost, the Company could additionally be exposed to significant regulatory consequences, reputational damage, civil litigation and financial loss.

Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks and mobile phishing. Mobile phishing, a means for identity thieves to obtain sensitive personal information through fraudulent e-mail, text or voice mail, is an emerging threat targeting the customers of popular financial entities.

Furthermore, the Company may be required to expend significant additional resources to modify its protective measures or investigate and remediate vulnerabilities or other exposures arising from operational and security risks. Also, the Company may be subject to wholly or partially uninsured litigation and financial losses.

In addition, the Company routinely transmits and receives personal, confidential, and proprietary information by e-mail and other electronic means. The Company has discussed and worked with its appropriate customers and counterparties to develop secure transmission capabilities, however, it does not have, and may be unable to install, secure capabilities with all of these constituents, and may be unable to ensure that these third parties have appropriate controls in place to protect the confidentiality of such information. Any interception, misuse, or mishandling of personal, confidential, or proprietary information transmitted to or received from a customer or counterparty could result in legal liability, regulatory action, and reputational harm, and could have a significant adverse effect on the Company's competitive position, financial condition, and results of operations.

The Company also outsources certain aspects of its data processing to select third-party providers. If these third-party providers encounter difficulties, or problems arise in communicating with them, the Company's ability to adequately process and account for customer transactions could be affected, and its business operations could be adversely impacted.

Although both the Company and all significant third party providers utilized to process, store and transmit confidential and other information employ a variety of physical, procedural and technological safeguards to protect this confidential and proprietary information from mishandling, these safeguards do not provide absolute assurance that mishandling, misuse or loss of the information will not occur, and that if mishandling, misuse or loss of the information did occur, those events will be promptly detected and addressed.

The trading volume in the Holding Company's common stock is less than that of other larger financial services companies.

Although the Holding Company's common stock is listed for trading on the Nasdaq National Exchange, the trading volume in its common stock is less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of the Holding Company's common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Holding Company has no control. Given the lower trading volume of the Holding Company's common stock, significant sales of the Holding Company's common stock, or the expectation of these sales, could, from time to time, cause the Holding Company's stock price to exhibit weakness unrelated to financial performance.

The Holding Company may reduce or eliminate dividends on its common stock in the future.

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Holders of the Holding Company's common stock are entitled to receive only such dividends as its Board of Directors may declare out of funds legally available for such payments. Although the Holding Company has historically declared cash dividends on its common stock, it is not required to do so and may reduce or eliminate its common stock dividend in the future. This could adversely affect the market price of the Holding Company's common stock. In addition, the Holding Company is a savings and loan holding company, and its ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve Board regarding capital adequacy and dividends.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The headquarters of both the Holding Company and the Bank are located at 209 Havemeyer Street, Brooklyn, New York 11211. The headquarters building is fully owned by the Bank. The Bank conducts its business through twenty-five full-service retail banking offices located throughout Brooklyn, Queens, the Bronx and Nassau County, New York.

Item 3. Legal Proceedings

In the ordinary course of business, the Company is routinely named as a defendant in or party to various pending or threatened legal actions or proceedings. Certain of these matters may seek substantial monetary damages. In the opinion of management, the Company is involved in no actions or proceedings that will have a material adverse impact on its consolidated financial condition and results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

The Holding Company's common stock is traded on the Nasdaq National Market and quoted under the symbol "DCOM." Prior to June 15, 1998, the Holding Company's common stock was quoted under the symbol "DIME."

The following table indicates the high and low sales price for the Holding Company's common stock, and dividends declared, during the periods indicated. The Holding Company's common stock began trading on June 26, 1996, the date of the initial public offering.

	Twelve Months Ended December 31, 2015			Twelve Months Ended December 31, 2014		
Quarter Ended	Dividends Declared	High Sales Price	Low Sales Price	Dividends Declared	High Sales Price	Low Sales Price
March 31st	$0.14	$16.49	$14.73	$0.14	$18.23	$15.43

June 30th	0.14	17.66	15.46	0.14	17.53	14.77
September 30th	0.14	18.00	16.04	0.14	16.22	14.23
December 31st	0.14	18.45	16.20	0.14	16.63	14.02

On December 31, 2015, the final trading date in the fiscal year, the Holding Company's common stock closed at $17.49.

Management estimates that the Holding Company had approximately 7,500 stockholders of record as of March 1, 2016, including persons or entities holding stock in nominee or street name through various brokers and banks. There were 37,371,992 shares of Holding Company common stock outstanding at December 31, 2015.

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During the year ended December 31, 2015, the Holding Company paid cash dividends totaling $20.3 million, representing $0.56 per outstanding common share. During the year ended December 31, 2014, the Holding Company paid cash dividends totaling $20.1 million, representing $0.56 per outstanding common share.

On January 27, 2016, the Board of Directors declared a cash dividend of $0.14 per common share to all stockholders of record as of February 8, 2016. This dividend was paid on February 15, 2016.

The Holding Company is subject to the requirements of Delaware law, which generally limits dividends to an amount equal to the excess of net assets (i.e., the amount by which total assets exceed total liabilities) over statutory capital, or if no such excess exists, to net profits for the current and/or immediately preceding fiscal year.

As the principal asset of the Holding Company, the Bank is often called upon to provide funds for the Holding Company's payment of dividends (See "Item 1 – Business - Regulation – Regulation of New York State Chartered Savings Banks – Limitation on Capital Distributions").

In March 2004, the Holding Company issued $72.2 million in trust preferred debt, with a stated annual coupon rate of 7.0%. The Holding Company re-acquired and retired $1.5 million of this outstanding debt during 2009. Pursuant to the provisions of the debt, the Holding Company is required to first satisfy the interest obligation on the debt, which currently approximates $4.9 million annually, prior to the authorization and payment of common stock cash dividends. Management of the Holding Company does not presently believe that this requirement will materially affect its ability to pay dividends to its common stockholders.

The Holding Company did not purchase any shares of its common stock into treasury during the three months ended December 31, 2015.

A summary of the shares repurchased by month is as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Number of Shares that May Yet be Purchased Under the Programs (1)
October 2015	-	-	-	1,104,549
November 2015	-	-	-	1,104,549
December 2015	-	-	-	1,104,549

(1) No existing repurchase programs expired during the three months ended December 31, 2015, nor did the Company terminate any repurchase programs prior to expiration during the quarter. The 1,104,549 shares that remained eligible for repurchase at December 31, 2015 were available under the Holding Company's twelfth stock repurchase program, which was publicly announced in June 2007. The twelfth stock repurchase program authorized the purchase of up to 1,787,665 shares of the Holding Company's common stock, and has no expiration.

Performance Graph

Pursuant to regulations of the SEC, the graph below compares the Holding Company's stock performance with that of the total return for the U.S. Nasdaq Stock Market and an index of all thrift stocks as reported by SNL Securities L.C. from January 1, 2011 through December 31, 2015. The graph assumes the reinvestment of dividends in additional shares of the same class of equity securities as those listed below.

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Index	Period Ending December 31, 2010	2011	2012	2013	2014	2015
Dime Community Bancshares, Inc.	100.00	89.94	103.20	130.44	130.09	144.63
NASDAQ Composite	100.00	99.21	116.82	163.75	188.03	201.40
SNL Thrift	100.00	84.12	102.32	131.30	141.22	158.80

Item 6. Selected Financial Data

Financial Highlights
(Dollars in Thousands, except per share data)
The consolidated financial and other data of the Company as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 set forth below is derived in part from, and should be read in conjunction with, the Company's audited Consolidated Financial Statements and Notes thereto. Certain amounts as of and for the years ended December 31, 2014, 2013, 2012 and 2011 have been reclassified to conform to the December 31, 2015 presentation. These reclassifications were not material.

	At or for the Year Ended December 31, 2015	2014	2013	2012	2011
Selected Financial Condition Data:					
Total assets	$5,032,872	$4,497,107	$4,028,190	$3,905,399	$4,021,180
Loans and loans held for sale (net of deferred costs or fees and the allowance for loan losses)	4,678,262	4,100,747	3,679,366	3,485,818	3,443,633
MBS	431	26,409	31,543	49,021	93,877
Investment securities (including FHLBNY capital stock)	77,912	76,139	78,863	88,762	232,642
Federal funds sold and other short-term investments	-	250	-	-	951
Goodwill	55,638	55,638	55,638	55,638	55,638
Deposits	3,184,310	2,659,792	2,507,146	2,479,429	2,343,701
Borrowings	1,237,405	1,244,405	980,680	913,180	1,205,455
Stockholders' equity	493,947	459,725	435,506	391,574	361,034
Selected Operating Data:					
Interest income	$174,791	$172,952	$175,456	$195,954	$209,216
Interest expense	46,227	48,416	46,969	86,112	69,714
Net interest income	128,564	124,536	128,487	109,842	139,502
Provision (credit) for loan losses	(1,330)	(1,872)	369	3,921	6,846
Net interest income after provision (credit) for loan losses	129,894	126,408	128,118	105,921	132,656
Non-interest income	8,616	9,038	7,463	23,849	7,929
Non-interest expense	62,493	61,076	62,692	62,572	61,688
Income before income tax	76,017	74,370	72,889	67,198	