

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2022

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

For the transition period from _____ to
Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

102 Duffy Avenue, Hicksville, New York 11801
(Address of principal executive offices)

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|----------------------|--|
| Common Stock, \$0.01 par value per share | NYCB | New York Stock Exchange |
| Bifurcated Option Note Unit SecuritiES SM | NYCB PU | New York Stock Exchange |
| Depository Shares each representing a 1/40 th interest in a share of Fixed-to-Floating Rate Series A Noncumulative Perpetual Preferred Stock, \$0.01 par value | NYCB PA | New York Stock Exchange |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-Accelerated filer | <input type="checkbox"/> | Smaller Reporting Company | <input type="checkbox"/> |
| | | Emerging Growth Company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

466,135,820

Number of shares of common stock outstanding at November 1, 2022

NEW YORK COMMUNITY BANCORP, INC.

FORM 10-Q

Quarter Ended September 30, 2022

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GLOSSARY

BASIS POINT

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

BOOK VALUE PER COMMON SHARE

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

BROKERED DEPOSITS

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

CHARGE-OFF

Refers to the amount of a loan balance that has been written off against the allowance for credit losses on loans and leases.

COMMERCIAL REAL ESTATE LOAN

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

COST OF FUNDS

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

CRE CONCENTRATION RATIO

Refers to the sum of multi-family, non-owner occupied CRE, and acquisition, development, and construction ("ADC") loans divided by total risk-based capital.

DEBT SERVICE COVERAGE RATIO

An indication of a borrower's ability to repay a loan, the DSCR generally measures the cash flows available to a borrower over the course of a year as a percentage of the annual interest and principal payments owed during that time.

DERIVATIVE

A term used to define a broad base of financial instruments, including swaps, options, and futures contracts, whose value is based upon, or derived from, an underlying rate, price, or index (such as interest rates, foreign currency, commodities, or prices of other financial instruments such as stocks or bonds).

EFFICIENCY RATIO

Measures total operating expenses as a percentage of the sum of net interest income and non-interest income.

GOODWILL

Refers to the difference between the purchase price and the fair value of an acquired company's assets, net of the liabilities assumed. Goodwill is reflected as an asset on the balance sheet and is tested at least annually for impairment.

GOVERNMENT-SPONSORED ENTERPRISES

Refers to a group of financial services corporations that were created by the United States Congress to enhance the availability, and reduce the cost of, credit to certain targeted borrowing sectors, including home finance. The GSEs include, but are not limited to, the Federal National Mortgage Association (“Fannie Mae”), the Federal Home Loan Mortgage Corporation (“Freddie Mac”), and the Federal Home Loan Banks (the “FHLBs”).

GSE OBLIGATIONS

Refers to GSE mortgage-related securities (both certificates and collateralized mortgage obligations) and GSE debentures.

INTEREST RATE SENSITIVITY

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

INTEREST RATE SPREAD

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

LOAN-TO-VALUE RATIO

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

MULTI-FAMILY LOAN

A mortgage loan secured by a rental or cooperative apartment building with more than four units.

NET INTEREST INCOME

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

NET INTEREST MARGIN

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

NON-ACCRUAL LOAN

A loan generally is classified as a “non-accrual” loan when it is 90 days or more past due or when it is deemed to be impaired because we no longer expect to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. A loan generally is returned to accrual status when the loan is current and we have reasonable assurance that the loan will be fully collectible.

NON-PERFORMING LOANS AND ASSETS

Non-performing loans consist of non-accrual loans and loans that are 90 days or more past due and still accruing interest. Non-performing assets consist of non-performing loans, OREO and other repossessed assets.

OREO AND OTHER REPOSSESSED ASSETS

Includes real estate owned by the Company which was acquired either through foreclosure or default. Repossessed assets are similar, except they are not real estate-related assets.

RENT-REGULATED APARTMENTS

In New York City, where the vast majority of the properties securing our multi-family loans are located, the amount of rent that tenants may be charged on the apartments in certain buildings is restricted under rent-stabilization laws. Rent-stabilized apartments are generally located in buildings with six or more units that were built between February 1947 and January 1974. Rent-regulated

apartments tend to be more affordable to live in because of the applicable regulations, and buildings with a preponderance of such rent-regulated apartments are therefore less likely to experience vacancies in times of economic adversity.

TROUBLED DEBT RESTRUCTURING

A loan for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties.

WHOLESALE BORROWINGS

Refers to advances drawn by the Bank against its line(s) of credit with the FHLBs, their repurchase agreements with the FHLBs and various brokerage firms, and federal funds purchased.

YIELD

The interest income associated with interest-earning assets, typically expressed as a ratio of interest income to the average balance of interest-earning assets for a given period.

LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|--|
| ACL—Allowance for Credit Losses | FDIC—Federal Deposit Insurance Corporation |
| ADC—Acquisition, development, and construction loan | FHLB—Federal Home Loan Bank |
| ALCO—Asset and Liability Management Committee | FHLB-NY—Federal Home Loan Bank of New York |
| AMT—Alternative minimum tax | FOMC—Federal Open Market Committee |
| AOCL—Accumulated other comprehensive loss | FRB—Federal Reserve Board |
| ASC—Accounting Standards Codification | FRB-NY—Federal Reserve Bank of New York |
| ASU—Accounting Standards Update | Freddie Mac—Federal Home Loan Mortgage Corporation |
| BaaS—Banking as a Service | FTEs—Full-time equivalent employees |
| BOLI—Bank-owned life insurance | GAAP—U.S. generally accepted accounting principles |
| BP—Basis point(s) | GLBA—The Gramm Leach Bliley Act |
| CARES Act—Coronavirus Aid, Relief, and Economic Security Act | GNMA—Government National Mortgage Association |
| C&I—Commercial and industrial loan | GSE—Government-sponsored enterprises |
| CDs—Certificates of deposit | LIBOR—London Interbank Offered Rate |
| CECL—Current Expected Credit Loss | LTV—Loan-to-value ratio |
| CFPB—Consumer Financial Protection Bureau | MBS—Mortgage-backed securities |
| CMOs—Collateralized mortgage obligations | MSRs—Mortgage servicing rights |
| CMT—Constant maturity treasury rate | NIM—Net interest margin |
| CPI—Consumer Price Index | NOL—Net operating loss |
| CPR—Constant prepayment rate | NPAs—Non-performing assets |
| CRA—Community Reinvestment Act | NPLs—Non-performing loans |
| CRE—Commercial real estate loan | NPV—Net Portfolio Value |
| DIF—Deposit Insurance Fund | NYSDFS—New York State Department of Financial Services |
| DFA—Dodd-Frank Wall Street Reform and Consumer Protection Act | NYSE—New York Stock Exchange |
| DSCR—Debt service coverage ratio | OCC—Office of the Comptroller of the Currency |
| EAR—Earnings at Risk | OFAC—Office of Foreign Assets Control |
| EPS—Earnings per common share | OREO—Other real estate owned |
| ERM—Enterprise Risk Management | OTTI—Other-than-temporary impairment |
| ESOP—Employee Stock Ownership Plan | PPP—Paycheck Protection Program |
| EVE—Economic Value of Equity at Risk | ROU—Right of use asset |
| Fannie Mae—Federal National Mortgage Association | SEC—U.S. Securities and Exchange Commission |
| FASB—Financial Accounting Standards Board | SIFI—Systemically Important Financial Institution |
| FCA—the United Kingdom's Financial Conduct Authority | SOFR—Secured Overnight Financing Rate |
| FDI Act—Federal Deposit Insurance Act | TDR—Troubled debt restructurings |

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | September 30, 2022 | December 31, 2021 |
|---|-----------------------|----------------------|
| | (unaudited) | |
| <i>(in millions, except share data)</i> | | |
| ASSETS: | | |
| Cash, cash equivalents and due from banks | \$ 1,700 | \$ 2,211 |
| Securities: | | |
| Debt securities available-for-sale (\$561 and \$1,168 pledged at September 30, 2022 and December 31, 2021, respectively) | 6,689 | 5,780 |
| Equity investments with readily determinable fair values, at fair value | 14 | 16 |
| Total securities | 6,703 | 5,796 |
| Loans and leases held for investment, net of deferred loan fees and costs | 48,984 | 45,738 |
| Less: Allowance for credit losses on loans and leases | (218) | (199) |
| Total loans and leases, net | 48,766 | 45,539 |
| Federal Home Loan Bank stock, at cost | 630 | 734 |
| Premises and equipment, net | 250 | 270 |
| Operating lease right-of-use assets | 227 | 249 |
| Goodwill | 2,426 | 2,426 |
| Bank-owned life insurance | 1,200 | 1,184 |
| Other assets | 1,054 | 1,118 |
| Total assets | \$ 62,956 | \$ 59,527 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| Deposits: | | |
| Interest-bearing checking and money market accounts | \$ 19,897 | \$ 13,209 |
| Savings accounts | 8,860 | 8,892 |
| Certificates of deposit | 9,109 | 8,424 |
| Non-interest-bearing accounts | 3,839 | 4,534 |
| Total deposits | 41,705 | 35,059 |
| Borrowed funds: | | |
| Wholesale borrowings: | | |
| Federal Home Loan Bank advances | 12,840 | 15,105 |
| Repurchase agreements | 300 | 800 |
| Total wholesale borrowings | 13,140 | 15,905 |
| Junior subordinated debentures | 361 | 361 |
| Subordinated notes | 297 | 296 |
| Total borrowed funds | 13,798 | 16,562 |
| Operating lease liabilities | 227 | 249 |
| Other liabilities | 480 | 613 |
| Total liabilities | 56,210 | 52,483 |
| Stockholders' equity: | | |
| Preferred stock at par \$0.01 (5,000,000 shares authorized): Series A (515,000 shares issued and outstanding) | 503 | 503 |
| Common stock at par \$0.01 (900,000,000 shares authorized; 490,439,070 and 490,439,070 shares issued; and 466,136,056 and 465,015,643 shares outstanding, respectively) | 5 | 5 |
| Paid-in capital in excess of par | 6,121 | 6,126 |
| Retained earnings | 957 | 741 |
| Treasury stock, at cost (24,303,014 and 25,423,427 shares, respectively) | (238) | (246) |
| Accumulated other comprehensive loss, net of tax: | | |
| Net unrealized loss on securities available for sale, net of tax of \$234 and \$17, respectively | (612) | (45) |
| Net unrealized loss on pension and post-retirement obligations, net of tax of \$12 and \$12 respectively | (30) | (31) |
| Net unrealized gain (loss) on cash flow hedges, net of tax of \$(16) and \$3, respectively | 40 | (9) |
| Total accumulated other comprehensive loss, net of tax | (602) | (85) |
| Total stockholders' equity | 6,746 | 7,044 |
| Total liabilities and stockholders' equity | \$ 62,956 | \$ 59,527 |

See accompanying notes to the consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(unaudited)

| <i>(in millions, except per share data)</i> | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|--|----------------|---|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| INTEREST INCOME: | | | | |
| Loans and leases | \$ 442 | \$ 376 | \$ 1,259 | \$ 1,145 |
| Securities and money market investments | 67 | 39 | 152 | 124 |
| Total interest income | <u>509</u> | <u>415</u> | <u>1,411</u> | <u>1,269</u> |
| INTEREST EXPENSE: | | | | |
| Interest-bearing checking and money market accounts | 72 | 8 | 104 | 24 |
| Savings accounts | 15 | 7 | 33 | 20 |
| Certificates of deposit | 23 | 11 | 46 | 43 |
| Borrowed funds | 73 | 71 | 211 | 215 |
| Total interest expense | <u>183</u> | <u>97</u> | <u>394</u> | <u>302</u> |
| Net interest income | 326 | 318 | 1,017 | 967 |
| Provision for credit losses | 2 | (1) | 9 | (1) |
| Net interest income after provision for credit loan losses | <u>324</u> | <u>319</u> | <u>1,008</u> | <u>968</u> |
| NON-INTEREST INCOME: | | | | |
| Fee income | 5 | 6 | 17 | 17 |
| Bank-owned life insurance | 10 | 7 | 24 | 22 |
| Net loss on securities | (1) | — | (2) | — |
| Other | 3 | 2 | 10 | 6 |
| Total non-interest income | <u>17</u> | <u>15</u> | <u>49</u> | <u>45</u> |
| NON-INTEREST EXPENSE: | | | | |
| Operating expenses: | | | | |
| Compensation and benefits | 79 | 77 | 238 | 229 |
| Occupancy and equipment | 22 | 22 | 67 | 65 |
| General and administrative | 31 | 30 | 95 | 96 |
| Total operating expense | <u>132</u> | <u>129</u> | <u>400</u> | <u>390</u> |
| Merger-related expenses | 4 | 6 | 15 | 16 |
| Total non-interest expense | <u>136</u> | <u>135</u> | <u>415</u> | <u>406</u> |
| Income before income taxes | 205 | 199 | 642 | 607 |
| Income tax expense | 53 | 50 | 164 | 161 |
| Net income | \$ 152 | \$ 149 | \$ 478 | \$ 446 |
| Preferred stock dividends | 8 | 9 | 25 | 25 |
| Net income available to common stockholders | \$ 144 | \$ 140 | \$ 453 | \$ 421 |
| Basic earnings per common share | \$ 0.31 | \$ 0.30 | \$ 0.96 | \$ 0.90 |
| Diluted earnings per common share | <u>\$ 0.30</u> | <u>\$ 0.30</u> | <u>\$ 0.96</u> | <u>\$ 0.90</u> |
| Net income | \$ 152 | \$ 149 | \$ 478 | \$ 446 |
| Other comprehensive loss, net of tax: | | | | |
| Change in net unrealized gain (loss) on securities available-for-sale, net of tax of \$67; \$9; \$217 and \$34, respectively | (176) | (23) | (567) | (89) |
| Change in pension and post-retirement obligations, net of tax of \$0; \$0; \$0 and \$(1), respectively | — | 1 | (1) | 3 |
| Change in net unrealized (loss) gain on cash flow hedges, net of tax of \$(11); \$0; \$(18) and \$0, respectively | 28 | (2) | 46 | 1 |
| Less: Reclassification adjustment for sales of available-for-sale securities, net of tax of \$0; \$0; \$0 and \$0, respectively | — | — | — | — |
| Reclassification adjustment for defined benefit pension plan, net of tax of \$0; \$0; \$0 and \$(1), respectively | 1 | 1 | 2 | 4 |
| Reclassification adjustment for net gain on cash flow hedges included in net income, net of tax \$1; \$(2); \$(1) and \$(4), respectively | (2) | 6 | 3 | 14 |
| Total other comprehensive loss, net of tax | <u>(149)</u> | <u>(17)</u> | <u>(517)</u> | <u>(67)</u> |
| Total comprehensive income (loss), net of tax | <u>\$ 3</u> | <u>\$ 132</u> | <u>\$ (39)</u> | <u>\$ 379</u> |

See accompanying notes to the consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

| <i>(in millions, except share data)</i> | Shares Outstanding | Preferred Stock (Par Value: \$0.01) | Common Stock (Par Value: \$0.01) | Paid-in Capital in excess of Par | Retained Earnings | Treasury Stock, at Cost | Accumulated Other Comprehensiv e Loss, Net of Tax | Total Stockholders' Equity |
|---|-----------------------|---|--|---|----------------------|-------------------------------|--|----------------------------------|
| Three Months Ended September 30, 2022 | | | | | | | | |
| Balance at June 30, 2022 | 466,243,078 | \$ 503 | \$ 5 | \$ 6,114 | \$ 893 | \$ (238) | \$ (453) | \$ 6,824 |
| Shares issued for restricted stock, net of forfeitures | — | — | — | — | — | — | — | — |
| Compensation expense related to restricted stock awards | — | — | — | 7 | — | — | — | 7 |
| Net income | — | — | — | — | 152 | — | — | 152 |
| Dividends paid on common stock (\$0.17) | — | — | — | — | (80) | — | — | (80) |
| Dividends paid on preferred stock (\$15.94) | — | — | — | — | (8) | — | — | (8) |
| Purchase of common stock | (107,022) | — | — | — | — | — | — | — |
| Other comprehensive income, net of tax | — | — | — | — | — | — | (149) | (149) |
| Balance at September 30, 2022 | <u>466,136,056</u> | <u>\$ 503</u> | <u>\$ 5</u> | <u>\$ 6,121</u> | <u>\$ 957</u> | <u>\$ (238)</u> | <u>\$ (602)</u> | <u>\$ 6,746</u> |
| Three Months Ended September 30, 2021 | | | | | | | | |
| Balance at June 30, 2021 | 465,056,962 | \$ 503 | \$ 5 | \$ 6,111 | \$ 617 | \$ (245) | \$ (75) | \$ 6,916 |
| Shares issued for restricted stock, net of forfeitures | — | — | — | — | — | — | — | — |
| Compensation expense related to restricted stock awards | — | — | — | 8 | — | — | — | 8 |
| Net income | — | — | — | — | 149 | — | — | 149 |
| Dividends paid on common stock (\$0.17) | — | — | — | — | (79) | — | — | (79) |
| Dividends paid on preferred stock (\$15.94) | — | — | — | — | (9) | — | — | (9) |
| Purchase of common stock | (36,163) | — | — | — | — | (1) | — | (1) |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (17) | (17) |
| Balance at September 30, 2021 | <u>465,020,799</u> | <u>\$ 503</u> | <u>\$ 5</u> | <u>\$ 6,119</u> | <u>\$ 678</u> | <u>\$ (246)</u> | <u>\$ (92)</u> | <u>\$ 6,967</u> |

See accompanying notes to the consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

| <i>(in millions, except share data)</i> | Shares Outstanding | Preferred Stock (Par Value: \$0.01) | Common Stock (Par Value: \$0.01) | Paid-in Capital in excess of Par | Retained Earnings | Treasury Stock, at Cost | Accumulated Other Comprehensiv e Loss, Net of Tax | Total Stockholders' Equity |
|---|-----------------------|---|--|---|----------------------|-------------------------------|--|----------------------------------|
| Nine Months Ended September 30, 2022 | | | | | | | | |
| Balance at December 31, 2021 | 465,015,643 | \$ 503 | \$ 5 | \$ 6,126 | \$ 741 | \$ (246) | \$ (85) | \$ 7,044 |
| Shares issued for restricted stock, net of forfeitures | 2,939,365 | — | — | (27) | — | 27 | — | — |
| Compensation expense related to restricted stock awards | — | — | — | 22 | — | — | — | 22 |
| Net income | — | — | — | — | 478 | — | — | 478 |
| Dividends paid on common stock (\$0.51) | — | — | — | — | (237) | — | — | (237) |
| Dividends paid on preferred stock (\$47.82) | — | — | — | — | (25) | — | — | (25) |
| Purchase of common stock | (1,818,952) | — | — | — | — | (19) | — | (19) |
| Other comprehensive income, net of tax | — | — | — | — | — | — | (517) | (517) |
| Balance at September 30, 2022 | <u>466,136,056</u> | <u>\$ 503</u> | <u>\$ 5</u> | <u>\$ 6,121</u> | <u>\$ 957</u> | <u>\$ (238)</u> | <u>\$ (602)</u> | <u>\$ 6,746</u> |
| Nine Months Ended September 30, 2021 | | | | | | | | |
| Balance at December 31, 2020 | 463,901,808 | \$ 503 | \$ 5 | \$ 6,123 | \$ 494 | \$ (258) | \$ (25) | \$ 6,842 |
| Shares issued for restricted stock, net of forfeitures | 2,515,942 | — | — | (28) | — | 28 | — | — |
| Compensation expense related to restricted stock awards | — | — | — | 24 | — | — | — | 24 |
| Net income | — | — | — | — | 446 | — | — | 446 |
| Dividends paid on common stock (\$0.51) | — | — | — | — | (237) | — | — | (237) |
| Dividends paid on preferred stock (\$47.82) | — | — | — | — | (25) | — | — | (25) |
| Purchase of common stock | (1,396,951) | — | — | — | — | (16) | — | (16) |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (67) | (67) |
| Balance at September 30, 2021 | <u>465,020,799</u> | <u>\$ 503</u> | <u>\$ 5</u> | <u>\$ 6,119</u> | <u>\$ 678</u> | <u>\$ (246)</u> | <u>\$ (92)</u> | <u>\$ 6,967</u> |

See accompanying notes to the consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| <i>(in millions)</i> | For the Nine Months Ended September 30, | |
|---|---|----------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 478 | \$ 446 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for (Recovery of) loan losses | 9 | (1) |
| Depreciation | 13 | 16 |
| Amortization of discounts and premiums, net | (8) | (4) |
| Net (gain) loss on securities | 2 | — |
| Net loss (gain) on sales of loans | — | (1) |
| Net gain on sales of fixed assets | (2) | — |
| Stock-based compensation | 22 | 24 |
| Deferred tax expense | 0 | (6) |
| Changes in operating assets and liabilities: | | |
| Decrease in other assets ⁽¹⁾ | 65 | (314) |
| Increase (decrease) in other liabilities ⁽²⁾ | 51 | (33) |
| Purchases of securities held for trading | (75) | (110) |
| Proceeds from sales of securities held for trading | 75 | 110 |
| Origination of loans held for sale | — | (52) |
| Net cash provided by operating activities | 631 | 75 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from repayment of securities available for sale | 571 | 1,399 |
| Proceeds from sales of securities available for sale | — | — |
| Purchase of securities available for sale | (2,190) | (1,567) |
| Redemption of Federal Home Loan Bank stock | 311 | 67 |
| Purchases of Federal Home Loan Bank stock | (207) | (37) |
| Proceeds from (purchases of) bank-owned life insurance, net | 5 | 10 |
| Proceeds from sales of loans | — | 37 |
| Purchases of loans | (157) | (133) |
| Other changes in loans, net | (3,084) | (530) |
| Dispositions (purchases) of premises and equipment, net | 9 | (3) |
| Net cash used in investing activities | (4,742) | (757) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net increase in deposits | 6,646 | 2,184 |
| Net decrease in short-term borrowed funds | 115 | — |
| Proceeds from long-term borrowed funds | 6,930 | 650 |
| Repayments of long-term borrowed funds | (9,810) | (1,300) |
| Cash dividends paid on common stock | (237) | (237) |
| Cash dividends paid on preferred stock | (25) | (25) |
| Treasury stock repurchased | (7) | — |
| Payments relating to treasury shares received for restricted stock award tax payments | (12) | (16) |
| Net cash provided by financing activities | 3,600 | 1,256 |
| Net increase in cash, cash equivalents, due from banks and restricted cash | (511) | 574 |
| Cash, cash equivalents, due from banks, and restricted cash at beginning of year | 2,211 | 1,948 |
| Cash, cash equivalents, due from banks, and restricted cash at end of year | \$ 1,700 | \$ 2,522 |
| Supplemental information: | | |
| Cash paid for interest | \$ 399 | \$ 311 |
| Cash paid for income taxes | 13 | 471 |
| Non-cash investing and financing activities: | | |
| Transfers to repossessed assets from loans | \$ — | \$ 1 |
| Securitization of residential mortgage loans to mortgage-backed securities available for sale | \$ 157 | 133 |
| Transfer of loans from held for investment to held for sale | — | 52 |
| Transfer of loans from held for sale to held for investment | — | 94 |
| Shares issued for restricted stock awards | 27 | 28 |

(1) Includes \$21 million and \$15 million of amortization of operating lease right-of-use assets for the nine months ended September 30, 2022 and 2021, respectively.

(2) Includes \$21 million and \$15 million of amortization of operating lease liability for the nine months ended September 30, 2022 and 2021, respectively.

See accompanying notes to the consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization, Basis of Presentation, and Impact of Recent Accounting Pronouncements

Organization

New York Community Bancorp, Inc. (on a stand-alone basis, the “Parent Company” or, collectively with its subsidiaries, the “Company”) was organized under Delaware law on July 20, 1993 and is the holding company for New York Community Bank (hereinafter referred to as the “Bank”).

Founded on April 14, 1859 and formerly known as Queens County Savings Bank, the Bank converted from a state-chartered mutual savings bank to the capital stock form of ownership on November 23, 1993, at which date the Company issued its initial offering of common stock (par value: \$0.01 per share) at a price of \$25.00 per share (\$0.93 per share on a split-adjusted basis, reflecting the impact of nine stock splits between 1994 and 2004).

The Bank currently operates 237 branches, 18 of which operate directly under the New York Community Bank name. The remaining 219 Community Bank branches operate through eight divisional banks: Queens County Savings Bank, Roslyn Savings Bank, Richmond County Savings Bank, Roosevelt Savings Bank, and Atlantic Bank in New York; Garden State Community Bank in New Jersey; AmTrust Bank in Florida and Arizona; and Ohio Savings Bank in Ohio.

Basis of Presentation

The following is a description of the significant accounting and reporting policies that the Company and its subsidiaries follow in preparing and presenting their consolidated financial statements, which conform to U.S. generally accepted accounting principles (“GAAP”) and to general practices within the banking industry. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to change in the near term are used in connection with the determination of the allowance for credit losses and the evaluation of goodwill for impairment.

The accompanying consolidated financial statements include the accounts of the Company and other entities in which the Company has a controlling financial interest. All inter-company accounts and transactions are eliminated in consolidation. The Company currently has certain unconsolidated subsidiaries in the form of wholly-owned statutory business trusts, which were formed to issue guaranteed capital securities. See Note 7, Borrowed Funds, for additional information regarding these trusts.

Impact of Recent Accounting Pronouncements

Recently Adopted Accounting Standards

The Company adopted ASU No. 2022-01—Derivatives and Hedging (Topic 815): Fair Value Hedging-Portfolio Layer Method in the first quarter of 2022 upon issuance. The amendments expand the current last-of-layer method of hedge accounting that permits only one hedged layer to allow multiple hedged layers of a single closed portfolio. To reflect that expansion, the last-of-layer method is renamed the portfolio layer method. In addition, the amendments expand the scope of the portfolio layer method to include non-prepayable assets; specify eligible hedging instruments in a single-layer hedge; provide additional guidance on the accounting for and disclosure of hedge basis adjustments; specify how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio. To date, the guidance has not had any impact on the Company’s Consolidated Statements of Condition, results of operations, or cash flows.

Note 2. Computation of Earnings per Common Share

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

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

portion of such awards. Since these dividends are non-forfeitable, the unvested awards are considered participating securities and therefore have earnings allocated to them. The following table presents the Company's computation of basic and diluted EPS for the periods indicated:

| <i>(in millions, except share and per share amounts)</i> | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|--|-------------|---|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income available to common stockholders | \$ 144 | \$ 140 | \$ 453 | \$ 421 |
| Less: Dividends paid on and earnings allocated to participating securities | (2) | (2) | (6) | (5) |
| Earnings applicable to common stock | \$ 142 | \$ 138 | \$ 447 | \$ 416 |
| Weighted average common shares outstanding | 465,115,180 | 464,047,337 | 465,354,754 | 463,813,827 |
| Basic earnings per common share | \$ 0.31 | \$ 0.30 | \$ 0.96 | \$ 0.90 |
| Earnings applicable to common stock | \$ 142 | \$ 138 | \$ 447 | \$ 416 |
| Weighted average common shares outstanding | 465,115,180 | 464,047,337 | 465,354,754 | 463,813,827 |
| Potential dilutive common shares | 979,177 | 834,612 | 926,184 | 744,292 |
| Total shares for diluted earnings per common share computation | 466,094,357 | 464,881,949 | 466,280,938 | 464,558,119 |
| Diluted earnings per common share and common share equivalents | \$ 0.30 | \$ 0.30 | \$ 0.96 | \$ 0.90 |

Note 3: Reclassifications out of Accumulated Other Comprehensive Loss

| <i>(in millions)</i> | For the Nine Months Ended September 30, | |
|---|--|--|
| | Amount Reclassified out of Accumulated Other Comprehensive Loss ⁽¹⁾ | Affected Line Item in the Consolidated Statements of Income and Comprehensive Income |
| Details about Accumulated Other Comprehensive Loss | | |
| Unrealized gains on available-for-sale securities: | \$ — | Net gain on securities |
| | — | Income tax expense |
| | \$ — | Net gain on securities, net of tax |
| Unrealized loss on cash flow hedges: | \$ (4) | Interest expense |
| | 1 | Income tax benefit |
| | \$ (3) | Net loss on cash flow hedges, net of tax |
| Amortization of defined benefit pension plan items: | | |
| Past service liability | \$ — | Included in the computation of net periodic credit ⁽²⁾ |
| Actuarial losses | (2) | Included in the computation of net periodic cost ⁽²⁾ |
| | (2) | Total before tax |
| | — | Income tax benefit |
| | \$ (2) | Amortization of defined benefit pension plan items, net of tax |
| Total reclassifications for the period | \$ (5) | |

(1) Amounts in parentheses indicate expense items.

(2) See Note 8, "Pension and Other Post-Retirement Benefits," for additional information.

Note 4. Securities

The following tables summarize the Company's portfolio of debt securities available for sale and equity investments with readily determinable fair values at September 30, 2022 and December 31, 2021:

| (in millions) | September 30, 2022 | | | |
|---|--------------------|-----------------------|-----------------------|-----------------|
| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value |
| Debt securities available-for-sale | | | | |
| Mortgage-Related Debt Securities: | | | | |
| GSE certificates | \$ 1,115 | \$ — | \$ 171 | \$ 944 |
| GSE CMOs | 1,562 | — | 276 | 1,286 |
| Total mortgage-related debt securities | \$ 2,677 | \$ — | \$ 447 | \$ 2,230 |
| Other Debt Securities: | | | | |
| U. S. Treasury obligations | \$ 1,677 | \$ — | \$ 5 | \$ 1,672 |
| GSE debentures | 1,749 | — | 343 | 1,406 |
| Asset-backed securities ⁽¹⁾ | 401 | — | 10 | 391 |
| Corporate bonds | 884 | 2 | 31 | 855 |
| Municipal bonds | 18 | — | — | 18 |
| Foreign notes | 25 | — | — | 25 |
| Capital trust notes | 96 | 6 | 10 | 92 |
| Total other debt securities | \$ 4,850 | \$ 8 | \$ 399 | \$ 4,459 |
| Total debt securities available for sale | \$ 7,527 | \$ 8 | \$ 846 | \$ 6,689 |
| Equity securities: | | | | |
| Mutual funds | \$ 16 | \$ — | \$ 2 | \$ 14 |
| Total equity securities | \$ 16 | \$ — | \$ 2 | \$ 14 |
| Total securities ⁽²⁾ | \$ 7,543 | \$ 8 | \$ 848 | \$ 6,703 |

(1) The underlying assets of the asset-backed securities are substantially guaranteed by the U.S. Government.

(2) Excludes accrued interest receivable of \$23 million included in other assets in the Consolidated Statements of Condition.

| (in millions) | December 31, 2021 | | | |
|--|-------------------|-----------------------|-----------------------|-----------------|
| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value |
| Debt securities available-for-sale | | | | |
| Mortgage-Related Debt Securities: | | | | |
| GSE certificates | \$ 1,102 | \$ 20 | \$ 15 | \$ 1,107 |
| GSE CMOs | 1,717 | 11 | 45 | 1,683 |
| Total mortgage-related debt securities | \$ 2,819 | \$ 31 | \$ 60 | \$ 2,790 |
| Other Debt Securities: | | | | |
| U. S. Treasury obligations | \$ 45 | \$ — | \$ — | \$ 45 |
| GSE debentures | 1,524 | 1 | 45 | 1,480 |
| Asset-backed securities ⁽¹⁾ | 479 | 3 | 3 | 479 |
| Corporate bonds | 821 | 18 | 1 | 838 |
| Municipal bonds | 25 | — | — | 25 |
| Foreign Notes | 25 | 1 | — | 26 |
| Capital trust notes | 96 | 8 | 7 | 97 |
| Total other debt securities | \$ 3,015 | \$ 31 | \$ 56 | \$ 2,990 |
| Total other securities available for sale | \$ 5,834 | \$ 62 | \$ 116 | \$ 5,780 |
| Equity securities: | | | | |
| Mutual funds | \$ 16 | \$ — | \$ — | \$ 16 |
| Total equity securities | \$ 16 | \$ — | \$ — | \$ 16 |
| Total securities ⁽²⁾ | \$ 5,850 | \$ 62 | \$ 116 | \$ 5,796 |

(1) The underlying assets of the asset-backed securities are substantially guaranteed by the U.S. Government.

(2) Excludes accrued interest receivable of \$15 million included in other assets in the Consolidated Statements of Condition.

At September 30, 2022 and December 31, 2021, respectively, the Company had \$630 million and \$734 million of FHLB-NY stock, at cost. The Company maintains an investment in FHLB-NY stock partly in conjunction with its membership in the FHLB and partly related to its access to the FHLB funding it utilizes.

Net losses on equity securities recognized in earnings for the nine months ended September 30, 2022 and 2021 were \$2 and \$0, respectively.

The following table summarizes, by contractual maturity, the amortized cost of securities at September 30, 2022:

| <i>(in millions)</i> | Mortgage- Related Securities | U.S. Government and GSE Obligations | State, County, and Municipal | Other Debt Securities ⁽¹⁾ | Fair Value |
|--|------------------------------------|--|---------------------------------------|--|-----------------|
| Available-for-Sale Debt Securities: | | | | | |
| Due within one year | \$ 4 | \$ 1,677 | \$ — | \$ 25 | \$ 1,701 |
| Due from one to five years | 143 | 247 | — | 428 | 807 |
| Due from five to ten years | 219 | 1,077 | 18 | 527 | 1,544 |
| Due after ten years | 2,311 | 425 | — | 426 | 2,637 |
| Total debt securities available for sale | <u>\$ 2,677</u> | <u>\$ 3,426</u> | <u>\$ 18</u> | <u>\$ 1,406</u> | <u>\$ 6,689</u> |

(1) Includes corporate bonds, capital trust notes, foreign notes and asset-backed securities.

The following table presents securities with no related allowance having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of September 30, 2022:

| <i>(in millions)</i> | Less than Twelve Months | | Twelve Months or Longer | | Total | |
|--|-------------------------|-----------------|-------------------------|-----------------|-----------------|-----------------|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Temporarily Impaired Securities: | | | | | | |
| U. S. Treasury obligations | \$ 1,476 | \$ 5 | \$ — | \$ — | \$ 1,476 | \$ 5 |
| GSE certificates | 572 | 62 | 371 | 109 | 943 | 171 |
| GSE CMOs | 448 | 41 | 838 | 235 | 1,286 | 276 |
| U.S. Government agency and GSE obligations | 394 | 43 | 1,012 | 300 | 1,406 | 343 |
| Asset-backed securities | 125 | 2 | 224 | 8 | 349 | 10 |
| Corporate bonds | 720 | 27 | 95 | 4 | 815 | 31 |
| Municipal bonds | 11 | — | 7 | 1 | 18 | 1 |
| Foreign notes | 25 | — | — | — | 25 | — |
| Capital trust notes | 46 | 1 | 36 | 8 | 82 | 9 |
| Equity securities | 4 | — | 11 | 2 | 15 | 2 |
| Total temporarily impaired securities | <u>\$ 3,821</u> | <u>\$ 181</u> | <u>\$ 2,594</u> | <u>\$ 667</u> | <u>\$ 6,415</u> | <u>\$ 848</u> |

The following table presents securities having a continuous unrealized loss position for less than twelve months and for twelve months or longer as of December 31, 2021:

| <i>(in millions)</i> | Less than Twelve Months | | Twelve Months or Longer | | Total | |
|--|-------------------------|-----------------|-------------------------|-----------------|-----------------|-----------------|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Temporarily Impaired Securities: | | | | | | |
| U. S. Treasury obligations | \$ 45 | \$ — | \$ — | \$ — | \$ 45 | \$ — |
| U.S. Government agency and GSE obligations | 317 | 7 | 185 | 8 | 502 | 15 |
| GSE certificates | 846 | 28 | 293 | 17 | 1,139 | 45 |
| GSE CMOs | 491 | 8 | 926 | 37 | 1,417 | 45 |
| Asset-backed securities | 130 | 1 | 135 | 2 | 265 | 3 |
| Corporate bonds | — | — | 99 | 1 | 99 | 1 |
| Municipal bonds | — | — | 8 | — | 8 | — |
| Foreign notes | 5 | — | — | — | 5 | — |
| Capital trust notes | — | — | 37 | 7 | 37 | 7 |
| Equity securities | 12 | — | — | — | 12 | — |
| Total temporarily impaired securities | <u>\$ 1,846</u> | <u>\$ 44</u> | <u>\$ 1,683</u> | <u>\$ 72</u> | <u>\$ 3,529</u> | <u>\$ 116</u> |

The investment securities designated as having a continuous loss position for twelve months or more at September 30, 2022 consisted of 103 agency MBS, 18 agency CMOs, five capital trust notes, six asset-backed securities, two corporate bonds, 28 U.S. government agency bonds, one municipal bond and one equity security. The investment securities designated as having a continuous loss position for twelve months or more at December 31, 2021 consisted of four agency collateralized mortgage obligations, five capital trusts notes, four asset-backed securities, two corporate bonds, 20 US government agency bonds, 21 agency mortgage-backed securities and one municipal bond.

The Company evaluates available-for-sale debt securities in unrealized loss positions at least quarterly to determine if an allowance for credit losses is required. Based on an evaluation of available information about past events, current conditions, and reasonable and supportable forecasts that are relevant to collectability, the Company has concluded that it expects to receive all contractual cash flows from each security held in its available-for-sale securities portfolio.

We first assess whether (i) we intend to sell, or (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of these criteria is met, any previously recognized allowances are charged off and the security's amortized cost basis is written down to fair value through income. If neither of the aforementioned criteria is met, we evaluate whether the decline in fair value has resulted from credit losses or other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

None of the unrealized losses identified as of September 30, 2022 or December 31, 2021 relates to the marketability of the securities or the issuers' ability to honor redemption obligations. Rather, the unrealized losses relate to changes in interest rates relative to when the investment securities were purchased, and do not indicate credit-related impairment. Management based this conclusion on an analysis of each issuer including a detailed credit assessment of each issuer. The Company does not intend to sell, and it is not more likely than not that the Company will be required to sell the positions before the recovery of their amortized cost basis, which may be at maturity. As such, no allowance for credit losses was recorded with respect to debt securities as of or during the nine months ended September 30, 2022.

Management has made the accounting policy election to exclude accrued interest receivable on available-for-sale securities from the estimate of credit losses. Available-for-sale debt securities are placed on non-accrual status when we no longer expect to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on non-accrual status.

Note 5. Loans and Leases

The following table sets forth the composition of the loan portfolio at the dates indicated:

| | September 30, 2022 | | December 31, 2021 | |
|---|--------------------|--------------------------------------|-------------------|--------------------------------------|
| | Amount | Percent of Loans Held for Investment | Amount | Percent of Loans Held for Investment |
| <i>(dollars in millions)</i> | | | | |
| Loans and Leases Held for Investment: | | | | |
| Mortgage Loans: | | | | |
| Multi-family | \$ 37,179 | 75.98 % | \$ 34,603 | 75.75 % |
| Commercial real estate | 6,603 | 13.49 | 6,698 | 14.66 |
| One-to-four family | 123 | 0.25 | 160 | 0.35 |
| Acquisition, development, and construction | 203 | 0.41 | 209 | 0.46 |
| Total mortgage loans held for investment ⁽¹⁾ | 44,108 | 90.13 | 41,670 | 91.22 |
| Other Loans: | | | | |
| Commercial and industrial | 3,122 | 6.38 | 2,236 | 4.89 |
| Lease financing, net of unearned income of \$84 and \$95 respectively | 1,697 | 3.48 | 1,770 | 3.88 |
| Total commercial and industrial loans ⁽²⁾ | 4,819 | 9.86 | 4,006 | 8.77 |
| Other | 6 | 0.01 | 5 | 0.01 |
| Total other loans held for investment | 4,825 | 9.87 | 4,011 | 8.78 |
| Total loans and leases held for investment ⁽¹⁾ | \$ 48,933 | 100.00 % | \$ 45,681 | 100.00 % |
| Net deferred loan origination costs | 51 | | 57 | |
| Allowance for loan and lease losses | (218) | | (199) | |
| Total loans and leases, net | \$ 48,766 | | \$ 45,539 | |

(1) Excludes accrued interest receivable of \$203 million and \$199 million at September 30, 2022 and December 31, 2021, respectively, which is included in other assets in the Consolidated Statements of Condition.

(2) Includes specialty finance loans and leases of \$4.2 billion and \$3.5 billion, respectively, at September 30, 2022 and December 31, 2021, and other C&I loans of \$577 million and \$527 million, respectively, at September 30, 2022 and December 31, 2021.

Loans Held for Investment

The majority of the loans the Company originates for investment are multi-family loans, most of which are collateralized by non-luxury apartment buildings in New York City with rent-regulated units and below-market rents. In addition, the Company originates CRE loans, most of which are collateralized by income-producing properties such as office buildings, retail centers, mixed-use buildings, and multi-tenanted light industrial properties that are located in New York City and on Long Island.

The Company also originates one-to-four family loans for investment. One-to-four family loans held for investment were primarily originated through the Company's former mortgage banking operation and primarily consisted of jumbo adjustable rate mortgages made to borrowers with a solid credit history. These loan balances include certain mixed-use CRE loans with less than five residential units classified as one-to-four family loans.

ADC loans are primarily originated for multi-family and residential tract projects in New York City and on Long Island. C&I loans consist of asset-based loans, equipment loans and leases, and dealer floor-plan loans (together, specialty finance loans and leases) that generally are made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide; and other C&I loans that primarily are made to small and mid-size businesses in Metro New York. Other C&I loans are typically made for working capital, business expansion, and the purchase of machinery and equipment.

The repayment of multi-family and CRE loans generally depends on the income produced by the underlying properties which, in turn, depends on their successful operation and management. To mitigate the potential for credit losses, the Company underwrites its loans in accordance with credit standards it considers to be prudent, looking first at the consistency of the cash flows being produced by the underlying property. In addition, multi-family buildings, CRE properties, and ADC projects are inspected as a prerequisite to approval, and independent appraisers, whose appraisals are carefully reviewed by the Company's in-house appraisers, perform appraisals on the collateral properties. In many cases, a second independent appraisal review is performed.

To further manage its credit risk, the Company's lending policies limit the amount of credit granted to any one borrower and typically require conservative debt service coverage ratios and loan-to-value ratios. Nonetheless, the ability of the Company's borrowers to repay these loans may be impacted by adverse conditions in the local real estate market and the local economy. Accordingly, there can be no assurance that its underwriting policies will protect the Company from credit-related losses or delinquencies.

ADC loans typically involve a higher degree of credit risk than loans secured by improved or owner-occupied real estate. Accordingly, borrowers are required to provide a guarantee of repayment and completion, and loan proceeds are disbursed as construction progresses, as certified by in-house inspectors or third-party engineers. The Company seeks to minimize the credit risk on ADC loans by maintaining conservative lending policies and rigorous underwriting standards. However, if the estimate of value proves to be inaccurate, the cost of completion is greater than expected, or the length of time to complete and/or sell or lease the collateral property is greater than anticipated, the property could have a value upon completion that is insufficient to assure full repayment of the loan. This could have a material adverse effect on the quality of the ADC loan portfolio, and could result in losses or delinquencies. In addition, the Company utilizes the same stringent appraisal process for ADC loans as it does for its multi-family and CRE loans.

To minimize the risk involved in specialty finance lending and leasing, the Company participates in syndicated loans that are brought to it, and equipment loans and leases that are assigned to it, by a select group of nationally recognized sources who have long-term relationships with its experienced lending officers. Each of these credits is secured with a perfected first security interest in or outright ownership of the underlying collateral, and structured as senior debt or as a non-cancelable lease. To further minimize the risk involved in specialty finance lending and leasing, each transaction is re-underwritten. In addition, outside counsel is retained to conduct a further review of the underlying documentation.

To minimize the risks involved in other C&I lending, the Company underwrites such loans on the basis of the cash flows produced by the business; requires that such loans be collateralized by various business assets, including inventory, equipment, and accounts receivable, among others; and typically requires personal guarantees. However, the capacity of a borrower to repay such a C&I loan is substantially dependent on the degree to which the business is successful. In addition, the collateral underlying such loans may depreciate over time, may not be conducive to appraisal, or may fluctuate in value, based upon the results of operations of the business.

Included in loans held for investment at September 30, 2022 and December 31, 2021 were loans of \$6 million to certain officers, directors, and their related interests and parties. There were no loans to principal shareholders at that date. As of the second quarter of 2021, the Board of Directors adopted a revised policy in which the Bank shall no longer make loans or extensions of credit to executive officers and directors of the Company, and firms that employ directors. Any loans and extensions of credit made to an executive officer or director, or any firms that employ directors, prior to the adoption of these revisions have been grandfathered but remain subject to oversight and review of the Board of Directors.

Asset Quality

A loan generally is classified as a non-accrual loan when it is 90 days or more past due or when it is deemed to be impaired because the Company no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is current and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash. At September 30, 2022 and December 31, 2021, all of our non-performing loans were non-accrual loans.

The following table presents information regarding the quality of the Company's loans held for investment at September 30, 2022:

| (in millions) | Loans 30-89 Days Past Due | Non- Accrual Loans | Loans 90 Days or More Delinquent and Still Accruing Interest | Total Past Due Loans | Current Loans | Total Loans Receivable |
|---|------------------------------------|--------------------------|--|----------------------------|------------------|------------------------------|
| Multi-family | \$ 31 | \$ 13 | \$ — | \$ 44 | \$ 37,135 | \$ 37,179 |
| Commercial real estate | 1 | 28 | — | 29 | 6,574 | 6,603 |
| One-to-four family | 7 | 1 | — | 8 | 115 | 123 |
| Acquisition, development, and construction | — | — | — | — | 203 | 203 |
| Commercial and industrial ⁽¹⁾⁽²⁾ | — | 3 | — | 3 | 4,816 | 4,819 |
| Other | — | — | — | — | 6 | 6 |
| Total | \$ 39 | \$ 45 | \$ — | \$ 84 | \$ 48,849 | \$ 48,933 |

(1) Includes \$3 million of taxi medallion-related loans that were 90 days or more past due. There were no taxi medallion-related loans that were 30 to 89 days past due.

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

The following table presents information regarding the quality of the Company's loans held for investment at December 31, 2021:

| (in millions) | Loans 30-89 Days Past Due | Non- Accrual Loans | Loans 90 Days or More Delinquent and Still Accruing Interest | Total Past Due Loans | Current Loans | Total Loans Receivable |
|---|------------------------------------|--------------------------|--|----------------------------|------------------|------------------------------|
| Multi-family | \$ 57 | \$ 10 | \$ — | \$ 67 | \$ 34,536 | \$ 34,603 |
| Commercial real estate | 2 | 16 | — | 18 | 6,680 | 6,698 |
| One-to-four family | 8 | 1 | — | 9 | 151 | 160 |
| Acquisition, development, and construction | — | — | — | — | 209 | 209 |
| Commercial and industrial ⁽¹⁾⁽²⁾ | — | 6 | — | 6 | 4,000 | 4,006 |
| Other | — | — | — | — | 5 | 5 |
| Total | \$ 67 | \$ 33 | \$ — | \$ 100 | \$ 45,581 | \$ 45,681 |

(1) Includes \$6 million of taxi medallion-related loans that were 90 days or more past due. There were no taxi medallion-related loans that were 30 to 89 days past due.

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

The following table summarizes the Company's portfolio of loans held for investment by credit quality indicator at September 30, 2022.

| (in millions) | Mortgage Loans | | | | Other Loans | | | Total Other Loans |
|---------------------------|------------------|---------------------------|---------------------------|---|----------------------------|--|-------------|-------------------------|
| | Multi- Family | Commercial Real Estate | One-to- Four Family | Acquisition, Development, and Construction | Total Mortgage Loans | Commercial and Industrial ⁽¹⁾ | Other | |
| Credit Quality Indicator: | | | | | | | | |
| Pass | \$ 35,688 | \$ 5,834 | \$ 107 | \$ 185 | \$ 41,814 | \$ 4,816 | \$ 6 | \$ 4,822 |
| Special mention | 830 | 464 | 8 | 18 | 1,320 | — | — | — |
| Substandard | 661 | 305 | 8 | — | 974 | 3 | — | 3 |
| Doubtful | — | — | — | — | — | — | — | — |
| Total | \$ 37,179 | \$ 6,603 | \$ 123 | \$ 203 | \$ 44,108 | \$ 4,819 | \$ 6 | \$ 4,825 |

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

The following table summarizes the Company's portfolio of loans held for investment by credit quality indicator at December 31, 2021:

| (in millions) | Mortgage Loans | | | | Other Loans | | | Total Other Loans |
|---------------------------|------------------|------------------------|--------------------|--|----------------------|--|-------------|-------------------|
| | Multi-Family | Commercial Real Estate | One-to-Four Family | Acquisition, Development, and Construction | Total Mortgage Loans | Commercial and Industrial ⁽¹⁾ | Other | |
| Credit Quality Indicator: | | | | | | | | |
| Pass | \$ 33,011 | \$ 5,874 | \$ 137 | \$ 204 | \$ 39,226 | \$ 3,959 | \$ 5 | \$ 3,964 |
| Special mention | 981 | 643 | 14 | 5 | 1,643 | 2 | — | 2 |
| Substandard | 611 | 181 | 9 | — | 801 | 45 | — | 45 |
| Doubtful | — | — | — | — | — | — | — | — |
| Total | <u>\$ 34,603</u> | <u>\$ 6,698</u> | <u>\$ 160</u> | <u>\$ 209</u> | <u>\$ 41,670</u> | <u>\$ 4,006</u> | <u>\$ 5</u> | <u>\$ 4,011</u> |

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

The preceding classifications are the most current ones available and generally have been updated within the last twelve months. In addition, they follow regulatory guidelines and can generally be described as follows: pass loans are of satisfactory quality; special mention loans have potential weaknesses that deserve management's close attention; substandard loans are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged (these loans have a well-defined weakness and there is a possibility that the Company will sustain some loss); and doubtful loans, based on existing circumstances, have weaknesses that make collection or liquidation in full highly questionable and improbable.

The following table presents, by credit quality indicator, loan class, and year of origination, the amortized cost basis of the Company's loans and leases as of September 30, 2022.

| (in millions) | Vintage Year | | | | | | | Revolving Loans | Total |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | Prior To 2018 | | | |
| Risk Rating Group | | | | | | | | | |
| Pass | \$ 7,655 | \$ 9,310 | \$ 8,727 | \$ 4,960 | \$ 3,825 | \$ 7,354 | \$ 12 | \$ 41,843 | |
| Special Mention | — | — | 95 | 221 | 277 | 728 | — | 1,321 | |
| Substandard | — | — | 37 | 201 | 130 | 605 | — | 973 | |
| Total mortgage loans | <u>\$ 7,655</u> | <u>\$ 9,310</u> | <u>\$ 8,859</u> | <u>\$ 5,382</u> | <u>\$ 4,232</u> | <u>\$ 8,687</u> | <u>\$ 12</u> | <u>\$ 44,137</u> | |
| Pass | 757 | 642 | 457 | 423 | 78 | 223 | 2,263 | 4,843 | |
| Special Mention | — | — | — | — | — | — | — | — | |
| Substandard | — | — | — | 1 | 2 | 1 | — | 4 | |
| Total other loans | <u>757</u> | <u>642</u> | <u>457</u> | <u>424</u> | <u>80</u> | <u>224</u> | <u>2,263</u> | <u>4,847</u> | |
| Total | <u>\$ 8,412</u> | <u>\$ 9,952</u> | <u>\$ 9,316</u> | <u>\$ 5,806</u> | <u>\$ 4,312</u> | <u>\$ 8,911</u> | <u>\$ 2,275</u> | <u>\$ 48,984</u> | |

When management determines that foreclosure is probable, for loans that are individually evaluated the expected credit losses are based on the fair value of the collateral adjusted for selling costs. When the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, the collateral-dependent practical expedient has been elected and expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. For CRE loans, collateral properties include office buildings, warehouse/distribution buildings, shopping centers, apartment buildings, residential and commercial tract development. The primary source of repayment on these loans is expected to come from the sale, permanent financing or lease of the real property collateral. CRE loans are impacted by fluctuations in collateral values, as well as the ability of the borrower to obtain permanent financing.

The following table summarizes the extent to which collateral secures the Company's collateral-dependent loans held for investment by collateral type as of September 30, 2022:

| <i>(in millions)</i> | Collateral Type | |
|---|-----------------|----------|
| | Real Property | Other |
| Multi-family | \$ 13 | \$ — |
| Commercial real estate | 43 | — |
| One-to-four family | — | — |
| Acquisition, development, and construction | — | — |
| Commercial and industrial | — | 4 |
| Other | — | — |
| Total collateral-dependent loans held for investment | 56 | 4 |

Other collateral type consists of taxi medallions, cash, accounts receivable and inventory.

There were no significant changes in the extent to which collateral secures the Company's collateral-dependent financial assets during the nine months ended September 30, 2022.

Troubled Debt Restructurings

The Company is required to account for certain loan modifications and restructurings as TDRs. In general, a modification or restructuring of a loan constitutes a TDR if the Company grants a concession to a borrower experiencing financial difficulty. A loan modified as a TDR generally is placed on non-accrual status until the Company determines that future collection of principal and interest is reasonably assured, which requires, among other things, that the borrower demonstrate performance according to the restructured terms for a period of at least six consecutive months. In determining the Company's allowance for credit losses, reasonably expected TDRs are individually evaluated and consist of criticized, classified, or maturing loans that will have a modification processed within the next three months.

In an effort to proactively manage delinquent loans, the Company has selectively extended to certain borrowers concessions such as rate reductions, extension of maturity dates, and forbearance agreements. As of September 30, 2022, loans on which concessions were made with respect to rate reductions and/or extension of maturity dates amounted to \$45 million.

The CARES Act was enacted on March 27, 2020. Under the CARES Act, the Company made the election to deem that loan modifications do not result in TDRs if they are (1) related to the novel coronavirus disease ("COVID-19"); (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020. This includes short-term (e.g., up to six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented. In December 2020, Congress amended the CARES Act through the Consolidated Appropriation Act of 2021, which provided additional COVID-19 relief to American families and businesses, including extending TDR relief under the CARES Act until the earlier of December 31, 2021 or 60 days following the termination of the national emergency.

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circumstances of each loan, which may change from period to period, and involves judgment by Company personnel regarding the likelihood that the concession will result in the maximum recovery for the Company.

The following table presents information regarding the Company's TDRs as of September 30, 2022 and December 31, 2021:

| <i>(in millions)</i> | September 30, 2022 | | | December 31, 2021 | | |
|--|--------------------|--------------|--------------|-------------------|--------------|--------------|
| | Accruing | Non-Accrual | Total | Accruing | Non-Accrual | Total |
| Loan Category: | | | | | | |
| Multi-family | \$ — | \$ 6 | \$ 6 | \$ — | \$ 7 | \$ 7 |
| Commercial real estate | 16 | 19 | 35 | 16 | — | 16 |
| One-to-four family | — | — | — | — | — | — |
| Acquisition, development, and construction | — | — | — | — | — | — |
| Commercial and industrial ⁽¹⁾ | — | 4 | 4 | — | 6 | 6 |
| Total | \$ 16 | \$ 29 | \$ 45 | \$ 16 | \$ 13 | \$ 29 |

(1) Includes \$4 million and \$6 million of taxi medallion-related loans at September 30, 2022 and December 31, 2021, respectively.

The financial effects of the Company's TDRs for the three months ended September 30, 2022 and 2021 are summarized as follows:

| | | For the Three Months Ended September 30, 2022 | | | | | | |
|------------------------|-----------------|---|---------------------------------------|--------------------------------|-------------------|-------------------|----------------------|--|
| | | | | Weighted Average Interest Rate | | | | |
| (dollars in millions) | Number of Loans | Pre-Modification Recorded Investment | Post-Modification Recorded Investment | Pre-Modification | Post-Modification | Charge-off Amount | Capitalized Interest | |
| Loan Category: | | | | | | | | |
| Commercial real estate | — | \$ — | \$ — | 0% | 0% | \$ — | \$ — | |

| | | For the Three Months Ended September 30, 2021 | | | | | | |
|------------------------|-----------------|---|---------------------------------------|--------------------------------|-------------------|-------------------|----------------------|--|
| | | | | Weighted Average Interest Rate | | | | |
| (dollars in millions) | Number of Loans | Pre-Modification Recorded Investment | Post-Modification Recorded Investment | Pre-Modification | Post-Modification | Charge-off Amount | Capitalized Interest | |
| Loan Category: | | | | | | | | |
| Commercial real estate | 2 | \$ 4 | \$ 4 | 6.00% | 3.55% | \$ — | \$ — | |

The financial effects of the Company's TDRs for the nine months ended September 30, 2022 and 2021 are summarized as follows:

| | | For the Nine Months Ended September 30, 2022 | | | | | | |
|------------------------|-----------------|--|---------------------------------------|--------------------------------|-------------------|-------------------|----------------------|--|
| | | | | Weighted Average Interest Rate | | | | |
| (dollars in millions) | Number of Loans | Pre-Modification Recorded Investment | Post-Modification Recorded Investment | Pre-Modification | Post-Modification | Charge-off Amount | Capitalized Interest | |
| Loan Category: | | | | | | | | |
| Commercial real estate | 2 | \$ 22 | \$ 19 | 6.00% | 4.02% | \$ 3 | \$ — | |

| | | For the Nine Months Ended September 30, 2021 | | | | | | |
|------------------------|-----------------|--|---------------------------------------|--------------------------------|-------------------|-------------------|----------------------|--|
| | | | | Weighted Average Interest Rate | | | | |
| (dollars in millions) | Number of Loans | Pre-Modification Recorded Investment | Post-Modification Recorded Investment | Pre-Modification | Post-Modification | Charge-off Amount | Capitalized Interest | |
| Loan Category: | | | | | | | | |
| Commercial real estate | 2 | \$ 4 | \$ 4 | 6.00% | 3.55% | \$ — | \$ — | |

At September 30, 2022 and September 30, 2021, no loans have been modified as TDRs that were in payment default during the twelve months ended at that date.

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

Subsequent to the modification, the loan is not considered to be in default until payment is contractually past due in accordance with the modified terms. However, the Company may consider a loan with multiple modifications or forbearance periods to be in default, and would consider a loan to be in default if the borrower were in bankruptcy or if the loan were partially charged off subsequent to modification. Management takes into consideration all TDR modifications in determining the appropriate level of the allowance.

Note 6. Allowance for Credit Losses on Loans and Leases

Allowance for Credit Losses on Loans and Leases

The following table summarizes activity in the allowance for credit losses on loans and leases for the periods indicated:

| <i>(in millions)</i> | For the Nine Months Ended September 30, | | | | | |
|---|---|-------|--------|----------|-------|--------|
| | 2022 | | | 2021 | | |
| | Mortgage | Other | Total | Mortgage | Other | Total |
| Balance, beginning of period | \$ 178 | \$ 21 | \$ 199 | \$ 176 | \$ 18 | \$ 194 |
| Charge-offs | (5) | — | (5) | (2) | (3) | (5) |
| Recoveries | 4 | 6 | 10 | 2 | 10 | 12 |
| Provision for (recovery of) credit losses on loans and leases | 31 | (17) | 14 | 1 | — | 1 |
| Balance, end of period | \$ 208 | \$ 10 | \$ 218 | \$ 177 | \$ 25 | \$ 202 |

Separately, at September 30, 2022, the Company had an allowance for unfunded commitments of \$7 million, as compared to \$12 million at December 31, 2021.

For the nine months ended September 30, 2022, the allowance for credit losses on loan and leases increased primarily as a result of loan portfolio growth combined with reduced prepayment estimates lengthening the average portfolio life, primarily offset by improvements in environmental factors surrounding the COVID-19 pandemic, specifically those affecting the New York City area.

The macroeconomic forecast factors in increasing costs of higher global energy prices and tighter financial market conditions on the U.S. economy. Gross Domestic Product (“GDP”) is now expected to rise at an annualized rate of 1.6% and 1.5% respectively for 2022 and 2023. Unemployment continues to subside from the historic shock of 2020, as peak unemployment rates are forecasted to be approximately 3.6% in 2022 and 3.9% in 2023. Federal Reserve continues to aggressively tighten monetary policy. As a result, the federal funds rate is now forecast to average 1.5% in 2022 and 3.3% in 2023, compared with 1.1% in 2022 and 2.7% in 2023 in the previous quarter Baseline scenario. The 10-year U.S. Treasury yield is expected to steadily increase over the next few years.

In addition to these quantitative inputs, several qualitative factors were considered in estimating our allowance for loan and lease credit losses, including attributes related to a concentrated commercial real estate portfolio, specifically those affecting commercial real estate in the New York City area, as well as changes in credit policies and underwriting guidelines and laws and regulations.

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

The following table presents additional information about the Company's nonaccrual loans at September 30, 2022:

| <i>(in millions)</i> | Recorded Investment | Related Allowance | Interest Income Recognized |
|---|------------------------|----------------------|----------------------------------|
| Nonaccrual loans with no related allowance: | | | |
| Multi-family | \$ 13 | \$ — | \$ — |
| Commercial real estate | 27 | — | 1 |
| One-to-four family | — | — | — |
| Acquisition, development, and construction | — | — | — |
| Other | 3 | — | — |
| Total nonaccrual loans with no related allowance | <u>\$ 43</u> | <u>\$ —</u> | <u>\$ 1</u> |
| Nonaccrual loans with an allowance recorded: | | | |
| Multi-family | \$ — | \$ — | \$ — |
| Commercial real estate | 1 | — | — |
| One-to-four family | 1 | — | — |
| Acquisition, development, and construction | — | — | — |
| Other | — | — | — |
| Total nonaccrual loans with an allowance recorded | <u>\$ 2</u> | <u>\$ —</u> | <u>\$ —</u> |
| Total nonaccrual loans: | | | |
| Multi-family | \$ 13 | \$ — | \$ — |
| Commercial real estate | 28 | — | 1 |
| One-to-four family | 1 | — | — |
| Acquisition, development, and construction | — | — | — |
| Other | 3 | — | — |
| Total nonaccrual loans | <u>\$ 45</u> | <u>\$ —</u> | <u>\$ 1</u> |

The following table presents additional information about the Company's nonaccrual loans at December 31, 2021:

| <i>(in millions)</i> | Recorded Investment | Related Allowance | Interest Income Recognized |
|---|------------------------|----------------------|----------------------------------|
| Nonaccrual loans with no related allowance: | | | |
| Multi-family | \$ 9 | \$ — | \$ 1 |
| Commercial real estate | 14 | — | — |
| One-to-four family | — | — | — |
| Acquisition, development, and construction | — | — | — |
| Other | 6 | — | — |
| Total nonaccrual loans with no related allowance | <u>\$ 29</u> | <u>\$ —</u> | <u>\$ 1</u> |
| Nonaccrual loans with an allowance recorded: | | | |
| Multi-family | \$ 1 | \$ — | \$ — |
| Commercial real estate | 2 | — | — |
| One-to-four family | 1 | — | — |
| Acquisition, development, and construction | — | — | — |
| Other | — | — | — |
| Total nonaccrual loans with an allowance recorded | <u>\$ 4</u> | <u>\$ —</u> | <u>\$ —</u> |
| Total nonaccrual loans: | | | |
| Multi-family | \$ 10 | \$ — | \$ 1 |
| Commercial real estate | 16 | — | — |
| One-to-four family | 1 | — | — |
| Acquisition, development, and construction | — | — | — |
| Other | 6 | — | — |
| Total nonaccrual loans | <u>\$ 33</u> | <u>\$ —</u> | <u>\$ 1</u> |

Note 7. Borrowed Funds

The following table summarizes the Company's borrowed funds at the dates indicated:

| <i>(in millions)</i> | September 30, 2022 | December 31, 2021 |
|--------------------------------|-----------------------|----------------------|
| Wholesale borrowings: | | |
| FHLB advances | \$ 12,840 | \$ 15,105 |
| Repurchase agreements | 300 | 800 |
| Total wholesale borrowings | \$ 13,140 | \$ 15,905 |
| Junior subordinated debentures | 361 | 361 |
| Subordinated notes | 297 | 296 |
| Total borrowed funds | <u>\$ 13,798</u> | <u>\$ 16,562</u> |

The following table summarizes the Company's repurchase agreements accounted for as secured borrowings at September 30, 2022:

| <i>(in millions)</i> | Remaining Contractual Maturity of the Agreements | | | |
|----------------------|--|------------------|------------|-------------------------|
| | Overnight and Continuous | Up to 30 Days | 30-90 Days | Greater than 90 Days |
| GSE obligations | \$ — | \$ — | \$ — | \$ 300 |

Subordinated Notes

At September 30, 2022 and December 31, 2021, the Company had \$297 million and \$296 million of fixed-to-floating rate subordinated notes outstanding:

| <u>Date of Original Issue</u> | <u>Stated Maturity</u> <i>(dollars in millions)</i> | <u>Interest Rate⁽¹⁾</u> | <u>Original Issue Amount</u> |
|-------------------------------|--|------------------------------------|----------------------------------|
| Nov. 6, 2018 | Nov. 6, 2028 | 5.90% | \$ 300 |

- (1) From and including the date of original issuance to, but excluding November 6, 2023, the Notes will bear interest at an initial rate of 5.90% per annum payable semi-annually. Unless redeemed, from and including November 6, 2023 to but excluding the maturity date, the interest rate will reset quarterly to an annual interest rate equal to the then-current three-month LIBOR rate plus 278 basis points payable quarterly.

Junior Subordinated Debentures

At September 30, 2022 and December 31, 2021, the Company had \$361 million of outstanding junior subordinated deferrable interest debentures ("junior subordinated debentures") held by statutory business trusts (the "Trusts") that issued guaranteed capital securities.

The Trusts are accounted for as unconsolidated subsidiaries, in accordance with GAAP. The proceeds of each issuance were invested in a series of junior subordinated debentures of the Company and the underlying assets of each statutory business trust are the relevant debentures. The Company has fully and unconditionally guaranteed the obligations under each trust's capital securities to the extent set forth in a guarantee by the Company to each trust. The Trusts' capital securities are each subject to mandatory redemption, in whole or in part, upon repayment of the debentures at their stated maturity or earlier redemption.

The following junior subordinated debentures were outstanding at September 30, 2022:

| Issuer | Interest Rate of Capital Securities and Debentures | Junior Subordinated Debentures Amount Outstanding | Capital Securities Amount Outstanding | Date of Original Issue | Stated Maturity | First Optional Redemption Date |
|--|--|---|---------------------------------------|------------------------|-----------------|--------------------------------|
| <i>(dollars in millions)</i> | | | | | | |
| New York Community Capital Trust V (BONUSES SM Units) | 6.00 % | \$ 147 | \$ 140 | Nov. 4, 2002 | Nov. 1, 2051 | Nov. 4, 2007 ⁽¹⁾ |
| New York Community Capital Trust X | 4.89 | 124 | 120 | Dec. 14, 2006 | Dec. 15, 2036 | Dec. 15, 2011 ⁽²⁾ |
| PennFed Capital Trust III | 6.54 | 31 | 30 | June 2, 2003 | June 15, 2033 | June 15, 2008 ⁽²⁾ |
| New York Community Capital Trust XI | 5.32 | 59 | 58 | April 16, 2007 | June 30, 2037 | June 30, 2012 ⁽²⁾ |
| Total junior subordinated debentures | | <u>\$ 361</u> | <u>\$ 348</u> | | | |

(1) Callable subject to certain conditions as described in the prospectus filed with the SEC on November 4, 2002.

(2) Callable from this date forward.

Note 8. Pension and Other Post-Retirement Benefits

The following table sets forth certain disclosures for the Company's pension and post-retirement plans for the periods indicated:

| <i>(in millions)</i> | For the Three Months Ended September 30, | | | |
|--|--|---|------------------|---|
| | 2022 | | 2021 | |
| | Pension Benefits | Post Retirement Benefits ⁽¹⁾ | Pension Benefits | Post Retirement Benefits ⁽¹⁾ |
| Components of net periodic pension expense (credit): | | | | |
| Interest cost | \$ 1 | \$ — | \$ 1 | \$ — |
| Expected return on plan assets | (4) | — | (4) | — |
| Amortization of net actuarial loss | 1 | — | 2 | — |
| Net periodic (credit) expense | <u>\$ (2)</u> | <u>\$ —</u> | <u>\$ (1)</u> | <u>\$ —</u> |

| <i>(in millions)</i> | For the Nine Months Ended September 30, | | | |
|--|---|---|------------------|---|
| | 2022 | | 2021 | |
| | Pension Benefits | Post Retirement Benefits ⁽¹⁾ | Pension Benefits | Post Retirement Benefits ⁽¹⁾ |
| Components of net periodic pension expense (credit): | | | | |
| Interest cost | \$ 3 | \$ — | \$ 3 | \$ — |
| Expected return on plan assets | (12) | — | (12) | — |
| Amortization of net actuarial loss | 2 | — | 5 | — |
| Net periodic (credit) expense | <u>\$ (7)</u> | <u>\$ —</u> | <u>\$ (4)</u> | <u>\$ —</u> |

(1) Post-retirement benefits balances round to zero.

The Company expects to contribute \$1 million to its post-retirement plan to pay premiums and claims for the fiscal year ending December 31, 2022. The Company does not expect to make any contributions to its pension plan in 2022.

Note 9. Stock-Based Compensation

At September 30, 2022, the Company had a total of 5,350,487 shares available for grants as restricted stock, options, or other forms of related rights. The Company granted 3,096,694 shares of restricted stock, with an average fair value of \$11.62 per share on the date of grant, during the nine months ended September 30, 2022. During the nine months ended September 30, 2021, the Company granted 3,131,949 shares of restricted stock, with an average fair value of \$11.20 per share.

The shares of restricted stock that were granted during the nine months ended September 30, 2022 and 2021, vest over a one- or five year period. Compensation and benefits expense related to the restricted stock grants is recognized on a straight-line basis over the vesting period and totaled \$21 million and \$22 million for the nine months ended September 30, 2022 and 2021, including \$7 million and \$7 million for the three months ended September 30, 2022 and September 30, 2021, respectively.

The following table provides a summary of activity with regard to restricted stock awards in the nine months ended September 30, 2022:

| | For the Nine Months Ended September 30, 2022 | |
|-------------------------------|---|---|
| | Number of Shares | Weighted Average Grant Date Fair Value |
| Unvested at beginning of year | 6,950,335 | \$ 11.68 |
| Granted | 3,096,694 | 11.62 |
| Vested | (2,288,069) | 12.27 |
| Canceled | (426,785) | 11.49 |
| Unvested at end of year | <u>7,332,175</u> | 11.49 |

As of September 30, 2022, unrecognized compensation cost relating to unvested restricted stock totaled \$66 million. This amount will be recognized over a remaining weighted average period of 3.1 years.

The following table provides a summary of activity with regard to Performance-Based Restricted Stock Units ("PSUs") in the nine months ended September 30, 2022:

| | Number of Shares | Performance Period | Expected Vesting Dates |
|----------------------------------|---------------------|-------------------------------------|------------------------------|
| Outstanding at beginning of year | 834,612 | | |
| Granted | 473,211 | | |
| Released | (176,090) | | |
| Canceled | (152,556) | | |
| Outstanding at end of period | <u>979,177</u> | January 1, 2021 - December 31, 2023 | March 31, 2023 and 2024 |

PSUs are subject to adjustment or forfeiture, based upon the achievement by the Company of certain performance standards. Compensation and benefits expense related to PSUs is recognized using the fair value as of the date the units were approved, on a straight-line basis over the vesting period and totaled \$1 million and \$2 million for the three and nine months ended September 30, 2022 and September 30, 2021. As of September 30, 2022, unrecognized compensation cost relating to unvested restricted stock totaled \$5 million. This amount will be recognized over a remaining weighted average period of 1.7 years. As of September 30, 2022, the Company believes it is probable that the performance conditions will be met.

The Company matches a portion of employee 401(k) plan contributions. Such expense totaled \$2 million and \$5 million for the three and nine months ended September 30, 2022 and September 30, 2021.

Note 10. Fair Value Measurements

GAAP sets forth a definition of fair value, establishes a consistent framework for measuring fair value, and requires disclosure for each major asset and liability category measured at fair value on either a recurring or non-recurring basis. GAAP also clarifies that fair value is an "exit" price, representing the amount that would be received when selling an asset, or paid when transferring a liability, in an orderly transaction between market participants. Fair value is thus a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants use in pricing an asset or liability.

A financial instrument's categorization within this valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables present assets and liabilities that were measured at fair value on a recurring basis as of September 30, 2022 and December 31, 2021, and that were included in the Company's Consolidated Statements of Condition at those dates:

| | Fair Value Measurements at September 30, 2022 | | | |
|--|--|---|--|------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| <i>(in millions)</i> | | | | |
| Assets: | | | | |
| Mortgage-related Debt Securities Available for Sale: | | | | |
| GSE certificates | \$ — | \$ 944 | \$ — | \$ 944 |
| GSE CMOs | — | 1,286 | — | 1,286 |
| Total mortgage-related debt securities | \$ — | \$ 2,230 | \$ — | \$ 2,230 |
| Other Debt Securities Available for Sale: | | | | |
| U. S. Treasury obligations | \$ 1,672 | \$ — | \$ — | \$ 1,672 |
| GSE debentures | — | 1,406 | — | 1,406 |
| Asset-backed securities | — | 391 | — | 391 |
| Municipal bonds | — | 18 | — | 18 |
| Corporate bonds | — | 855 | — | 855 |
| Foreign notes | — | 25 | — | 25 |
| Capital trust notes | — | 92 | — | 92 |
| Total other debt securities | \$ 1,672 | \$ 2,787 | \$ — | \$ 4,459 |
| Total debt securities available for sale | \$ 1,672 | \$ 5,017 | \$ — | \$ 6,689 |
| Equity securities: | | | | |
| Preferred stock | \$ — | \$ — | \$ — | \$ — |
| Mutual funds and common stock | — | 14 | — | 14 |
| Total equity securities | \$ — | \$ 14 | \$ — | \$ 14 |
| Total securities | \$ 1,672 | \$ 5,031 | \$ — | \$ 6,703 |

Fair Value Measurements at December 31, 2021

| <i>(in millions)</i> | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
|---|--|---|--|---------------------|
| Assets: | | | | |
| Mortgage-Related Debt Securities Available for Sale: | | | | |
| GSE certificates | \$ — | \$ 1,107 | \$ — | \$ 1,107 |
| GSE CMOs | — | 1,683 | — | 1,683 |
| Total mortgage-related debt securities | \$ — | \$ 2,790 | \$ — | \$ 2,790 |
| Other Debt Securities Available for Sale: | | | | |
| U.S. Treasury obligations | \$ 45 | \$ — | \$ — | \$ 45 |
| GSE debentures | — | 1,480 | — | 1,480 |
| Asset-backed securities | — | 479 | — | 479 |
| Municipal bonds | — | 25 | — | 25 |
| Corporate bonds | — | 838 | — | 838 |
| Foreign notes | — | 26 | — | 26 |
| Capital trust notes | — | 97 | — | 97 |
| Total other debt securities | \$ 45 | \$ 2,945 | \$ — | \$ 2,990 |
| Total debt securities available for sale | \$ 45 | \$ 5,735 | \$ — | \$ 5,780 |
| Equity securities: | | | | |
| Preferred stock | \$ — | \$ — | \$ — | \$ — |
| Mutual funds and common stock | — | 16 | — | 16 |
| Total equity securities | \$ — | \$ 16 | \$ — | \$ 16 |
| Total securities | \$ 45 | \$ 5,751 | \$ — | \$ 5,796 |

The Company reviews and updates the fair value hierarchy classifications for its assets on a quarterly basis. Changes from one quarter to the next that are related to the observability of inputs for a fair value measurement may result in a reclassification from one hierarchy level to another.

A description of the methods and significant assumptions utilized in estimating the fair values of securities follows:

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and exchange-traded securities.

If quoted market prices are not available for a specific security, then fair values are estimated by using pricing models. These pricing models primarily use market-based or independently sourced market parameters as inputs, including, but not limited to, yield curves, interest rates, equity or debt prices, and credit spreads. In addition to observable market information, models incorporate transaction details such as maturity and cash flow assumptions. Securities valued in this manner would generally be classified within Level 2 of the valuation hierarchy, and primarily include such instruments as mortgage-related and corporate debt securities.

Periodically, the Company uses fair values supplied by independent pricing services to corroborate the fair values derived from the pricing models. In addition, the Company reviews the fair values supplied by independent pricing services, as well as their underlying pricing methodologies, for reasonableness. The Company challenges pricing service valuations that appear to be unusual or unexpected.

While the Company believes its valuation methods are appropriate, and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in different estimates of fair values at a reporting date.

Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a non-recurring basis. Such instruments are subject to fair value adjustments under certain circumstances (e.g., when there is evidence of impairment). The following tables present assets and liabilities that were

measured at fair value on a non-recurring basis as of September 30, 2022 and December 31, 2021, and that were included in the Company's Consolidated Statements of Condition at those dates:

| Fair Value Measurements at September 30, 2022 Using | | | | |
|---|---|---|--|---------------------|
| (in millions) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| Certain loans ⁽¹⁾ | \$ — | \$ — | \$ 25 | \$ 25 |
| Other assets ⁽²⁾ | — | — | 38 | 38 |
| Total | \$ — | \$ — | \$ 63 | \$ 63 |

(1) Represents the fair value based on the value of the collateral.

(2) Represents the fair value of repossessed assets, based on the appraised value of the collateral subsequent to its initial classification as repossessed assets and equity investments without readily determinable fair values. These equity investments are classified as Level 3 due to the infrequency of the observable prices and/or the restrictions on the shares.

| Fair Value Measurements at December 31, 2021 Using | | | | |
|--|---|---|--|---------------------|
| (in millions) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| Certain loans ⁽¹⁾ | \$ — | \$ — | \$ 32 | \$ 32 |
| Other assets ⁽²⁾ | — | — | 32 | 32 |
| Total | \$ — | \$ — | \$ 64 | \$ 64 |

(1) Represents the fair value based on the value of the collateral.

(2) Represents the fair value of repossessed assets, based on the appraised value of the collateral subsequent to its initial classification as repossessed assets and equity investments without readily determinable fair values. These equity investments are classified as Level 3 due to the infrequency of the observable prices and/or the restrictions on the shares.

The fair values of collateral-dependent impaired loans are determined using various valuation techniques, including consideration of appraised values and other pertinent real estate and other market data.

Other Fair Value Disclosures

For the disclosure of fair value information about the Company's on- and off-balance sheet financial instruments, when available, quoted market prices are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present-value estimates or other valuation techniques. Such fair values are significantly affected by the assumptions used, the timing of future cash flows, and the discount rate.

Because assumptions are inherently subjective in nature, estimated fair values cannot be substantiated by comparison to independent market quotes. Furthermore, in many cases, the estimated fair values provided would not necessarily be realized in an immediate sale or settlement of such instruments.

The following tables summarize the carrying values, estimated fair values, and fair value measurement levels of financial instruments that were not carried at fair value on the Company's Consolidated Statements of Condition at September 30, 2022 and December 31, 2021:

| (in millions) | September 30, 2022 | | | | |
|---|--------------------|----------------------|--|---|---|
| | Carrying Value | Estimated Fair Value | Fair Value Measurement Using | | |
| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets: | | | | | |
| Cash, cash equivalents and due from banks | \$ 1,700 | \$ 1,700 | \$ 1,700 | \$ — | \$ — |
| FHLB stock ⁽¹⁾ | 630 | 630 | — | 630 | — |
| Loans and leases, net | 48,766 | 45,725 | — | — | 45,725 |
| Financial Liabilities: | | | | | |
| Deposits | \$ 41,705 | \$ 41,448 | \$ 32,596 ⁽²⁾ | \$ 8,852 ⁽³⁾ | \$ — |
| Borrowed funds | 13,798 | 13,615 | — | 13,615 | — |

(1) Carrying value and estimated fair value are at cost.

(2) Interest-bearing checking and money market accounts, savings accounts, and non-interest-bearing accounts.

(3) Certificates of deposit.

| (in millions) | December 31, 2021 | | | | |
|---|-------------------|----------------------|--|---|---|
| | Carrying Value | Estimated Fair Value | Fair Value Measurement Using | | |
| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets: | | | | | |
| Cash, cash equivalents and due from banks | \$ 2,211 | \$ 2,211 | \$ 2,211 | \$ — | \$ — |
| FHLB stock ⁽¹⁾ | 734 | 734 | — | 734 | — |
| Loans and leases, net | 45,539 | 44,748 | — | — | 44,748 |
| Financial Liabilities: | | | | | |
| Deposits | \$ 35,059 | \$ 35,051 | \$ 26,635 ⁽²⁾ | \$ 8,416 ⁽³⁾ | \$ — |
| Borrowed funds | 16,562 | 17,169 | — | 17,169 | — |

(1) Carrying value and estimated fair value are at cost.

(2) Interest-bearing checking and money market accounts, savings accounts, and non-interest-bearing accounts.

(3) Certificates of deposit.

The methods and significant assumptions used to estimate fair values for the Company's financial instruments follow:

Cash, Cash Equivalents and Due From Banks

Cash, cash equivalents and due from banks include cash and due from banks and federal funds sold. The estimated fair values of cash, cash equivalents and due from banks are assumed to equal their carrying values, as these financial instruments are either due on demand or have short-term maturities.

Securities

If quoted market prices are not available for a specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These pricing models primarily use market-based or independently sourced market parameters as inputs, including, but not limited to, yield curves, interest rates, equity or debt prices, and credit spreads. In addition to observable market information, pricing models also incorporate transaction details such as maturities and cash flow assumptions.

Federal Home Loan Bank Stock

Ownership in equity securities of the FHLB-NY is generally restricted and there is no established liquid market for their resale. The carrying amount approximates the fair value.

Loans

The Company discloses the fair value of loans measured at amortized cost using an exit price notion. The Company determined the fair value on substantially all of its loans for disclosure purposes, on an individual loan basis. The discount rates reflect current market rates for loans with similar terms to borrowers having similar credit quality on an exit price basis. The estimated fair values of non-performing mortgage and other loans are based on recent collateral appraisals. For those loans where a discounted cash flow technique was not considered reliable, the Company used a quoted market price for each individual loan.

Deposits

The fair values of deposit liabilities with no stated maturity (i.e., interest-bearing checking and money market accounts, savings accounts, and non-interest-bearing accounts) are equal to the carrying amounts payable on demand. The fair values of CDs represent contractual cash flows, discounted using interest rates currently offered on deposits with similar characteristics and remaining maturities. These estimated fair values do not include the intangible value of core deposit (total deposits excluding CDs) relationships, which comprise a significant portion of the Company's deposit base.

Borrowed Funds

The estimated fair value of borrowed funds is based either on bid quotations received from securities dealers or the discounted value of contractual cash flows with interest rates currently in effect for borrowed funds with similar maturities and structures.

Off-Balance Sheet Financial Instruments

The fair values of commitments to extend credit and unadvanced lines of credit are estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the commitments and the creditworthiness of the potential borrowers. The estimated fair values of such off-balance sheet financial instruments were insignificant at September 30, 2022 and December 31, 2021.

Note 11. Leases

Lessor Arrangements

The Company is a lessor in the equipment finance business where it has executed direct financing leases ("lease finance receivables"). The Company produces lease finance receivables through a specialty finance subsidiary that participates in syndicated loans that are brought to them, and equipment loans and leases that are assigned to them, by a select group of nationally recognized sources, and are generally made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide. Lease finance receivables are carried at the aggregate of lease payments receivable plus the estimated residual value of the leased assets and any initial direct costs incurred to originate these leases, less unearned income, which is accreted to interest income over the lease term using the interest method.

The standard leases are typically repayable on a level monthly basis with terms ranging from 24 to 120 months. At the end of the lease term, the lessee usually has the option to return the equipment, to renew the lease or purchase the equipment at the then fair market value ("FMV") price. For leases with a FMV renewal/purchase option, the relevant residual value assumptions are based on the estimated value of the leased asset at the end of lease term, including evaluation of key factors, such as, the estimated remaining useful life of the leased asset, its historical secondary market value including history of the lessee executing the FMV option, overall credit evaluation and return provisions. The Company acquires the leased asset at fair market value and provides funding to the respective lessee at acquisition cost, less any volume or trade discounts, as applicable. Therefore, there is generally no selling profit or loss to recognize or defer at inception of a lease.

The residual value component of a lease financing receivable represents the estimated fair value of the leased equipment at the end of the lease term. In establishing residual value estimates, the Company may rely on industry data, historical experience, and independent appraisals and, where appropriate, information regarding product life cycle, product upgrades and competing products. Upon expiration of a lease, residual assets are remarketed, resulting in an extension of the lease by the lessee, a lease to a new customer or purchase of the residual asset by the lessee or another party. Impairment of residual values arises if the expected fair value is less than the carrying amount. The Company assesses its net investment in lease financing receivables (including residual values) for impairment on an annual basis with any impairment losses recognized in accordance with the impairment guidance for financial instruments. As such, net investment in lease financing receivables may be reduced by an allowance for credit losses with changes recognized as provision expense. On certain lease financings, the Company obtains residual value insurance from third parties to manage and reduce the risk associated with the residual value of the leased assets. At September 30, 2022 and December 31, 2021, the carrying value of residual assets with third-party residual value insurance for at least a portion of the asset value was \$34 million and \$61 million, respectively.

The Company uses the interest rate implicit in the lease to determine the present value of its lease financing receivables.

The components of lease income were as follows:

| <i>(in millions)</i> | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2022 | For the Three Months Ended September 30, 2021 | For the Nine Months Ended September 30, 2021 |
|---|--|---|--|---|
| Interest income on lease financing ⁽¹⁾ | <u>\$ 14</u> | <u>\$ 38</u> | <u>\$ 13</u> | <u>\$ 41</u> |

(1) Included in Interest Income – Loans and leases in the Consolidated Statements of Income and Comprehensive Income.

At September 30, 2022 and December 31, 2021, the carrying value of net investment in leases was \$1.8 billion and \$1.9 billion, respectively. The components of net investment in direct financing leases, including the carrying amount of the lease receivables, as well as the unguaranteed residual asset were as follows:

| <i>(in millions)</i> | September 30, 2022 | December 31, 2021 |
|--|-----------------------|----------------------|
| Net investment in the lease - lease payments receivable | \$ 1,722 | \$ 1,790 |
| Net investment in the lease - unguaranteed residual assets | 59 | 75 |
| Total lease payments | <u>\$ 1,781</u> | <u>\$ 1,865</u> |

The following table presents the remaining maturity analysis of the undiscounted lease receivables as of September 30, 2022, as well as the reconciliation to the total amount of receivables recognized in the Consolidated Statements of Condition:

| <i>(in millions)</i> | September 30, 2022 |
|--------------------------------------|-----------------------|
| 2022 | \$ 3 |
| 2023 | 86 |
| 2024 | 186 |
| 2025 | 375 |
| 2026 | 373 |
| Thereafter | 758 |
| Total lease payments | 1,781 |
| Plus: deferred origination costs | 20 |
| Less: unearned income | (84) |
| Total lease finance receivables, net | <u>\$ 1,717</u> |

Lessee Arrangements

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the Consolidated Statements of Condition.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement

date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the incremental borrowing rate (FHLB borrowing rate) is used in determining the present value of lease payments. The implicit rate is used when readily determinable. The operating lease ROU asset is measured at cost, which includes the initial measurement of the lease liability, prepaid rent and initial direct costs incurred by the Company, less incentives received. The lease terms include options to extend the lease when it is reasonably certain that we will exercise that option. For the vast majority of the Company's leases, we are reasonably certain we will exercise our options to renew to the end of all renewal option periods. As such, substantially all of our future options to extend the leases have been included in the lease liability and ROU assets.

Variable costs such as the proportionate share of actual costs for utilities, common area maintenance, property taxes and insurance are not included in the lease liability and are recognized in the period in which they are incurred. Amortization of the ROU assets was \$21 million and \$15 million for the nine months ended September 30, 2022 and September 30, 2021, respectively. Included in these amounts was \$5 million and \$5 million for the three months ended September 30, 2022 and September 30, 2021, respectively.

The Company has operating leases for corporate offices, branch locations, and certain equipment. The Company's leases have remaining lease terms of one year to approximately 25 years, the vast majority of which include one or more options to extend the leases for up to five years resulting in lease terms up to 40 years.

The components of lease expense were as follows:

| <i>(in millions)</i> | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2022 | For the Three Months Ended September 30, 2021 | For the Nine Months Ended September 30, 2021 |
|----------------------|--|---|--|---|
| Operating lease cost | \$ 7 | \$ 21 | \$ 7 | \$ 20 |
| Sublease income | — | — | — | — |
| Total lease cost | <u>\$ 7</u> | <u>\$ 21</u> | <u>\$ 7</u> | <u>\$ 20</u> |

Supplemental cash flow information related to the leases for the following periods:

| <i>(in millions)</i> | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2022 | For the Three Months Ended September 30, 2021 | For the Nine Months Ended September 30, 2021 |
|---|--|---|--|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | | | |
| Operating cash flows from operating leases | \$ 7 | \$ 21 | \$ 7 | \$ 20 |

Supplemental balance sheet information related to the leases for the following periods:

| <i>(in millions, except lease term and discount rate)</i> | September 30, 2022 | December 31, 2021 |
|---|-----------------------|----------------------|
| Operating Leases: | | |
| Operating lease right-of-use assets | \$ 227 | \$ 249 |
| Operating lease liabilities | \$ 227 | \$ 249 |
| Weighted average remaining lease term | 13 years | 16 years |
| Weighted average discount rate% | 3.23% | 3.05% |

| <i>(in millions)</i> | September 30, 2022 |
|--|-----------------------|
| <i>Maturities of lease liabilities:</i> | |
| 2022 | \$ 7 |
| 2023 | 27 |
| 2024 | 26 |
| 2025 | 25 |
| 2026 | 24 |
| Thereafter | 171 |
| Total lease payments | 280 |
| Less: imputed interest | (53) |
| Total present value of lease liabilities | <u>\$ 227</u> |

Note 12. Derivative and Hedging Activities

The Company's derivative financial instruments consist of interest rate swaps. The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposure to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate and liquidity risks, primarily by managing the amount, sources, and duration of its assets and liabilities and, from time to time, the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates.

Title VII of the DFA requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties are the Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH"). As of September 30, 2022, all of the Company's \$1.5 billion notional derivative contracts were cleared on the LCH. Daily variation margin payments on derivatives cleared through the LCH are accounted for as legal settlement. For derivatives cleared through LCH, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative, which includes accrued interest; therefore, those interest rate and derivative contracts the Company clears through the LCH are reported at a fair value of approximately zero at September 30, 2022.

The Company's exposure is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At September 30, 2022, the Company had a net positive exposure.

Fair Value of Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain of its fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount. Such derivatives were used to hedge the changes in fair value of certain of its pools of prepayable fixed rate assets. For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income.

The Company entered into an interest rate swap with a notional amount of \$2.0 billion to hedge certain real estate loans. This swap expired in February 2022 and was not renewed. For the nine months ended September 30, 2022, the floating rate received related to the net settlement of this interest rate swap was less than the fixed rate payments. As such, interest income from Loans and leases in the accompanying Consolidated Statements of Income and Comprehensive Income was decreased by \$6 million for the nine months ended September 30, 2022. For the three and nine months ended September 30, 2021, the floating rate received related to the net settlement of this interest rate swap was less than the fixed rate payments. As such, interest income from Loans and leases in the accompanying Consolidated Statements of Income and Comprehensive Income was decreased by \$12 million and \$37 million for the three and nine months ended September 30, 2021.

As of September 30, 2022, and December 31, 2021 the following amounts were recorded on the balance sheet related to cumulative basis adjustment for fair value hedges:

| <i>(in millions)</i> | September 30, 2022 | | December 31, 2021 | |
|---|--------------------------------------|--|--------------------------------------|--|
| | Carrying Amount of the Hedged Assets | Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of the Hedged Assets | Carrying Amount of the Hedged Assets | Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of the Hedged Assets |
| Line Item in the Consolidated Statements of Condition in which the Hedge Item is Included | | | | |
| Total loans and leases, net ⁽¹⁾ | \$ - | \$ - | \$ 2,025 | \$ 25 |

- (1) These amounts include the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. Since the swap expired in February 2022, at September 30, 2022, the amortized cost basis of the closed portfolios used in these hedging relationships, the cumulative basis adjustments associated with these hedging relationships, and the amount of the designated hedged items, were zero.

The following table sets forth the effect of derivative instruments on the Consolidated Statements of Income and Comprehensive Income for the periods indicated.

| <i>(in millions)</i> | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2022 | For the Three Months Ended September 30, 2021 | For the Nine Months Ended September 30, 2021 |
|----------------------------------|---|--|---|--|
| Derivative – interest rate swap: | | | | |
| Interest income | \$ — | \$ 25 | \$ 25 | \$ 49 |
| Hedged item – loans: | | | | |
| Interest income | \$ — | \$ (25) | \$ (25) | \$ (49) |

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. Interest rate swaps designated as cash flow hedges involve the receipt of amounts subject to variability caused by changes in interest rates from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Changes in the fair value of derivatives designated and that qualify as cash flow hedges are initially recorded in other comprehensive income and are subsequently reclassified into earnings in the period that the hedged transaction affects earnings.

Interest rate swaps with notional amounts totaling \$1.5 billion and \$2.3 billion as of September 30, 2022 and December 31, 2021, respectively, were designated as cash flow hedges of certain FHLB borrowings.

The following table summarizes information about the interest rate swaps designated as cash flow hedges at September 30, 2022 and December 31, 2021:

| <i>(dollars in millions)</i> | September 30, 2022 | December 31, 2021 |
|-----------------------------------|--------------------|-------------------|
| Notional amounts | \$ 1,500 | \$ 2,250 |
| Cash collateral received (posted) | 58 | (12) |
| Weighted average pay rates | 1.51% | 1.27% |
| Weighted average receive rates | 2.89% | 0.18% |
| Weighted average maturity | 2.2 years | 0.9 years |

The following table presents the effect of the Company's cash flow derivative instruments on AOCL for the nine months ended September 30, 2022 and 2021:

| <i>(in millions)</i> | For the Nine Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2021 |
|--|--|--|
| Amount of (loss) gain recognized in AOCL | \$ 64 | \$ 2 |
| Amount of reclassified from AOCL to interest expense | 4 | 18 |

Gains (losses) included in the Consolidated Statements of Income related to interest rate derivatives designated as cash flow hedges during the nine months ended September 30, 2022 was \$4 million. Amounts reported in AOCL related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate borrowings. During the next twelve months, the Company estimates that an additional \$21 million will be reclassified to interest expense.

Note 13. Pending Acquisition

Receipt of OCC Approval for Bank Merger and Merger Extension

On October 28, 2022, the Company and Flagstar Bancorp, Inc. ("Flagstar") jointly announced the receipt of approval from the Office of the Comptroller of the Company (the "OCC") to convert Flagstar Bank, FSB to a national bank to be known as Flagstar Bank, N.A., and to merge New York Community Bank into Flagstar Bank, N.A. with Flagstar Bank being the surviving entity.

The acquisition of Flagstar by the Company is still subject to the approval of the FRB, as well as the satisfaction of certain other customary closing conditions under the merger agreement, as amended, between the two companies (the "Merger Agreement"). The OCC approval is subject to a statutory 15-day waiting period that provides that the bank merger cannot be consummated until 15 days after OCC approval has been received, which in this case is November 11, 2022. There is no associated waiting period with the FRB approval. NYCB and Flagstar intend to consummate the holding company and bank merger promptly after FRB approval is received and the OCC waiting period ends.

In addition, NYCB and Flagstar announced that they have mutually agreed to extend the Merger Agreement to December 31, 2022 from October 31, 2022 to provide additional time to obtain regulatory approval from the FRB. The extension was approved by the Boards of Directors of both companies. Pursuant to the terms of the Merger Agreement, Flagstar shareholders will receive 4.0151 shares of Company common stock for each Flagstar share they own.

Note 14. Legal Proceedings

Following the announcement of the Merger Agreement, the first of four lawsuits was filed on June 23, 2021 in United States Federal District Courts by alleged stockholders of NYCB against NYCB and the members of its board of directors challenging the accuracy or completeness of the disclosures contained in the Form S-4 filed on June 25, 2021 by NYCB with the SEC relating to the proposed Merger. Four additional lawsuits were filed by alleged Flagstar stockholders in state and federal courts against Flagstar and its board of directors (and, in one instance, NYCB and 615 Corp.) challenging the proposed Merger or Flagstar's disclosures relating to the Merger, and those four lawsuits have since been resolved and dismissed. The complaints in the actions against NYCB allege, among other things, that the defendants caused a materially incomplete and misleading Form S-4 relating to the proposed Merger to be filed with the SEC in violation of Section 14(a) and Section 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 14a-9 promulgated thereunder. Two of the lawsuits against NYCB have been voluntarily dismissed, without prejudice. In the two remaining actions, none of the NYCB defendants has been served with the complaint, and NYCB believes that these claims are without merit.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the purpose of this Quarterly Report on Form 10-Q, the words "we," "us," "our," and the "Company" are used to refer to New York Community Bancorp, Inc. and our consolidated subsidiary, New York Community Bank (the "Bank").

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING LANGUAGE

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

Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by use of the words "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "seek," "strive," "try," or future or conditional verbs such as "will," "would," "should," "could," "may," or similar expressions. Although we believe that our plans, intentions, and expectations as reflected in these forward-looking statements are reasonable, we can give no assurance that they will be achieved or realized.

Our ability to predict results or the actual effects of our plans and strategies is inherently uncertain. Accordingly, actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements contained in this report.

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

- general economic conditions, including higher inflation and its impacts, either nationally or in some or all of the areas in which we and our customers conduct our respective businesses;
- conditions in the securities markets and real estate markets or the banking industry;
- changes in real estate values, which could impact the quality of the assets securing the loans in our portfolio;
- changes in interest rates, which may affect our net income, prepayment penalty income, and other future cash flows, or the market value of our assets, including our investment securities;
- any uncertainty relating to the LIBOR transition process;
- changes in the quality or composition of our loan or securities portfolios;
- changes in our capital management policies, including those regarding business combinations, dividends, and share repurchases, among others;
- heightened regulatory focus on CRE concentrations;
- changes in competitive pressures among financial institutions or from non-financial institutions;
- changes in deposit flows and wholesale borrowing facilities;
- changes in the demand for deposit, loan, and investment products and other financial services in the markets we serve;
- our timely development of new lines of business and competitive products or services in a changing environment, and the acceptance of such products or services by our customers;
- our ability to obtain timely shareholder and regulatory approvals of any merger transactions or corporate restructurings we may propose, including timely obtaining regulatory approvals for our pending acquisition of Flagstar Bancorp, Inc.;
- our ability to successfully retain customers and to successfully integrate any assets, liabilities, customers, systems, and management personnel we may acquire into our operations, and our ability to realize related revenue synergies and cost savings within expected time frames, including the pending acquisition of Flagstar Bancorp, Inc.;
- potential exposure to unknown or contingent liabilities of companies we have acquired, may acquire, or target for acquisition, including in connection with the pending acquisition of Flagstar Bancorp, Inc.;

- changes resulting from our operations as a national bank, with the OCC as our primary federal regulator, following the completion of our pending acquisition of Flagstar Bancorp, Inc.;
- the success of our previously announced investment in, and partnership with, Figure Technologies, Inc., a FinTech company focusing on payment and lending via blockchain technology;
- the ability to invest effectively in new information technology systems and platforms;
- changes in future ACL requirements under relevant accounting and regulatory requirements;
- the ability to pay future dividends at currently expected rates;
- the ability to hire and retain key personnel;
- the ability to attract new customers and retain existing ones in the manner anticipated;
- changes in our customer base or in the financial or operating performances of our customers' businesses;
- any interruption in customer service due to circumstances beyond our control;
- the outcome of pending or threatened litigation, or of matters before regulatory agencies, whether currently existing or commencing in the future;
- environmental conditions that exist or may exist on properties owned by, leased by, or mortgaged to the Company;
- any interruption or breach of security resulting in failures or disruptions in customer account management, general ledger, deposit, loan, or other systems;
- operational issues stemming from, and/or capital spending necessitated by, the potential need to adapt to industry changes in information technology systems, on which we are highly dependent;
- the ability to keep pace with, and implement on a timely basis, technological changes;
- changes in legislation, regulation, policies, or administrative practices, whether by judicial, governmental, or legislative action, and other changes pertaining to banking, securities, taxation, rent regulation and housing (the New York Housing Stability and Tenant Protection Act of 2019), financial accounting and reporting, environmental protection, insurance, and the ability to comply with such changes in a timely manner;
- changes in the monetary and fiscal policies of the U.S. Government, including policies of the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System;
- changes in accounting principles, policies, practices, and guidelines;
- changes in regulatory expectations relating to predictive models we use in connection with stress testing and other forecasting or in the assumptions on which such modeling and forecasting are predicated;
- changes to federal, state, and local income tax laws;
- changes in our credit ratings or in our ability to access the capital markets;
- increases in our FDIC insurance premium;
- legislative and regulatory initiatives related to climate change;
- the potential impact to the Company from climate change, including higher regulatory compliance, increased expenses, operational changes, and reputational risks;
- unforeseen or catastrophic events including natural disasters, war, terrorist activities, and the emergence of a pandemic;
- the impacts related to or resulting from Russia's military action in Ukraine, including the broader impacts to financial markets and the global macroeconomic and geopolitical environment;
- the effects of COVID-19, which includes, but are not limited to, the length of time that the pandemic continues, the effectiveness and acceptance of the COVID-19 vaccination program, the potential imposition of further restrictions on business operations and/or travel or movement in the future, the remedial actions and stimulus measures adopted by federal, state, and local governments, the health of our employees and the inability of employees to work due to illness, quarantine, or government mandates, the business continuity plans of our customers and our vendors, the increased likelihood of cybersecurity risk, data breaches, or fraud due to employees working from home, the ability of our borrowers to continue to repay their loan obligations, the lack of property transactions and asset sales, potential impact on collateral values, and the effect of the pandemic on the general economy and businesses of our borrowers; and

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

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

Furthermore, on an ongoing basis, we evaluate opportunities to expand through mergers and acquisitions and opportunities for strategic combinations with other banking organizations. Our evaluation of such opportunities involves discussions with other parties, due diligence, and negotiations. As a result, we may decide to enter into definitive arrangements regarding such opportunities at any time.

In addition to the risks and challenges described above, these types of transactions involve a number of other risks and challenges, including:

- the ability to successfully integrate branches and operations and to implement appropriate internal controls and regulatory functions relating to such activities;
- the ability to limit the outflow of deposits, and to successfully retain and manage any loans;
- the ability to attract new deposits, and to generate new interest-earning assets, in geographic areas that have not been previously served;
- the success in deploying any liquidity arising from a transaction into assets bearing sufficiently high yields without incurring unacceptable credit or interest rate risk;
- the ability to obtain cost savings and control incremental non-interest expense;
- the ability to retain and attract appropriate personnel;
- the ability to generate acceptable levels of net interest income and non-interest income, including fee income, from acquired operations;
- the diversion of management's attention from existing operations;
- the ability to address an increase in working capital requirements; and
- limitations on the ability to successfully reposition our post-merger balance sheet when deemed appropriate.

See Part I, Item 1A, Risk Factors, in our Form 10-K for the year ended December 31, 2021 for a further discussion of important risk factors that could cause actual results to differ materially from our forward-looking statements.

Readers should not place undue reliance on these forward-looking statements, which reflect our expectations only as of the date of this report. We do not assume any obligation to revise or update these forward-looking statements except as may be required by law.

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

(unaudited)

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

1. Tangible common stockholders' equity is an important indication of the Company's ability to grow organically and through business combinations, as well as its ability to pay dividends and to engage in various capital management strategies.
2. Tangible book value per common share and the ratio of tangible common stockholders' equity to tangible assets are among the capital measures considered by current and prospective investors, both independent of, and in comparison with, the Company's peers.

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

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

| | At or for the | | | At or for the | |
|---|-----------------------|------------------|-----------------------|-----------------------|-----------------------|
| | Three Months Ended | | | Nine Months Ended | |
| | September 30, 2022 | June 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| (dollars in millions) | | | | | |
| Total Stockholders' Equity | \$ 6,746 | \$ 6,824 | \$ 6,967 | \$ 6,746 | \$ 6,967 |
| Less: Goodwill | (2,426) | (2,426) | (2,426) | (2,426) | (2,426) |
| Preferred stock | (503) | (503) | (503) | (503) | (503) |
| Tangible common stockholders' equity | \$ 3,817 | \$ 3,895 | \$ 4,038 | \$ 3,817 | \$ 4,038 |
| Total Assets | \$ 62,956 | \$ 63,093 | \$ 57,890 | \$ 62,956 | \$ 57,890 |
| Less: Goodwill | (2,426) | (2,426) | (2,426) | (2,426) | (2,426) |
| Tangible Assets | \$ 60,530 | \$ 60,667 | \$ 55,464 | \$ 60,530 | \$ 55,464 |
| Average common stockholders' equity | \$ 6,389 | \$ 6,398 | \$ 6,474 | \$ 6,443 | \$ 6,404 |
| Less: Average goodwill | (2,426) | (2,426) | (2,426) | (2,426) | (2,426) |
| Average tangible common stockholders' equity | \$ 3,963 | \$ 3,972 | \$ 4,048 | \$ 4,017 | \$ 3,978 |
| Average Assets | \$ 63,269 | \$ 61,988 | \$ 57,307 | \$ 61,729 | \$ 57,246 |
| Less: Average goodwill | (2,426) | (2,426) | (2,426) | (2,426) | (2,426) |
| Average tangible assets | \$ 60,843 | \$ 59,562 | \$ 54,881 | \$ 59,303 | \$ 54,820 |
| GAAP MEASURES: | | | | | |
| Return on average assets ⁽¹⁾ | 0.96 % | 1.10 % | 1.04 % | 1.03 % | 1.04 % |
| Return on average common stockholders' equity ⁽²⁾ | 9.01 | 10.18 | 8.69 | 9.39 | 8.77 |
| Book value per common share | \$ 13.39 | \$ 13.56 | \$ 13.90 | \$ 13.39 | \$ 13.90 |
| Common stockholders' equity to total assets | 9.92 | 10.02 | 11.17 | 9.92 | 11.17 |
| NON-GAAP MEASURES: | | | | | |
| Return on average tangible assets ⁽¹⁾ | 1.02 % | 1.17 % | 1.08 % | 1.10 % | 1.08 % |
| Return on average tangible common stockholders' equity ⁽²⁾ | 14.81 | 16.73 | 13.89 | 15.43 | 14.12 |
| Tangible book value per common share | \$ 8.19 | \$ 8.35 | \$ 8.68 | \$ 8.19 | \$ 8.68 |
| Tangible common stockholders' equity to tangible assets | 6.31 | 6.42 | 7.28 | 6.31 | 7.28 |

(1) To calculate return on average assets for a period, we divide net income generated during that period by average assets recorded during that period. To calculate return on average tangible assets for a period, we divide net income by average tangible assets recorded during that period.

(2) To calculate return on average common stockholders' equity for a period, we divide net income available to common shareholders generated during that period by average common stockholders' equity recorded during that period. To calculate return on average tangible common stockholders' equity for a period, we divide net income available to common shareholders generated during that period by average tangible common stockholders' equity recorded during that period.

Executive Summary

New York Community Bancorp, Inc. is the holding company for New York Community Bank, a New York State-chartered savings bank, headquartered in Hicksville, New York. The Bank is subject to regulation by the NYSDFS, the FDIC, and the CFPB. In addition, the holding company is subject to regulation by the FRB, the SEC, and to the requirements of the NYSE, where shares of our common stock trade under the symbol “NYCB” and shares of our preferred stock trade under the symbol “NYCB PA”.

Reflecting our growth through a series of acquisitions, the Company currently operates 237 branch locations through eight local divisions, each with a history of service and strength. In New York, we operate as Queens County Savings Bank, Roslyn Savings Bank, Richmond County Savings Bank, Roosevelt Savings Bank, and Atlantic Bank; in New Jersey as Garden State Community Bank; in Ohio as the Ohio Savings Bank; and as AmTrust Bank in Arizona and Florida.

Third Quarter 2022 Overview

At September 30, 2022, total assets were \$63.0 billion, up \$3.4 billion or 8% annualized compared to December 31, 2021. The year-to-date increase was due primarily to growth in our loan portfolio, and to a lesser extent, growth in the securities portfolio, offset slightly by a decline in the level of cash and cash equivalents.

Total loans held for investment increased \$3.2 billion or 9% annualized, ending the quarter at \$49.0 billion compared to December 31, 2021. Our loan growth continues to be driven by growth in two categories: multi-family loans and specialty finance loans.

During the current third quarter, the Company reinvested a portion of its cash balances in short-term treasury securities. Accordingly, total available-for-sale securities increased by \$1.0 billion to \$6.7 billion, up 18% (not annualized) compared to the second quarter of the year. At the same time, the level of cash balances declined \$1.6 billion to \$1.7 billion.

On the liability front, total deposits increased \$6.6 billion or 25% annualized to \$41.7 billion. Once again, the deposit growth was driven by growth in our BaaS business and loan-related deposits.

Given the strong year-to-date deposit growth, wholesale borrowings declined \$2.8 billion or 23% annualized to \$13.1 billion compared to December 31, 2021.

For the three months ended September 30, 2022, the Company reported net income of \$152 million, up 2% compared to the \$149 million that the Company reported for the three months ended September 30, 2021. Net income available to common stockholders for the three months ended September 30, 2022 totaled \$144 million, up 3% compared to the \$140 million that the Company reported for the three months September 30, 2021. Diluted EPS were \$0.30 for the three months ended September 30, 2022, unchanged compared to the three months ended September 31, 2021.

Included in the three months ended September 30, 2022 results are \$4 million in merger-related expenses compared to \$6 million for the three months ended September 30, 2021.

For the nine months ended September 30, 2022, net income totaled \$478 million, up 7% compared to \$446 million for the nine months ended September 30, 2021. Net income available to common stockholders for the nine months ended September 30, 2022 totaled \$453 million, up 8% compared to \$421 million for the three months ended September 30, 2021.

Diluted EPS for the nine months ended September 30, 2022 were \$0.96, up 7% compared to \$0.90 for the nine months ended September 30, 2021.

Included in the nine months ended September 30, 2022 were merger-related expenses of \$15 million, down modestly compared to \$16 million for the nine months ended September 30, 2021.

The key trends in the third quarter of 2022 were:

Continued Portfolio Loan Growth

At September 30, 2022, total loans held for investment were \$49.0 billion compared to \$45.7 billion, up 9% on an annualized basis. The loan portfolio has now grown over the past four consecutive quarters and continues to be driven by growth in both our multi-family and specialty finance businesses. The multi-family portfolio totaled \$37.2 billion at September 30, 2022, up \$2.6 billion or 10% annualized compared to December 31, 2021 and \$407 million or 4% annualized compared to June 30, 2022. The specialty

finance portfolio also continued to increase, growing \$755 million or 29% annualized to \$4.3 billion compared to December 31, 2021 and \$117 million or 11% annualized compared to June 30, 2022.

The growth in the multi-family portfolio was driven by ongoing market share gains in our non-luxury, rent regulated niche within the New York City multi-family market. Growth in the specialty finance portfolio was primarily driven by draw downs on existing commitments.

Another Strong Quarter of Deposit Growth

Total deposits at September 30, 2022 were \$41.7 billion, up \$6.6 billion or 25% annualized compared to December 31, 2021 and up \$461 million or 4% annualized compared to June 30, 2022. The increase was driven by growth in the Company's BaaS business and in loan-related deposits from our borrowers.

BaaS deposits at September 30, 2022 totaled \$7.9 billion, up \$5.8 billion on a year-to-date basis. Loan-related deposits totaled \$4.8 billion, up \$793 million or 26% annualized compared to December 31, 2021.

Stable Non-Interest Expenses

For the three months ended September 30, 2022, non-interest expenses totaled \$136 million, up 1% compared to the \$135 million we reported for the three months ended September 30, 2021, but down 1% compared to the \$138 million we reported during the three months ended June 30, 2022. Included in the current third quarter amount are \$4 million in merger-related expenses, unchanged compared to the second-quarter 2022 amount and down \$2 million compared to the \$6 million in merger-related expenses we reported during third-quarter 2021.

Recent Events

Declaration of Dividend on Common Shares

On October 25, 2022, our Board of Directors declared a quarterly cash dividend on the Company's common stock of \$0.17 per share. The dividend is payable on November 17, 2022 to common shareholders of record as of November 7, 2022.

Receipt of OCC Approval for Bank Merger and Merger Extension

On October 28, 2022, the Company and Flagstar Bancorp, Inc. ("Flagstar") jointly announced the receipt of approval from the Office of the Comptroller of the Company (the "OCC") to convert Flagstar Bank, FSB to a national bank to be known as Flagstar Bank, N.A., and to merge New York Community Bank into Flagstar Bank, N.A. with Flagstar Bank being the surviving entity.

The acquisition of Flagstar by the Company is still subject to the approval of the FRB, as well as the satisfaction of certain other customary closing conditions under the merger agreement, as amended, between the two companies (the "Merger Agreement"). The OCC approval is subject to a statutory 15-day waiting period that provides that the bank merger cannot be consummated until 15 days after OCC approval has been received, which in this case is November 11, 2022. There is no associated waiting period with the FRB approval. NYCB and Flagstar intend to consummate the holding company and bank merger promptly after FRB approval is received and the OCC waiting period ends.

In addition, NYCB and Flagstar announced that they have mutually agreed to extend the Merger Agreement to December 31, 2022 from October 31, 2022 to provide additional time to obtain regulatory approval from the FRB. The extension was approved by the Boards of Directors of both companies. Pursuant to the terms of the Merger Agreement, Flagstar shareholders will receive 4.0151 shares of Company common stock for each Flagstar share they own.

Critical Accounting Policies

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

We have identified the following to be critical accounting policies: the determination of the allowance for credit losses on loans and leases.

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

Allowance for Credit Losses

The Company's January 1, 2020, adoption of ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments," resulted in a significant change to our methodology for estimating the allowance since December 31, 2019. ASU No. 2016-13 replaced the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance sheet exposures not accounted for as insurance and net investments in leases accounted for under ASC Topic 842.

The allowance for credit losses on loans and leases is deducted from the amortized cost basis of a financial asset or a group of financial assets so that the balance sheet reflects the net amount the Company expects to collect. Amortized cost is the unpaid loan balance, net of deferred fees and expenses, and includes negative escrow. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net income as a credit loss expense or a reversal of credit loss expense. Management estimates the allowance by projecting and multiplying together the probability-of-default, loss-given-default and exposure-at-default depending on economic parameters for each month of the remaining contractual term. Economic parameters are developed using available information relating to past events, current conditions, and economic forecasts. The Company's economic forecast period is 24 months, and afterwards reverts to a historical average loss rate on a straight-line basis over a 12-month period. Historical credit experience provides the basis for the estimation of expected credit losses, with qualitative adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in environmental conditions, such as changes in legislation, regulation, policies, administrative practices or other relevant factors. Expected credit losses are estimated over the contractual term of the loans, adjusted for forecasted prepayments when appropriate. The contractual term excludes potential extensions or renewals. The methodology used in the estimation of the allowance for loan and lease losses, which is performed at least quarterly, is designed to be dynamic and responsive to changes in portfolio credit quality and forecasted economic conditions. Each quarter the Company reassesses the appropriateness of the economic forecasting period, the reversion period and historical mean at the portfolio segment level, considering any required adjustments for differences in underwriting standards, portfolio mix, and other relevant data shifts over time.

The allowance for credit losses on loans and leases is measured on a collective (pool) basis when similar risk characteristics exist. The portfolio segment represents the level at which a systematic methodology is applied to estimate credit losses. Management believes the products within each of the entity's portfolio segments exhibit similar risk characteristics. Smaller pools of homogenous financing receivables with homogeneous risk characteristics were modeled using the methodology selected for the portfolio segment. The macroeconomic data used in the quantitative models are based on a reasonable and supportable forecast period of 24 months. The Company leverages economic projections including property market and prepayment forecasts from established independent third parties to inform its loss drivers in the forecast. Beyond this forecast period, the Company reverts to a historical average loss rate. This reversion to the historical average loss rate is performed on a straight-line basis over 12 months.

Loans that do not share risk characteristics are evaluated on an individual basis. These include loans that are in nonaccrual status with balances above management determined materiality thresholds depending on loan class and also loans that are designated as TDR or "reasonably expected TDR" (criticized, classified, or maturing loans that will have a modification processed within the next three months). In addition, all taxi medallion loans are individually evaluated. If a loan is determined to be collateral dependent, or meets the criteria to apply the collateral dependent practical expedient, expected credit losses are determined based on the fair value of the collateral at the reporting date, less costs to sell as appropriate.

The Company maintains an allowance for credit losses on off-balance sheet credit exposures. At September 30, 2022 and December 31, 2021, the allowance for credit losses on off-balance sheet exposures was \$7 million and \$12 million, respectively. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life. The Company examined historical credit conversion factor ("CCF") trends to estimate utilization rates, and chose an appropriate mean CCF based on both management judgment and quantitative analysis. Quantitative analysis involved examination of CCFs over a range of fund-up windows (between 12 and 36 months) and comparison of the mean CCF for each fund-up window with management judgment determining whether the highest mean CCF across fund-up windows made business sense. The Company applies the same standards and estimated loss rates to the credit exposures as to the related class of loans.

When applying this critical accounting policy, we incorporate several inputs and judgments that may be influenced by changes period to period. These include, but are not limited to changes in the economic environment and forecasts, changes in the credit profile and characteristics of the loan portfolio, and changes in prepayment assumptions which will result in provisions to or recoveries from the balance of the allowance for credit losses.

While changes to the economic environment forecasts, and portfolio characteristics will change from period to period, portfolio prepayments are an integral assumption in estimating the allowance for credit losses on our mortgage loan portfolio, are subject to estimation uncertainty and changes in this assumption could have a material impact to our estimation process. Prepayment assumptions are sensitive to interest rates and existing loan terms and determine the weighted average life of the mortgage loan portfolio. Excluding other factors, as the weighted average life of the portfolio increases or decreases, so will the required amount of the allowance for credit losses on mortgage loans.

Balance Sheet Summary

At September 30, 2022, total assets were \$63.0 billion, relatively unchanged compared to the previous quarter and up \$3.4 billion or 8% annualized compared to December 31, 2021. The year-to-date increase was driven primarily by loan growth and to a lesser extent, growth in the securities portfolio. The linked-quarter change was driven by loan growth offset largely by a decline in cash balances.

Total loans held for investment increased \$3.2 billion or 9% annualized to \$49.0 billion compared to December 31, 2021 and up \$447 million or 4% annualized compared to June 30, 2022. Loan growth continues to be driven by growth in both the multi-family and specialty finance portfolios.

On the liability side, total deposits increased \$6.6 billion or 25% annualized to \$41.7 billion compared to December 31, 2021 and rose \$461 million or 4% annualized compared to June 30, 2022. At the same time, borrowed funds declined \$2.8 billion or 22% annualized to \$13.8 billion compared to December 31, 2021 and \$509 million or 14% annualized compared to June 30, 2022.

Loans and Leases

Loans and Leases Originated for Investment

The majority of the loans we originate are loans and leases held for investment and most of the held-for-investment loans we produce are multi-family loans. Our production of multi-family loans began over five decades ago in the five boroughs of New York City, where the majority of the rental units currently consist of non-luxury, rent-regulated apartments featuring below-market rents. In addition to multi-family loans, our portfolio of loans held for investment contains a number of CRE loans, most of which are secured by income-producing properties located in New York City and Long Island.

In addition to multi-family and CRE loans, our specialty finance loans and leases have become an increasingly larger portion of our overall loan portfolio. The remainder of our portfolio includes smaller balances of C&I loans, one-to-four family loans, ADC loans, and other loans held for investment. The majority of C&I loans consist of loans to small- and mid-size businesses.

Loan originations for the three months ended September 30, 2022 totaled \$3.8 billion, up 27% compared to the three months ended September 30, 2021, but down 29% compared to the record amount of loans the Company originated during the three months ended June 30, 2022. Third quarter 2022 originations exceeded the prior quarter's pipeline of \$2.5 billion by \$1.2 billion or 147%.

During the current third quarter, multi-family originations totaled \$1.7 billion, down slightly compared to the year-ago third quarter and down \$1.2 billion compared to the record second-quarter origination volumes. Specialty finance originations totaled \$1.6 billion during the current third quarter, up nearly double compared to the third quarter of 2021 and down \$317 million compared to second quarter 2022.

For the nine months ended September 30, 2022, total loan originations were \$12.6 billion, up \$4 billion or 47% compared to the nine months ended September 30, 2021. On a year-over-year basis, multi-family originations increased 32% to \$7.1 billion, while specialty finance originations more than doubled to \$4.1 billion.

The following table presents information about the loans held for investment we originated for the respective periods:

| <i>(dollars in millions)</i> | For the Three Months Ended | | | For the Nine Months Ended | |
|---|----------------------------|------------------|-----------------------|---------------------------|-----------------------|
| | September 30, 2022 | June 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Mortgage Loan Originated for Investment: | | | | | |
| Multi-family | \$1,716 | \$2,939 | \$1,796 | \$7,065 | \$5,341 |
| Commercial real estate | 243 | 213 | 143 | 737 | 655 |
| One-to-four family residential | 13 | 82 | 70 | 157 | 138 |
| Acquisition, development, and construction | 11 | 32 | 18 | 83 | 94 |
| Total mortgage loans originated for investment | 1,983 | 3,266 | 2,027 | 8,042 | 6,228 |
| Other Loans Originated for Investment: | | | | | |
| Specialty finance | 1,560 | 1,877 | 796 | 4,075 | 1,943 |
| Other commercial and industrial | 215 | 116 | 127 | 433 | 383 |
| Other | 2 | 1 | 2 | 5 | 5 |
| Total other loans originated for investment | 1,777 | 1,994 | 925 | 4,513 | 2,331 |
| Total loans originated for investment | \$3,760 | \$5,260 | \$2,952 | \$12,555 | \$8,559 |

Loans and Leases Held for Investment

The individual held-for-investment loan portfolios are discussed in detail below.

Multi-Family Loans

Multi-family loans are our principal asset. The loans we produce are primarily secured by non-luxury residential apartment buildings in New York City that are rent-regulated and feature below-market rents—a market we refer to as our “Primary Lending Niche.” The majority of our multi-family loans are made to long-term owners of buildings with apartments that are subject to rent regulation and feature below-market rents.

At September 30, 2022, total multi-family loans represented \$37.2 billion or 76% of total loans and leases held for investment.

At September 30, 2022, 71% of our multi-family loans were secured by rental apartment buildings in the New York City metro area and 3% were secured by buildings elsewhere in New York State. The remaining multi-family loans were secured by buildings outside these markets, including in the four other states in which we operate.

In addition, 60% or \$22.4 billion of the Company's overall multi-family portfolio is secured by properties in New York State, of which \$19.5 billion are subject to rent regulation laws. The weighted average LTV of the rent-regulated segment of the multi-family portfolio was 57.05%, as of September 30, 2022, 358 bps below the overall multi-family weighted average LTV of 60.63%.

Our emphasis on multi-family loans is driven by several factors, including their structure, which reduces our exposure to interest rate volatility to some degree. Another factor driving our focus on multi-family lending has been the comparative quality of the loans we produce. Reflecting the nature of the buildings securing our loans, our underwriting standards, and the generally conservative LTV ratios our multi-family loans feature at origination, a relatively small percentage of the multi-family loans that have transitioned to non-performing status have actually resulted in losses, even when the credit cycle has taken a downward turn.

We primarily underwrite our multi-family loans based on the current cash flows produced by the collateral property, with a reliance on the “income” approach to appraising the properties, rather than the “sales” approach. The sales approach is subject to fluctuations in the real estate market, as well as general economic conditions, and is therefore likely to be more risky in the event of a downward credit cycle turn. We also consider a variety of other factors, including the physical condition of the underlying property; the net operating income of the mortgaged premises prior to debt service; the DSCR, which is the ratio of the property’s net operating income to its debt service; and the ratio of the loan amount to the appraised value (i.e., the LTV) of the property.

In addition to requiring a minimum DSCR of 125% on multi-family buildings, we obtain a security interest in the personal property located on the premises, and an assignment of rents and leases. Our multi-family loans generally represent no more than 75% of the lower of the appraised value or the sales price of the underlying property, and typically feature an amortization period of 30 years. In addition, some of our multi-family loans may contain an initial interest-only period which typically does not exceed two years; however, these loans are underwritten on a fully amortizing basis.

Commercial Real Estate Loans

At September 30, 2022, CRE loans represented \$6.6 billion or 13% of total loans and leases held for investment, unchanged compared to the previous quarter.

The CRE loans originated by the Company are also secured by income-producing properties, such as office buildings, mixed-use buildings (retail storefront on the ground floor and apartment units above the ground floor), retail centers, and multi-tenanted light industrial properties. At September 30, 2022, 83% of our CRE loans were secured by properties in the New York City metro area, while properties in other parts of New York State accounted for 2% of the properties securing our CRE loans and properties in all other states accounted for 15% combined.

Specialty Finance Loans and Leases

At September 30, 2022, specialty finance loans and leases totaled \$4.3 billion or 9% of total loans and leases held for investment.

We produce our specialty finance loans and leases through a subsidiary that is staffed by a group of industry veterans with expertise in originating and underwriting senior securitized debt and equipment loans and leases. The subsidiary participates in syndicated loans that are brought to them, and equipment loans and leases that are assigned to them, by a select group of nationally recognized sources, and are generally made to large corporate obligors, many of which are publicly traded, carry investment grade or near-investment grade ratings, and participate in stable industries nationwide.

The specialty finance loans and leases we fund fall into three categories: asset-based lending, dealer floor-plan lending, and equipment loan and lease financing. Each of these credits is secured with a perfected first security interest in, or outright ownership of, the underlying collateral, and structured as senior debt or as a non-cancelable lease. Asset-based and dealer floor-plan loans are priced at floating rates predominately tied to SOFR or LIBOR-replacement rates, while our equipment financing credits are priced at fixed rates at a spread over Treasuries.

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

C&I Loans

At September 30, 2022, C&I loans totaled \$578 million or 1% of total loans and leases held for investment.

The C&I loans we produce are primarily made to small and mid-size businesses in the five boroughs of New York City and on Long Island. Such loans are tailored to meet the specific needs of our borrowers, and include term loans, demand loans, revolving lines of credit, and, to a much lesser extent, loans that are partly guaranteed by the Small Business Administration.

A broad range of C&I loans, both collateralized and unsecured, are made available to businesses for working capital (including inventory and accounts receivable), business expansion, the purchase of machinery and equipment, and other general corporate needs. In determining the term and structure of C&I loans, several factors are considered, including the purpose, the collateral, and the anticipated sources of repayment. C&I loans are typically secured by business assets and personal guarantees of the borrower, and include financial covenants to monitor the borrower's financial stability.

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

Acquisition, Development, and Construction Loans

ADC loans at September 30, 2022 totaled \$203 million and represented 0.41% of total loans and leases held for investment. Because ADC loans are generally considered to have a higher degree of credit risk, especially during a downturn in the business cycle, borrowers are required to provide a guarantee of repayment and completion.

One-to-Four Family Loans

At September 30, 2022, one-to-four family loans totaled \$123 million or 0.25% of total loans and leases held for investment. These loan balances include certain mixed-use CRE with less than five residential units classified as one-to-four family loans.

Other Loans

Other loans totaled \$6 million at September 30, 2022 and consisted mainly of overdraft loans and loans to non-profit organizations. We currently do not offer home equity loans or home equity lines of credit.

Lending Authority

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

C&I loans less than or equal to \$3 million are approved by the joint authority of lending officers. C&I loans in excess of \$3 million and all multi-family, CRE, ADC, and Specialty Finance loans regardless of amount are required to be presented to the Management Credit Committee for approval. Multi-family, CRE, and C&I loans in excess of \$5 million and Specialty Finance in excess of \$15 million are also required to be presented to the Commercial Credit Committee and the Mortgage and Real Estate Committee of the Board, as applicable so that the Committees can review the loan's associated risks. The Commercial Credit and Mortgage and Real Estate Committees have authority to direct changes in lending practices as they deem necessary or appropriate in order to address individual or aggregate risks and credit exposures in accordance with the Bank's strategic objectives and risk appetites.

The Board of Directors updated certain aspects of the Company's lending authority as detailed below. These changes were effective as of July 21, 2021.

Multi-family, CRE, ADC, and specialty finance loans less than or equal to \$10 million and C&I loans less than or equal to \$5 million are approved by the joint authority of lending officers. C&I loans in excess of \$5 million and all multi-family, CRE, ADC, and specialty finance loans in excess of \$10 million are required to be presented to the Management Credit Committee for approval. Multi-family, CRE, ADC, and specialty finance loans in excess of \$50 million and C&I loans in excess of \$10 million are also required to be presented to the Board Credit Committee of the Board, so that the Committee can review the loan's associated risks and approve the credit. The Board Credit Committee has authority to direct changes in lending practices as they deem necessary or appropriate in order to address individual or aggregate risks and credit exposures in accordance with the Bank's strategic objectives and risk appetites.

In addition, all loans of \$50 million or more originated by the Bank continue to be reported to the Board of Directors.

At September 30, 2022, the largest mortgage loan in our portfolio was a \$329 million multi-family loan collateralized by six properties located in Brooklyn, New York. As of the date of this report, the loan has been current since origination.

Geographical Analysis of the Portfolio of Loans Held for Investment

The following table presents a geographical analysis of the multi-family and CRE loans in our held-for-investment loan portfolio at September 30, 2022:

| <i>(dollars in millions)</i> | At September 30, 2022 | | | |
|------------------------------|-----------------------|------------------|------------------------------|------------------|
| | Multi-Family Loans | | Commercial Real Estate Loans | |
| | Amount | Percent of Total | Amount | Percent of Total |
| New York City: | | | | |
| Manhattan | \$ 7,410 | 19.93 % | \$ 2,760 | 41.80 % |
| Brooklyn | 6,448 | 17.34 | 340 | 5.14 |
| Bronx | 3,731 | 10.04 | 147 | 2.22 |
| Queens | 2,941 | 7.91 | 564 | 8.54 |
| Staten Island | 127 | 0.34 | 51 | 0.78 |
| Total New York City | \$ 20,657 | 55.56 % | \$ 3,862 | 58.48 % |
| New Jersey | 5,012 | 13.48 | 562 | 8.51 |
| Long Island | 540 | 1.45 | 1,030 | 15.60 |
| Total Metro New York | \$ 26,209 | 70.49 % | \$ 5,454 | 82.59 % |
| Other New York State | 1,163 | 3.13 | 141 | 2.14 |
| Pennsylvania | 3,740 | 10.06 | 318 | 4.82 |
| Florida | 1,730 | 4.65 | 208 | 3.15 |
| Ohio | 780 | 2.10 | 40 | 0.61 |
| Arizona | 412 | 1.11 | 33 | 0.50 |
| All other states | 3,145 | 8.46 | 409 | 6.19 |
| Total | \$ 37,179 | 100.00 % | \$ 6,603 | 100.00 % |

At September 30, 2022, the largest concentration of ADC loans held for investment was located in Metro New York, with a total of \$174 million at that date. The majority of our other loans held for investment were secured by properties and/or businesses located in Metro New York.

Asset Quality

Non-Performing Loans and Repossessed Assets

Non-performing assets at September 30, 2022 declined \$6 million or 11% to \$50 million compared to June 30, 2022. This represents 0.08% of total assets compared to 0.09% at June 30, 2022. Total non-performing loans declined \$5 million or 10% to \$45 million compared to \$50 million at June 30, 2022 and represent 0.09% of total loans at September 30, 2022 compared to 0.10% of total loans at June 30, 2022. Repossessed assets, consisting primarily of repossessed taxi medallion loans totaled \$5 million at September 30, 2022, down \$1 million or 17% compared to June 30, 2022. Total loans 30 to 89 days past due increased \$9 million or 30% to \$39 million at September 30, 2022 compared to June 30, 2022.

The following table presents our non-performing loans by loan type and the changes in the respective balances from December 31, 2021 to September 30, 2022:

| | September 30, 2022 | December 31, 2021 | Change from December 31, 2021 to September 30, 2022 | |
|--|-----------------------|----------------------|--|---------|
| | | | Amount | Percent |
| <i>(dollars in millions)</i> | | | | |
| Non-Performing Loans: | | | | |
| Non-accrual mortgage loans: | | | | |
| Multi-family | \$ 13 | \$ 10 | \$ 3 | 30 % |
| Commercial real estate | 28 | 16 | 12 | 75 |
| One-to-four family | 1 | 1 | — | — |
| Acquisition, development, and construction | — | — | — | — |
| Total non-accrual mortgage loans | 42 | 27 | 15 | 56 |
| Non-accrual other loans ⁽¹⁾ | 3 | 6 | (3) | (50) |
| Total non-performing loans | \$ 45 | \$ 33 | \$ 12 | 36 |

(1) Includes \$3 million and \$6 million of non-accrual taxi medallion-related loans at September 30, 2022 and December 31, 2021, respectively.

The following table sets forth the changes in non-performing loans over the nine months ended September 30, 2022:

| | |
|--|-------|
| <i>(dollars in millions)</i> | |
| Balance at December 31, 2021 | \$ 33 |
| New non-accrual | 38 |
| Charge-offs | (1) |
| Transferred to repossessed assets | — |
| Loan payoffs, including dispositions and principal pay-downs | (24) |
| Restored to performing status | (1) |
| Balance at September 30, 2022 | \$ 45 |

A loan generally is classified as a non-accrual loan when it is 90 days or more past due or when it is deemed to be impaired because the Company no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is current and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash. At September 30, 2022 and December 31, 2021, all of our non-performing loans were non-accrual loans.

We monitor non-accrual loans both within and beyond our primary lending area, which is defined as including: (a) the counties that comprise our CRA Assessment area, and (b) the entirety of the following states: Arizona; Florida; New York; New Jersey; Ohio; and Pennsylvania, in the same manner. Monitoring loans generally involves inspecting and re-appraising the collateral properties; holding discussions with the principals and managing agents of the borrowing entities and/or retained legal counsel, as applicable; requesting financial, operating, and rent roll information; confirming that hazard insurance is in place or force-placing such insurance; monitoring tax payment status and advancing funds as needed; and appointing a receiver, whenever possible, to collect rents, manage the operations, provide information, and maintain the collateral properties.

It is our policy to order updated appraisals for all non-performing loans, irrespective of loan type, that are collateralized by multi-family buildings, CRE properties, or land, in the event that such a loan is 90 days or more past due, and if the most recent appraisal on file for the property is more than one year old. Appraisals are ordered annually until such time as the loan becomes performing and is returned to accrual status. It is generally not our policy to obtain updated appraisals for performing loans. However, appraisals may be ordered for performing loans when a borrower requests an increase in the loan amount, a modification in loan terms, or an extension of a maturing loan. We do not analyze LTVs on a portfolio-wide basis.

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

Properties and assets that are acquired through foreclosure are classified as either OREO or repossessed assets, and are recorded at fair value at the date of acquisition, less the estimated cost of selling the property/asset. Subsequent declines in the fair value of OREO or repossessed assets are charged to earnings and are included in non-interest expense. It is our policy to require an appraisal and an environmental assessment (in accordance with our Environmental Risk Policy) of properties classified as OREO before foreclosure, and to re-appraise the properties/assets on an as-needed basis, and not less than annually, until they are sold. We dispose of such properties/assets as quickly and prudently as possible, given current market conditions and the property's or asset's condition.

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

The condition of the collateral property is another critical factor. Multi-family buildings and CRE properties are inspected from rooftop to basement as a prerequisite to closing, with a member of the Board Credit Committee participating in inspections on multi-family, CRE, and ADC loans to be originated in excess of \$50 million. We continue to conduct inspections as per the aforementioned policy, however, due to the COVID-19 pandemic, currently full access to some properties and buildings may be limited. Furthermore, independent appraisers, whose appraisals are carefully reviewed by our experienced in-house appraisal officers and staff, perform appraisals on collateral properties. In many cases, a second independent appraisal review is performed.

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

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

Reflecting the strength of the underlying collateral for these loans and the collateral structure, a relatively small percentage of our non-performing multi-family loans have resulted in losses over time. While our multi-family lending niche has not been immune to downturns in the credit cycle, the limited number of losses we have recorded, even in adverse credit cycles, suggests that the multi-family loans we produce involve less credit risk than certain other types of loans. In general, buildings that are subject to rent regulation have tended to be stable, with occupancy levels remaining more or less constant over time. Because the rents are typically below market and the buildings securing our loans are generally maintained in good condition, they have been more likely to retain their tenants in adverse economic times. In addition, we exclude any short-term property tax exemptions and abatement benefits the property owners receive when we underwrite our multi-family loans.

To further manage our credit risk, our lending policies limit the amount of credit granted to any one borrower, and typically require minimum DSCRs of 125% for multi-family loans and 130% for CRE loans. Although we typically lend up to 75% of the appraised value on multi-family buildings and up to 65% on commercial properties, the average LTVs of such credits at origination were below those amounts at September 30, 2022. Exceptions to these LTV limitations are minimal and are reviewed on a case-by-case basis.

The repayment of loans secured by commercial real estate is often dependent on the successful operation and management of the underlying properties. To minimize our credit risk, we originate CRE loans in adherence with conservative underwriting standards, and require that such loans qualify on the basis of the property's current income stream and DSCR. The approval of a loan also depends on the borrower's credit history, profitability, and expertise in property management, and generally requires a minimum DSCR of 130% and a maximum LTV of 65%. In addition, the origination of CRE loans typically requires a security interest in the fixtures, equipment, and other personal property of the borrower and/or an assignment of the rents and/or leases. In addition, our CRE loans may contain an interest-only period which typically does not exceed three years; however, these loans are underwritten on a fully amortizing basis.

Multi-family and CRE loans are generally originated at conservative LTVs and DSCRs, as previously stated. Low LTVs provide a greater likelihood of full recovery and reduce the possibility of incurring a severe loss on a credit; in many cases, they reduce the likelihood of the borrower "walking away" from the property. Although borrowers may default on loan payments, they have a greater incentive to protect their equity in the collateral property and to return their loans to performing status. Furthermore, in the case of multi-family loans, the cash flows generated by the properties are generally below-market and have significant value.

With regard to ADC loans, we typically lend up to 75% of the estimated as-completed market value of multi-family and residential tract projects; however, in the case of home construction loans to individuals, the limit is 80%. With respect to commercial construction loans, we typically lend up to 65% of the estimated as-completed market value of the property. Credit risk is also managed through the loan disbursement process. Loan proceeds are disbursed periodically in increments as construction progresses, and as warranted by inspection reports provided to us by our own lending officers and/or consulting engineers.

To minimize the risk involved in specialty finance lending and leasing, each of our credits is secured with a perfected first security interest or outright ownership in the underlying collateral, and structured as senior debt or as a non-cancellable lease. To further minimize the risk involved in specialty finance lending and leasing, we re-underwrite each transaction. In addition, we retain outside counsel to conduct a further review of the underlying documentation.

Other C&I loans are typically underwritten on the basis of the cash flows produced by the borrower's business, and are generally collateralized by various business assets, including, but not limited to, inventory, equipment, and accounts receivable. As a result, the capacity of the borrower to repay is substantially dependent on the degree to which the business is successful. Furthermore, the collateral underlying the loan may depreciate over time, may not be conducive to appraisal, and may fluctuate in value, based upon the operating results of the business. Accordingly, personal guarantees are also a normal requirement for other C&I loans.

The procedures we follow with respect to delinquent loans are generally consistent across all categories, with late charges assessed, and notices mailed to the borrower, at specified dates. We attempt to reach the borrower by telephone to ascertain the reasons for delinquency and the prospects for repayment. When contact is made with a borrower at any time prior to foreclosure or recovery against collateral property, we attempt to obtain full payment, and will consider a repayment schedule to avoid taking such action. Delinquencies are addressed by our Loan Workout Unit and every effort is made to collect rather than initiate foreclosure proceedings.

The following table presents our loans 30 to 89 days past due by loan type and the changes in the respective balances from December 31, 2021 to September 30, 2022:

| | September 30, 2022 | December 31, 2021 | Change from December 31, 2021 to September 30, 2022 | |
|--|-----------------------|----------------------|--|-------------|
| | | | Amount | Percent |
| <i>(dollars in millions)</i> | | | | |
| Loans 30-89 Days Past Due: | | | | |
| Multi-family | \$ 31 | \$ 57 | \$ (26) | -46% |
| Commercial real estate | 1 | 2 | (1) | -50 |
| One-to-four family | 7 | 8 | (1) | -13 |
| Acquisition, development, and construction | — | — | — | NM |
| Other loans ⁽¹⁾ | — | — | — | NM |
| Total loans 30-89 days past due | \$ 39 | \$ 67 | \$ (28) | -42% |

(1) Does not include any past due taxi medallion-related loans at September 30, 2022 and December 31, 2021.

During the nine months ended September 30, 2022, total loans 30-89 days past due decreased to \$39 million compared to \$67 million at December 31, 2021, primarily due to two multi-family loans that became current during the nine months ending September 30, 2022.

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

While we strive to originate loans that will perform fully, adverse economic and market conditions, among other factors, can adversely impact a borrower's ability to repay.

Based upon all relevant and available information as of the end of the current second quarter, management believes that the allowance for losses on loans was appropriate at that date.

At September 30, 2022, the Company's three largest NPLs were two CRE loans with balances of \$19 million and \$8 million and one multi-family loan of \$7 million.

Troubled Debt Restructurings

In an effort to proactively manage delinquent loans, we have selectively extended to certain borrowers such concessions as rate reductions and extensions of maturity dates, as well as forbearance agreements, when such borrowers have exhibited financial difficulty. In accordance with GAAP, we are required to account for such loan modifications or restructurings as TDRs.

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circumstances of each transaction, which may change from period to period, and involve management's judgment regarding the likelihood that the concession will result in the maximum recovery for the Company.

Loans modified as TDRs are placed on non-accrual status until we determine that future collection of principal and interest is reasonably assured. This generally requires that the borrower demonstrate performance according to the restructured terms for at least six consecutive months. At September 30, 2022, non-accrual TDRs included taxi medallion-related loans with a combined balance of \$3 million.

At September 30, 2022, loans on which concessions were made with respect to rate reductions and/or extensions of maturity dates totaled \$45 million.

Based on the number of loans performing in accordance with their revised terms, our success rates for restructured CRE and multi-family loans, was 100%. The success rates for restructured one-to-four family and other loans were 100% and 32%, respectively, at September 30, 2022.

Analysis of Troubled Debt Restructurings

The following table sets forth the changes in our TDRs over the nine months ended September 30, 2022:

| <i>(dollars in millions)</i> | Accruing | Non- Accrual | Total |
|--|--------------|-----------------|--------------|
| Balance at December 31, 2021 | \$ 16 | \$ 13 | \$ 29 |
| New TDRs | — | 19 | 19 |
| Charge-offs | — | — | — |
| Transferred from performing | — | — | — |
| Loan payoffs, including dispositions and principal pay-downs | — | (3) | (3) |
| Balance at September 30, 2022 | <u>\$ 16</u> | <u>\$ 29</u> | <u>\$ 45</u> |

On a limited basis, we may provide additional credit to a borrower after a loan has been placed on non-accrual status or classified as a TDR if, in management's judgment, the value of the property after the additional loan funding is greater than the initial value of the property plus the additional loan funding amount. During the nine months ended September 30, 2022, no such additions

were made. Furthermore, the terms of our restructured loans typically would not restrict us from cancelling outstanding commitments for other credit facilities to a borrower in the event of non-payment of a restructured loan.

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

The following table presents information on the Company's net charge-offs as compared to average loans outstanding for the nine months ended September 30, 2022 and 2021:

| <i>(dollars in millions)</i> | For the Nine Months Ended | |
|---|---------------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 |
| <u>Multi-family</u> | | |
| Net charge-offs (recoveries) during the period | \$ 1 | \$ 1 |
| Average amount outstanding | \$ 35,825 | \$ 32,214 |
| Net charge-offs (recoveries) as a percentage of average loans | 0.00% | 0.00% |
| <u>Commercial real estate</u> | | |
| Net charge-offs (recoveries) during the period | \$ - | \$ (2) |
| Average amount outstanding | \$ 6,673 | \$ 6,782 |
| Net charge-offs (recoveries) as a percentage of average loans | 0.00% | -0.03% |
| <u>One-to-Four Family</u> | | |
| Net charge-offs (recoveries) during the period | \$ - | \$ 1 |
| Average amount outstanding | \$ 139 | \$ 200 |
| Net charge-offs (recoveries) as a percentage of average loans | 0.00% | 0.50% |
| <u>Acquisition, Development and Construction</u> | | |
| Net charge-offs (recoveries) during the period | \$ - | \$ - |
| Average amount outstanding | \$ 217 | \$ 137 |
| Net charge-offs (recoveries) as a percentage of average loans | 0.00% | 0.00% |
| <u>Other Loans</u> | | |
| Net charge-offs (recoveries) during the period | \$ (6) | \$ (7) |
| Average amount outstanding | \$ 4,304 | \$ 3,572 |
| Net charge-offs (recoveries) as a percentage of average loans | -0.14% | -0.20% |
| <u>Total loans</u> | | |
| Net charge-offs (recoveries) during the period | \$ (5) | \$ (7) |
| Average amount outstanding | \$ 47,158 | \$ 42,905 |
| Net charge-offs (recoveries) as a percentage of average loans | -0.01% | -0.02% |

Geographical Analysis of Non-Performing Loans

The following table presents a geographical analysis of our non-performing loans at September 30, 2022:

| <i>(dollars in millions)</i> | | |
|------------------------------|----|----|
| New York | \$ | 43 |
| New Jersey | | 1 |
| All other states | | 1 |
| Total non-performing loans | \$ | 45 |

Securities

At September 30, 2022, the available-for-sale securities portfolio totaled \$6.7 billion, up \$1.0 billion or 18% compared to June 30, 2022 and up \$909 million or 21% annualized compared to December 31, 2021. During the current third quarter, the Company reinvested a portion of its cash position into shorter-term treasury securities.

At September 30, 2022, the securities portfolio represented 11% of total assets compared to 9% at June 30, 2022 and 10% at December 31, 2021.

The following table summarizes the weighted average yield of debt securities for the maturities indicated at September 30, 2022:

| | Mortgage- Related Securities | U.S. Government and GSE Obligations | State, County, and Municipal | Other Debt Securities ⁽²⁾ |
|--|------------------------------------|--|---------------------------------------|--|
| Available-for-Sale Debt Securities: ⁽¹⁾ | | | | |
| Due within one year | 3.33 % | 3.11 % | — % | 3.01 % |
| Due from one to five years | 3.32 | 3.22 | — | 4.21 |
| Due from five to ten years | 2.46 | 1.53 | 3.52 | 3.96 |
| Due after ten years | 2.02 | 1.80 | — | 4.02 |
| Total debt securities available for sale | 2.13 | 2.46 | 3.52 | 4.04 |

(1) The weighted average yields are calculated by multiplying each carrying value by its yield and dividing the sum of these results by the total carrying values and are not presented on a tax-equivalent basis.

(2) Includes corporate bonds, capital trust notes, foreign notes, and asset-backed securities.

Federal Home Loan Bank Stock

As a member of the FHLB-NY, the Bank is required to acquire and hold shares of its capital stock, and to the extent FHLB borrowings are utilized, may further invest in FHLB stock. At September 30, 2022 and December 31, 2021, the Bank held FHLB-NY stock in the amount of \$630 million and \$734 million, respectively. FHLB-NY stock continued to be valued at par, with no impairment required at that date.

Dividends from the FHLB-NY to the Bank totaled \$9 million and \$8 million, respectively, in the three months ended September 30, 2022 and 2021, and \$25 million for both nine months ended September 30, 2022 and 2021.

Bank-Owned Life Insurance

BOLI is recorded at the total cash surrender value of the policies in the Consolidated Statements of Condition, and the income generated by the increase in the cash surrender value of the policies is recorded in Non-Interest Income in the Consolidated Statements of Income and Comprehensive Income. Reflecting an increase in the cash surrender value of the underlying policies, our investment in BOLI increased \$16 million to \$1.2 billion at September 30, 2022 from December 31, 2021.

Goodwill

We record goodwill in our Consolidated Statements of Condition in connection with certain of our business combinations. Goodwill, which is tested at least annually for impairment, refers to the difference between the purchase price and the fair value of an acquired company's assets, net of the liabilities assumed. Goodwill totaled \$2.4 billion at both September 30, 2022 and December 31, 2021.

Sources of Funds

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

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

Loan repayments and sales totaled \$9.3 billion in the nine months ended September 30, 2022, up \$2.1 billion from the \$7.2 billion recorded in the year-earlier nine months. Cash flows from the repayment and sales of securities totaled \$571 million and \$1.4 billion, respectively, in the corresponding periods, while purchases of securities totaled \$2.2 billion and \$1.6 billion, respectively.

Deposits

Our ability to retain and attract deposits depends on numerous factors, including customer satisfaction, the rates of interest we pay, the types of products we offer, and the attractiveness of their terms. From time to time, we have chosen not to compete actively for deposits, depending on our access to deposits through acquisitions, the availability of lower-cost funding sources, the impact of competition on pricing, and the need to fund our loan demand.

As of September 30, 2022, deposits totaled \$41.7 billion, up \$6.6 billion or 25% annualized compared to December 31, 2021 and up \$461 million or 4% annualized compared to June 30, 2022. The strong increase on a year-to-date basis was driven by growth in the Company's BaaS initiative and growth in loan-related deposits. This growth moderated during the current third quarter due to seasonally lower loan growth and the impact of higher market interest rates.

Our BaaS deposits fall into three verticals: traditional BaaS, consisting primarily of deposits from FinTech companies; banking as a service for governmental agencies, including various municipalities and the U.S. Treasury's prepaid debit card program; and mortgage as a service, catering to mortgage companies, and consisting of escrow deposit accounts for principal, interest payments, and tax payments. At September 30, 2022, traditional BaaS deposits totaled \$5.3 billion, government BaaS deposits totaled \$579 million, and mortgage as a service deposits totaled \$2.0 billion.

The following table indicates the amount of time deposits, by account, that are in excess of the FDIC insurance limit (currently \$250,000) by time remaining until maturity as of September 30, 2022:

| | September 30, 2022 |
|--|-----------------------|
| <i>(dollars in millions)</i> | |
| Portion of U.S. time deposits in excess of insurance limit | \$ 3,025 |
| Time deposits otherwise uninsured with a maturity of: | |
| 3 months or less | \$ 639 |
| Over 3 months through 6 months | 610 |
| Over 6 months through 12 months | 749 |
| Over 12 months | 1,027 |
| Total time deposits otherwise uninsured | \$ 3,025 |

Borrowed Funds

Borrowed funds consist primarily of wholesale borrowings (i.e., FHLB-NY advances, repurchase agreements, and federal funds purchased) and, to a far lesser extent, junior subordinated debentures and subordinated notes. At September 30, 2022, total borrowed funds declined \$2.8 billion or 22% annualized to \$13.8 billion compared to December 31, 2021 and down \$509 million compared to June 30, 2022. At September 30, 2022, total borrowings represented 22% of total assets compared to 28% of total assets at December 31, 2021 and 23% of total assets at June 30, 2022. The year-to-date decline was mainly due to a \$2.3 billion or 20% annualized decrease in FHLB-NY borrowings to \$12.8 billion combined with a \$500 million decrease in repurchase agreements to \$300 million. The linked-quarter decrease was largely due to the decrease in repurchase agreements.

Subordinated Notes

On November 6, 2018, the Company issued \$300 million aggregate principal amount of its 5.90% Fixed-to-Floating Rate Subordinated Notes due 2028. The Company has used \$286 million of the net proceeds from the offering to repurchase shares of its common stock pursuant to its previously announced share repurchase program, and may use the balance of the offering towards the repurchase of its common stock or for other general corporate purposes. The Notes were offered to the public at 100% of their face amount. At September 30, 2022, the balance of subordinated notes was \$297 million, which excludes certain costs related to their issuance.

Junior Subordinated Debentures

Junior subordinated debentures totaled \$361 million at September 30, 2022, comparable to the balance at December 31, 2021.

Risk Definitions

The following section outlines the definitions of interest rate risk, market risk, and liquidity risk, and how the Company manages market and interest rate risk:

Interest Rate Risk – Interest rate risk is the risk to earnings or capital arising from movements in interest rates. Interest rate risk arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate

relationships among different yield curves affecting Company activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in a bank's products (options risk). The evaluation of interest rate risk must consider the impact of complex, illiquid hedging strategies or products, and also the potential impact on fee income (e.g. prepayment income) which is sensitive to changes in interest rates. In those situations where trading is separately managed, this refers to structural positions and not trading portfolios.

Market Risk – Market risk is the risk to earnings or capital arising from changes in the value of portfolios of financial instruments. This risk arises from market-making, dealing, and position-taking activities in interest rate, foreign exchange, equity, and commodities markets. Many banks use the term “price risk” interchangeably with market risk; this is because market risk focuses on the changes in market factors (e.g., interest rates, market liquidity, and volatilities) that affect the value of traded instruments. The primary accounts affected by market risk are those which are revalued for financial presentation (e.g., trading accounts for securities, derivatives, and foreign exchange products).

Liquidity Risk – Liquidity risk is the risk to earnings or capital arising from a bank's inability to meet its obligations when they become due, without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from a bank's failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Management of Market and Interest Rate Risk

We manage our assets and liabilities to reduce our exposure to changes in market interest rates. The asset and liability management process has three primary objectives: to evaluate the interest rate risk inherent in certain balance sheet accounts; to determine the appropriate level of risk, given our business strategy, risk appetite, operating environment, capital and liquidity requirements, and performance objectives; and to manage that risk in a manner consistent with guidelines approved by the Boards of Directors of the Company and the Bank.

Market and Interest Rate Risk

As a financial institution, we are focused on reducing our exposure to interest rate volatility. Changes in interest rates pose one of the greatest challenges to our financial performance, as such changes can have a significant impact on the level of income and expense recorded on a large portion of our interest-earning assets and interest-bearing liabilities, and on the market value of all interest-earning assets, other than those possessing a short term to maturity. To reduce our exposure to changing rates, the Boards of Directors and management monitor interest rate sensitivity on a regular or as needed basis so that adjustments to the asset and liability mix can be made when deemed appropriate.

The actual duration of held-for-investment mortgage loans and mortgage-related securities can be significantly impacted by changes in prepayment levels and market interest rates. The level of prepayments may be impacted by a variety of factors, including the economy in the region where the underlying mortgages were originated; seasonal factors; demographic variables; and the assumability of the underlying mortgages. However, the largest determinants of prepayments are interest rates and the availability of refinancing opportunities.

We manage our interest rate risk by taking the following actions: continue to emphasize the origination and retention of intermediate-term assets, primarily in the form of multi-family and CRE loans; continue to originate certain floating rate C&I loans; depending on funding needs, replace maturing wholesale borrowings with longer term borrowings; and as needed, execute interest rate swaps.

LIBOR Transition Process

The discontinuation of LIBOR has been developing since 2017 when the United Kingdom's Financial Conduct Authority (“FCA”) first called for LIBOR to be phased out by 2021. The ICE Benchmark Administration, the publisher of LIBOR discontinued publication of the one-week and two-month US Dollar LIBOR on December 31, 2021, and will discontinue publication of overnight, one-month, three-month, six-month, and twelve-month US Dollar LIBORs on June 30, 2023, although its use for new business was restricted after December 31, 2021, with limited exceptions.

In October 2020, the International Swaps and Derivatives Association announced fallback language for derivative contracts incorporating SOFR, as well as a process by which counterparties to such contracts could elect to apply the fallback language to existing derivatives on or after January 25, 2021. SOFR was identified by the Alternative Reference Rates Committee (ARRC), a group of private-market participants convened to help ensure a successful transition from LIBOR in the United States, as the recommended replacement to US Dollar LIBOR in the United States. The adoption of the fallback protocols does not change the index for subject agreements from LIBOR to SOFR, but simply creates the legal framework for the appropriate mechanisms to occur in the future.

The Bank established a sub-committee of ALCO to address issues related to the phase out and transition away from LIBOR. The sub-committee is led by our Chief Financial Officer and consists of personnel from various departments throughout the Bank. The Company has identified certain LIBOR-based contracts that extend beyond June 30, 2023, which may include loans and leases, securities, wholesale borrowings, derivative financial instruments, and long-term debt. The sub-committee has reviewed the associated contracts and legal agreements for conformance to the ARRC aligned fallback language and noted that certain contracts will require some form of standardization in accordance with LIBOR transition recommended fallback provisions.

The FRB, the FDIC, and the OCC issued supervisory guidance encouraging banks to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. In accordance with guidance, as of after December 31, 2021 the Bank does not offer LIBOR indexed products.

Interest Rate Sensitivity Analysis

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are “interest rate sensitive” and by monitoring a bank’s interest rate sensitivity “gap.” An asset or liability is said to be interest rate sensitive within a specific time frame if it will mature or reprice within that period of time. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time frame and the amount of interest-bearing liabilities maturing or repricing within that same period of time.

In a rising interest rate environment, an institution with a negative gap would generally be expected, absent the effects of other factors, to experience a greater increase in the cost of its interest-bearing liabilities than it would in the yield on its interest-earning assets, thus producing a decline in its net interest income. Conversely, in a declining rate environment, an institution with a negative gap would generally be expected to experience a lesser reduction in the yield on its interest-earning assets than it would in the cost of its interest-bearing liabilities, thus producing an increase in its net interest income.

In a rising interest rate environment, an institution with a positive gap would generally be expected to experience a greater increase in the yield on its interest-earning assets than it would in the cost of its interest-bearing liabilities, thus producing an increase in its net interest income. Conversely, in a declining rate environment, an institution with a positive gap would generally be expected to experience a lesser reduction in the cost of its interest-bearing liabilities than it would in the yield on its interest-earning assets, thus producing a decline in its net interest income.

At September 30, 2022, our one-year gap was a negative 26.11%, compared to a negative 7.43% at December 31, 2021. The change in our one-year gap from December 31, 2021, primarily reflects an increase in borrowings that will mature or are projected to get put back to the Company and an increase in new deposit balances that are indexed to short term rates.

The table on the following page sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at September 30, 2022 which, based on certain assumptions stemming from our historical experience, are expected to reprice or mature in each of the future time periods shown. Except as stated below, the amounts of assets and liabilities shown as repricing or maturing during a particular time period were determined in accordance with the earlier of (1) the term to repricing, or (2) the contractual terms of the asset or liability.

The table provides an approximation of the projected repricing of assets and liabilities at September 30, 2022 on the basis of contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three-month period and subsequent selected time intervals. For residential mortgage-related securities, prepayment rates are forecasted at a weighted average CPR of 7.16% per annum; for multi-family and CRE loans, prepayment rates are forecasted at weighted average CPRs of 7.39% and 6.82% per annum, respectively. Borrowed funds were not assumed to prepay.

Savings, interest bearing checking and money market accounts were assumed to decay based on a comprehensive statistical analysis that incorporated our historical deposit experience. Based on the results of this analysis, savings accounts were assumed to decay at a rate of 60% for the first five years and 40% for years six through ten. Interest-bearing checking accounts were assumed to decay at a rate of 86% for the first five years and 14% for years six through ten. The decay assumptions reflect the prolonged low

interest rate environment and the uncertainty regarding future depositor behavior. Including those accounts having specified repricing dates, money market accounts were assumed to decay at a rate of 80% for the first five years and 20% for years six through ten.

| | At September 30, 2022 | | | | | | |
|--|-----------------------|-----------------------|-----------------------------------|-------------------------------------|----------------------------------|--------------------|-----------|
| | Three Months or Less | Four to Twelve Months | More Than One Year to Three Years | More Than Three Years to Five Years | More Than Five Years to 10 Years | More Than 10 Years | Total |
| <i>(dollars in millions)</i> | | | | | | | |
| INTEREST-EARNING ASSETS: | | | | | | | |
| Mortgage and other loans ⁽¹⁾ | \$ 6,889 | \$ 5,578 | \$ 14,332 | \$ 14,414 | \$ 7,726 | \$ — | \$ 48,939 |
| Mortgage-related securities ⁽²⁾⁽³⁾ | 153 | 176 | 491 | 330 | 258 | 822 | 2,230 |
| Other securities ⁽²⁾ | 1,735 | 1,821 | 351 | 53 | 704 | 425 | 5,089 |
| Interest-earning cash, cash equivalents and due from banks | 1,558 | — | — | — | — | — | 1,558 |
| Total interest-earning assets | 10,335 | 7,575 | 15,174 | 14,797 | 8,688 | 1,247 | 57,816 |
| INTEREST-BEARING LIABILITIES: | | | | | | | |
| Interest-bearing checking and money market accounts | 13,004 | 463 | 2,758 | 583 | 3,089 | — | 19,897 |
| Savings accounts | 2,685 | 1,956 | 361 | 270 | 3,588 | — | 8,860 |
| Certificates of deposit | 1,558 | 5,252 | 2,259 | 40 | — | — | 9,109 |
| Borrowed funds | 6,529 | 2,900 | 3,725 | 500 | — | 144 | 13,798 |
| Total interest-bearing liabilities | 23,776 | 10,571 | 9,103 | 1,393 | 6,677 | 144 | 51,664 |
| Interest rate sensitivity gap per period | \$ (13,441) | \$ (2,996) | \$ 6,071 | \$ 13,404 | \$ 2,011 | \$ 1,103 | \$ 6,152 |
| Cumulative interest rate sensitivity gap | \$ (13,441) | \$ (16,437) | \$ (10,366) | \$ 3,038 | \$ 5,049 | \$ 6,152 | |
| Cumulative interest rate sensitivity gap as a percentage of total assets | (21.35) % | (26.11) % | (16.47) % | 4.83 % | 8.02 % | 9.77 % | |
| Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities | 43.47 % | 52.14 % | 76.14 % | 106.77 % | 109.80 % | 111.91 % | |

- (1) For the purpose of the gap analysis, loans held for sale, non-performing loans and the allowances for loan losses have been excluded.
(2) Mortgage-related and other securities, including FHLB stock, are shown at their respective carrying amounts.
(3) Expected amount based, in part, on historical experience.
(4) The interest rate sensitivity gap per period represents the difference between interest-earning assets and interest-bearing liabilities.

Prepayment and deposit decay rates can have a significant impact on our estimated gap. While we believe our assumptions to be reasonable, there can be no assurance that the assumed prepayment and decay rates will approximate actual future loan and securities prepayments and deposit withdrawal activity.

To validate our prepayment assumptions for our multi-family and CRE loan portfolios, we perform a quarterly analysis, during which we review our historical prepayment rates and compare them to our projected prepayment rates. We continually review the actual prepayment rates to ensure that our projections are as accurate as possible, since prepayments on these types of loans are not as closely correlated to changes in interest rates as prepayments on one-to-four family loans tend to be. In addition, we review the call provisions, if any, in our borrowings and investment portfolios and, on a monthly basis, compare the actual calls to our projected calls to ensure that our projections are reasonable.

As of September 30, 2022, the impact of a 100 bp decline in market interest rates would have increased our projected prepayment rates for multi-family and CRE loans by a constant prepayment rate of 0.81% per annum.

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

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

Based on the information and assumptions in effect at September 30, 2022, the following table reflects the estimated percentage change in our EVE, assuming the changes in interest rates noted:

| Change in Interest Rates (in basis points) | Estimated Percentage Change in Economic Value of Equity |
|---|---|
| -200 over one year | 10.37% |
| -100 over one year | 9.27% |
| +100 over one year | -6.91% |
| + 200 over one year | -14.45% |

The net changes in EVE presented in the preceding table are within the limits approved by the Boards of Directors of the Company and the Bank.

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

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

Based on the information and assumptions in effect at September 30, 2022, the following table reflects the estimated percentage change in future net interest income for the next twelve months, assuming the changes in interest rates noted:

| Change in Interest Rates (in basis points) ⁽¹⁾ | Estimated Percentage Change in Future Net Interest Income |
|--|--|
| -200 over one year | 6.65% |
| -100 over one year | 3.32% |
| +100 over one year | -3.22% |
| +200 over one year | -6.52% |

(1) In general, short- and long-term rates are assumed to increase in parallel fashion across all four quarters and then remain unchanged.

Future changes in our mix of assets and liabilities may result in greater changes to our gap, NPV, and/or net interest income simulation.

In the event that our EVE and net interest income sensitivities were to breach our internal policy limits, we would undertake the following actions to ensure that appropriate remedial measures were put in place:

- Our ALCO Committee would inform the Board of Directors of the variance, and present recommendations to the Board regarding proposed courses of action to restore conditions to within-policy tolerances.
- In formulating appropriate strategies, the ALCO Committee would ascertain the primary causes of the variance from policy tolerances, the expected term of such conditions, and the projected effect on capital and earnings.

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

- Asset restructuring, involving sales of assets having higher risk profiles, or a gradual restructuring of the asset mix over time to affect the maturity or repricing schedule of assets;
- Liability restructuring, whereby product offerings and pricing are altered or wholesale borrowings are employed to affect the maturity structure or repricing of liabilities;
- Expansion or shrinkage of the balance sheet to correct imbalances in the repricing or maturity periods between assets and liabilities; and/or
- Use or alteration of off-balance sheet positions, including interest rate swaps, caps, floors, options, and forward purchase or sales commitments.

In connection with our net interest income simulation modeling, we also evaluate the impact of changes in the slope of the yield curve. At September 30, 2022, our analysis indicated that an immediate inversion of the yield curve would be expected to result in a 5.66% decrease in net interest income; conversely, an immediate steepening of the yield curve would be expected to result in a 22.10% increase in net interest income. It should be noted that the yield curve changes in these scenarios were updated, given the changing market rate environment, which resulted in an increase in the income sensitivity in the steepening scenario.

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

Liquidity

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

We monitor our liquidity daily to ensure that sufficient funds are available to meet our financial obligations. Our most liquid assets are cash and cash equivalents, which totaled \$1.7 billion and \$2.2 billion, respectively, at September 30, 2022 and December 31, 2021. As in the past, our loan and securities portfolios provided meaningful liquidity in 2022, with cash flows from the repayment and sale of loans totaling \$9.3 billion and cash flows from the repayment and sale of securities totaling \$571 million.

Additional liquidity stems from deposits and from our use of wholesale funding sources, including brokered deposits and wholesale borrowings. In addition, we have access to the Bank's approved lines of credit with various counterparties, including the FHLB-NY. The availability of these wholesale funding sources is generally based on the amount of mortgage loan collateral available under a blanket lien we have pledged to the respective institutions and, to a lesser extent, the amount of available securities that may be pledged to collateralize our borrowings. At September 30, 2022, our available borrowing capacity with the FHLB-NY was \$12.2 billion. In addition, the Bank had available-for-sale securities of \$6.7 billion, of which, \$6.1 billion is unpledged.

Furthermore, the Bank has agreements with the FRB-NY that enable it to access the discount window as a further means of enhancing their liquidity. In connection with these agreements, the Bank has pledged certain loans and securities to collateralize any funds they may borrow. At September 30, 2022, the maximum amount the Bank could borrow from the FRB-NY was \$1.1 billion. There were no borrowings against these lines of credit at September 30, 2022.

Our primary investing activity is loan production, and the volume of loans we originated for investment totaled \$12.6 billion in 2022. During this time, the net cash used in investing activities totaled \$4.7 billion; the net cash provided by our operating activities totaled \$631 million. Our financing activities provided net cash of \$3.6 billion.

CDs due to mature or reprice in one year or less from September 30, 2022 totaled \$6.8 billion, representing 75% of total CDs at that date. Our ability to attract and retain retail deposits, including CDs, depends on numerous factors, including, among others, the convenience of our branches and our other banking channels; our customers' satisfaction with the service they receive; the rates of interest we offer; the types of products we feature; and the attractiveness of their terms.

Our decision to compete for deposits also depends on numerous factors, including, among others, our access to deposits through acquisitions, the availability of lower-cost funding sources, the impact of competition on pricing, and the need to fund our loan demand.

The Parent Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to operating expenses and any share repurchases, the Parent Company is responsible for paying any dividends declared to our stockholders. As a Delaware corporation, the Parent Company is able to pay dividends either from surplus or, in case there is no surplus, from net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

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

Under New York State Banking Law, a New York State-chartered stock-form savings bank or commercial bank may declare and pay dividends out of its net profits, unless there is an impairment of capital. However, the approval of the Superintendent is required if the total of all dividends declared in a calendar year would exceed the total of a bank's net profits for that year, combined with its retained net profits for the preceding two years. In 2022, the Bank paid dividends totaling \$250 million to the Parent Company, leaving \$675 million that it could dividend to the Parent Company without regulatory approval at year-end. Additional sources of liquidity available to the Parent Company at September 30, 2022 included \$104 million in cash and cash equivalents. If the Bank was to apply to the Superintendent for approval to make a dividend or capital distribution in excess of the dividend amounts permitted under the regulations, there can be no assurance that such application would be approved.

Contractual Obligations and Off-Balance Sheet Commitments

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

For example, we offer CDs with contractual terms to our customers, and borrow funds under contract from the FHLB-NY and various brokerage firms. These contractual obligations are reflected in the Consolidated Statements of Condition under "Deposits" and "Borrowed funds," respectively. At September 30, 2022, we had CDs of \$9.1 billion and long-term debt (defined as borrowed funds with an original maturity one year or more) of \$10.3 billion.

At September 30, 2022, we also had commitments to extend credit in the form of mortgage and other loan originations, as well as commercial, performance stand-by, and financial stand-by letters of credit, totaling \$5.2 billion. These off-balance sheet commitments consist of agreements to extend credit, as long as there is no violation of any condition established in the contract under which the loan is made. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee.

The letters of credit we issue consist of performance stand-by, financial stand-by, and commercial letters of credit. Financial stand-by letters of credit primarily are issued for the benefit of other financial institutions, municipalities, or landlords on behalf of certain of our current borrowers, and obligate us to guarantee payment of a specified financial obligation. Performance stand-by letters of credit are primarily issued for the benefit of local municipalities on behalf of certain of our borrowers. Performance letters of credit obligate us to make payments in the event that a specified third party fails to perform under non-financial contractual obligations. Commercial letters of credit act as a means of ensuring payment to a seller upon shipment of goods to a buyer. Although commercial letters of credit are used to effect payment for domestic transactions, the majority are used to settle payments in international trade. Typically, such letters of credit require the presentation of documents that describe the commercial transaction, and provide evidence of shipment and the transfer of title. The fees we collect in connection with the issuance of letters of credit are included in "Fee income" in the Consolidated Statements of Income and Comprehensive Income.

Based upon our current liquidity position, we expect that our funding will be sufficient to fulfill these cash obligations and commitments when they are due both in the short term and long term.

For the three months ended September 30, 2022, we did not engage in any off-balance sheet transactions reasonably likely to have a material effect on our financial condition, results of operations or cash flows.

At September 30, 2022, we had no commitments to purchase securities.

Capital Position

On March 17, 2017, we issued 515,000 shares of preferred stock. The offering generated capital of \$503 million, net of underwriting and other issuance costs, for general corporate purposes, with the bulk of the proceeds being distributed to the Bank.

On October 24, 2018, the Company announced that it had received regulatory approval to repurchase its common stock. Accordingly, the Board of Directors approved a \$300 million common share repurchase program. The repurchase program was funded through the issuance of a like amount of subordinated notes. As of September 30, 2022, the Company has repurchased a total of 29.7 million shares at an average price of \$9.61 or an aggregate purchase price of \$286 million, leaving \$9 million remaining under the current authorization.

Stockholders' equity, common stockholders' equity, and tangible common stockholders' equity include AOCL, which decreased \$517 million from the balance at the end of last year and \$510 million from the year-ago quarter to \$602 million at September 30, 2022. The year-to-date decrease was primarily the result of a \$567 million decrease in the net unrealized loss on available-for-sale securities, net of tax, and a \$49 million change in the net unrealized gain (loss) on cash flow hedges, net of tax, to \$40 million.

Regulatory Capital

The Bank is subject to regulation, examination, and supervision by the NYSDFS and the FDIC (the "Regulators"). The Bank is also governed by numerous federal and state laws and regulations, including the FDIC Improvement Act of 1991, which established five categories of capital adequacy ranging from "well capitalized" to "critically undercapitalized." Such classifications are used by the FDIC to determine various matters, including prompt corrective action and each institution's FDIC deposit insurance premium assessments. Capital amounts and classifications are also subject to the Regulators' qualitative judgments about the components of capital and risk weightings, among other factors.

The quantitative measures established to ensure capital adequacy require that banks maintain minimum amounts and ratios of leverage capital to average assets and of common equity tier 1 capital, tier 1 capital, and total capital to risk-weighted assets (as such measures are defined in the regulations). At September 30, 2022, our capital measures continued to exceed the minimum federal requirements for a bank holding company and for a bank. The following table sets forth our common equity tier 1, tier 1 risk-based, total risk-based, and leverage capital amounts and ratios on a consolidated basis and for the Bank on a stand-alone basis, as well as the respective minimum regulatory capital requirements, at that date:

Regulatory Capital Analysis (the Company)

| At September 30, 2022 <i>(dollars in millions)</i> | Risk-Based Capital | | | | | | | | | |
|---|----------------------|--------|----------|---------|----------|---------|----------|--------|------------------|--|
| | Common Equity Tier 1 | | Tier 1 | | | | Total | | Leverage Capital | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio | | |
| Total capital | \$ 4,440 | 9.24 % | \$ 4,942 | 10.29 % | \$ 5,793 | 12.06 % | \$ 4,942 | 8.06 % | | |
| Minimum for capital adequacy purposes | 2,162 | 4.50 | 2,883 | 6.00 | 3,844 | 8.00 | 2,453 | 4.00 | | |
| Excess | \$ 2,278 | 4.74 % | \$ 2,059 | 4.29 % | \$ 1,949 | 4.06 % | \$ 2,489 | 4.06 % | | |

Regulatory Capital Analysis (New York Community Bank)

| At September 30, 2022 (dollars in millions) | Risk-Based Capital | | | | | | | | | |
|--|----------------------|---------|----------|---------|----------|---------|----------|--------|------------------|--|
| | Common Equity Tier 1 | | Tier 1 | | | | Total | | Leverage Capital | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio | | |
| Total capital | \$ 5,467 | 11.39 % | \$ 5,467 | 11.39 % | \$ 5,673 | 11.82 % | \$ 5,467 | 8.92 % | | |
| Minimum for capital adequacy purposes | 2,160 | 4.50 | 2,880 | 6.00 | 3,840 | 8.00 | 2,451 | 4.00 | | |
| Excess | \$ 3,307 | 6.89 % | \$ 2,587 | 5.39 % | \$ 1,833 | 3.82 % | \$ 3,016 | 4.92 % | | |

At September 30, 2022, our total risk-based capital ratio exceeded the minimum requirement for capital adequacy purposes by 406 bps and the fully-phased in capital conservation buffer by 156 bps.

The Bank also exceeded the minimum capital requirements to be categorized as “Well Capitalized.” To be categorized as well capitalized, a bank must maintain a minimum common equity tier 1 ratio of 6.50%; a minimum tier 1 risk-based capital ratio of 8.00%; a minimum total risk-based capital ratio of 10.00%; and a minimum leverage capital ratio of 5.00%.

Earnings Summary for the Three Months Ended September 30, 2022

For the three months ended September 30, 2022, net income totaled \$152 million, up 2% compared to \$149 million for the three months ended September 30, 2021. Net income available to common stockholders for the three months ended September 30, 2022 was \$144 million, up 3% compared to \$140 million for the three months ended September 30, 2021. Diluted EPS were \$0.30 for the three months ended September 30, 2022, unchanged compared to the three months ended September 30, 2021. Both net income and net income available to common stockholders include \$3 million of merger-related expenses, net of income taxes, while the three months ended September 30, 2021 contain merger-related expenses of \$5 million, net of income taxes.

Net Interest Income

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

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

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

Year-Over-Year Comparison

For the three months ended September 30, 2022, net interest income increased \$8 million or 3% to \$326 million on a year-over-year basis, but decreased \$33 million or 9% on a linked-quarter basis. While interest income rose on a year-over-year basis, the aggressive pace of interest rate increases during the past quarter led to a significant increase in interest expense. This was due to both an increase in the average balance of interest-bearing liabilities along with a higher cost of funds.

Details of the change in net interest income are as follows:

- Total interest income increased \$94 million or 23% to \$509 million on a year-over-year basis. This was primarily due to growth in average loan balances, along with higher yields and growth in average securities.

- Total interest expense almost doubled on a year-over-year basis, increasing \$86 million or 89% to \$183 million compared to \$97 million for the three months ended September 30, 2021. The increase was due to both an increase in average interest-bearing liabilities and in the cost of funds.
- Average loans increased \$5.3 billion or 12% on a year-over-year basis to \$48.5 billion, while the average loan yield rose 16 basis points to 3.64%.
- Average securities balances rose \$711 million or 11% on a year-over-year basis to \$7.4 billion as the Company redeployed a portion of its cash balances into short-term securities. During the same time period, the average yield on securities rose 53 basis points to 2.74%.
- Interest expense on average interest-bearing deposits increased \$84 million to \$110 million on a year-over-year basis as the average balance of interest-bearing deposits rose \$7.7 billion or 26% to \$37.2 billion while the average cost of interest-bearing deposits increased 83 basis points to 1.18%.
- Most of the increase was in the interest-bearing checking and MMA category. Average interest-bearing checking and MMA balances increased \$6.7 billion or 52% on a year-over-year basis to \$19.4 billion. The average cost of these deposits increased 124 basis points to 1.47%.
- Interest expense on average borrowed funds increased \$2 million on a year-over-year basis to \$73 million. While average borrowings declined 7% to \$14.5 billion, the average cost rose 16 basis points to 2.00%.
- Average non-interest bearing deposits declined \$425 million or 10% to \$4.0 billion.

Net Interest Margin

For the three months ended September 30, 2022, the NIM declined 30 basis points to 2.22% compared to the previous quarter and declined 22 basis points compared to the third quarter of 2021.

Prepayment income contributed seven basis points to the third quarter 2022 NIM, compared to 14 basis points in the previous quarter and 12 basis points in the year-ago quarter. Excluding the impact from prepayment income, the third-quarter 2022 NIM on a non-GAAP basis was 2.15%, down 23 basis points compared to the previous quarter and down 17 basis points compared to the year-ago quarter.

The following table summarizes the contribution of loan and securities prepayment income on the Company's interest income and NIM for the respective periods:

| | For the Three Months Ended | | | September 30, 2022 | |
|---|----------------------------|---------------|--------------------|--------------------|--------------------|
| | September 30, 2022 | June 30, 2022 | September 30, 2021 | June 30, 2022 | September 30, 2021 |
| <i>(dollars in millions)</i> | | | | | |
| Total Interest Income | \$ 509 | \$ 473 | \$ 415 | 8 % | 23 % |
| Prepayment Income: | | | | | |
| Loans | \$ 10 | \$ 19 | \$ 15 | (47) % | (33) % |
| Securities | — | 1 | 1 | (100) % | (100) % |
| Total prepayment income | \$ 10 | \$ 20 | \$ 16 | (50) % | (38) % |
| GAAP Net Interest Margin | 2.22 % | 2.52 % | 2.44 % | (30) bp | (22) bp |
| Less: | | | | | |
| Prepayment income from loans | -7 bp | -13 bp | -11 bp | 6 bp | 4 bp |
| Prepayment income from securities | 0 | -1 | -1 | 1 bp | 1 bp |
| Total prepayment income contribution to net interest margin | -7 bp | -14 bp | -12 bp | 7 bp | 5 bp |
| Adjusted Net Interest Margin (non-GAAP) | 2.15 % | 2.38 % | 2.32 % | (23) bp | (17) bp |

The following table sets forth certain information regarding our average balance sheet for the three-month periods, including the average yields on our interest-earning assets and the average costs of our interest-bearing liabilities. Average yields are calculated by dividing the interest income produced by the average balance of interest-earning assets. Average costs are calculated by dividing the interest expense produced by the average balance of interest-bearing liabilities. The average balances for the quarters are derived from average balances that are calculated daily. The average yields and costs include fees, as well as premiums and discounts (including mark-to-market adjustments from acquisitions), that are considered adjustments to such average yields and costs.

Net Interest Income Analysis

| (dollars in millions) | For the Three Months Ended | | | | | | | | |
|--|----------------------------|----------|------------------------|-----------------|----------|------------------------|--------------------|----------|------------------------|
| | September 30, 2022 | | | June 30, 2022 | | | September 30, 2021 | | |
| | Average Balance | Interest | Average Yield/ Cost | Average Balance | Interest | Average Yield/ Cost | Average Balance | Interest | Average Yield/ Cost |
| ASSETS: | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Mortgage and other loans and leases, net ⁽¹⁾ | \$ 48,495 | \$ 442 | 3.64 % | \$ 47,144 | \$ 424 | 3.61 % | \$ 43,159 | \$ 376 | 3.48 % |
| Securities ⁽²⁾⁽³⁾ | 7,368 | 51 | 2.74 | 6,676 | 40 | 2.40 | 6,657 | 37 | 2.21 |
| Reverse repurchase agreements | 521 | 4 | 3.34 | 348 | 2 | 1.93 | 497 | 1 | 1.22 |
| Interest-earning cash, cash equivalents, and due from banks | 2,192 | 12 | 2.15 | 2,861 | 7 | 0.93 | 1,612 | 1 | 0.15 |
| Total interest-earning assets | 58,576 | 509 | 3.47 | 57,029 | 473 | 3.32 | 51,925 | 415 | 3.20 |
| Non-interest-earning assets | 4,693 | | | 4,959 | | | 5,382 | | |
| Total assets | \$ 63,269 | | | \$ 61,988 | | | \$ 57,307 | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | | | | | | | | |
| Interest-bearing deposits: | | | | | | | | | |
| Interest-bearing checking and money market accounts | \$ 19,443 | \$ 72 | 1.47 % | \$ 17,456 | \$ 24 | 0.55 % | \$ 12,783 | \$ 8 | 0.23 % |
| Savings accounts | 9,297 | 15 | 0.69 | 9,228 | 10 | 0.41 | 7,974 | 7 | 0.36 |
| Certificates of deposit | 8,416 | 23 | 1.07 | 8,102 | 12 | 0.62 | 8,716 | 11 | 0.53 |
| Total interest-bearing deposits | 37,156 | 110 | 1.18 | 34,786 | 46 | 0.53 | 29,473 | 26 | 0.35 |
| Short term borrowed funds | 2,080 | 13 | 2.48 | 1,959 | 5 | 0.96 | 2,258 | 1 | 0.35 |
| Other borrowed funds | 12,403 | 60 | 1.92 | 13,050 | 63 | 1.94 | 13,271 | 70 | 2.09 |
| Total Borrowed funds | 14,483 | 73 | 2.00 | 15,009 | 68 | 1.81 | 15,529 | 71 | 1.84 |
| Total interest-bearing liabilities | 51,639 | 183 | 1.41 | 49,795 | 114 | 0.92 | 45,002 | 97 | 0.87 |
| Non-interest-bearing deposits | 4,037 | | | 4,568 | | | 4,462 | | |
| Other liabilities | 701 | | | 724 | | | 866 | | |
| Total liabilities | 56,377 | | | 55,087 | | | 50,330 | | |
| Stockholders' equity | 6,892 | | | 6,901 | | | 6,977 | | |
| Total liabilities and stockholders' equity | \$ 63,269 | | | 61,988 | | | \$ 57,307 | | |
| Net interest income/interest rate spread | | \$ 326 | 2.06 % | | \$ 359 | 2.40 % | | \$ 318 | 2.33 % |
| Net interest margin | | | 2.22 % | | | 2.52 % | | | 2.44 % |
| Ratio of interest-earning assets to interest-bearing liabilities | | | 1.13x | | | 1.15x | | | 1.15x |

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowances for loan losses and include loans held for sale and non-performing loans.

(2) Amounts are at amortized cost.

(3) Includes FHLB stock.

Provision for (Recovery of) Credit Losses

For the three months ended September 30, 2022, the provision for credit losses totaled \$2 million compared to a recovery of credit losses of \$1 million in the year-ago quarter and \$9 million in the previous quarter of 2022. During the current third quarter, we recorded net charge-offs of zero, unchanged compared to the year-ago quarter and compared to a \$7 million net recovery during second-quarter 2022.

For additional information about our provisions for and recoveries of loan losses, see the discussion of the allowances for loan losses under "Critical Accounting Policies" and the discussion of "Asset Quality" that appear earlier in this report.

Non-Interest Income

We generate non-interest income through a variety of sources, including—among others—fee income (in the form of retail deposit fees and charges on loans); income from our investment in BOLI; gains on the sale of securities; and revenues produced through the sale of third-party investment products.

For the three months ended September 30, 2022, non-interest income totaled \$17 million, up \$2 million or 13% compared to the third quarter of 2021, but down \$1 million or 6% compared to the second quarter of 2022. The current third quarter includes net losses on securities of \$1 million compared to no such net gains or losses on securities in either the prior-quarter or the year-ago quarter. The prior quarter included a \$1.7 million gain on the sale of the Company's former headquarters building in Westbury, N.Y.

The following table summarizes our non-interest income for the respective periods:

| <i>(dollars in millions)</i> | For the Three Months Ended | | |
|--------------------------------------|----------------------------|------------------|-----------------------|
| | September 30, 2022 | June 30, 2022 | September 30, 2021 |
| Fee income | \$ 5 | \$ 6 | \$ 6 |
| BOLI income | 10 | 7 | 7 |
| Net gain (loss) on securities | (1) | — | — |
| Other income: | | | |
| Third-party investment product sales | 1 | 1 | — |
| Other | 2 | 4 | 2 |
| Total other income | 3 | 5 | 2 |
| Total non-interest income | <u>\$ 17</u> | <u>\$ 18</u> | <u>\$ 15</u> |

Non-Interest Expense

For the three months ended September 30, 2022, total non-interest expenses were \$136 million, up 1% compared to the \$135 million reported for the three months ended September 30, 2021, but down 1% compared to the \$138 million reported during the three months ended June 30, 2022. Included in the current third quarter are \$4 million in merger-related expenses, unchanged compared to second-quarter 2022, but down 33% compared to \$6 million during the third-quarter 2021. Excluding this item, total operating expenses for the three months ended September 30, 2022 were \$132 million, down \$2 million or 1% compared to the previous quarter, but up \$3 million or 2% compared to the year-ago quarter. The efficiency ratio during the current third quarter was 38.57% compared to 35.57% during second-quarter 2022 and 38.84% during the year-ago third quarter.

Income Tax Expense

For the three months ended September 30, 2022, income tax expense totaled \$53 million, reflecting an effective tax rate of 25.66% compared to income tax expense of \$59 million with an effective tax rate of 25.60% in the previous quarter and income tax expense of \$50 million, reflecting an effective tax rate of 25.19% in the year-ago quarter. The linked-quarter decrease in our income tax expense was driven primarily by a lower amount of pre-tax income.

Earnings Summary for the Nine Months Ended September 30, 2022

For the nine months ended September 30, 2022, net income totaled \$478 million, up 7% compared to the nine months ended September 30, 2021. Net income available to common stockholders for the nine months ended September 30, 2022 totaled \$453 million, up 8% compared to \$421 million for the nine months ended September 30, 2021. Diluted EPS for the nine months ended September 30, 2022 were \$0.96, up 7% compared to \$0.90 for the nine months ended September 30, 2021. Included in both nine month periods are merger-related expenses and other one-time items of \$11 million, net of income taxes and \$15 million net of income taxes, respectively, for the nine months ended September 30, 2022 and 2021, respectively.

Net Interest Income

Net interest income for the nine months ended September 30, 2022 was \$1.0 billion compared to \$967 million for the nine months ended September 30, 2021, up 5%. The year-over-year increase was driven by a \$142 million or 11% increase in total interest income to \$1.4 billion, partially offset by a \$92 million or 30% increase in total interest expense.

Details of the change in net interest income are as follows:

- Average interest-earnings assets increased \$4.7 billion or 9% to \$56.7 billion, while the average yield on interest-earnings assets rose seven basis points to 3.32%.

- Average interest-bearing liabilities grew \$4.6 billion or 10% to \$49.7 billion, while the average cost of interest-bearing liabilities increased 16 basis points to 1.06%.
- Interest income on average loans increased \$114 million or 10% to \$1.3 billion, driven by a \$4.3 billion or 10% increase in average loan balances, while the average yield was unchanged at 3.56%.
- Average securities balances rose 3% to \$6.9 billion and the average yield increased five basis points to 2.43%.
- Interest expense on average deposits increased \$96 million or 110% to \$183 million, while the average cost of deposits increased 31 basis points to 0.71%.
- The majority of the increase in interest expense on deposits was in the interest-bearing checking and MMA category. The average balance of interest-bearing checking and MMA rose \$4.2 billion or 33% to \$16.9 billion. The average cost of these deposits increased 57 basis points to 0.82%.
- Interest expense on average borrowed funds was down \$4 million to \$211 million due to a \$404 million or 3% decline in average balances and a one basis point increase in the average cost to 1.84%.

Net Interest Margin

For the nine months ended September 30, 2022, the NIM was 2.39%, down nine basis points compared to 2.48% for the nine months ended September 30, 2021. Prepayment income totaled \$42 million compared to \$63 million in the year-ago period, and contributed 10 basis points to the NIM compared to 16 basis points in the year-ago period. Excluding the impact from prepayment income, the NIM, on a non-GAAP basis was 2.29% for the nine months ended September 30, 2022, down three basis points compared to the nine months ended September 30, 2021.

| <i>(dollars in millions)</i> | For the Nine Months Ended | | % Change |
|---|---------------------------|--------------------|----------|
| | September 30, 2022 | September 30, 2021 | |
| Total Interest Income | \$ 1,411 | \$ 1,269 | 11 % |
| Prepayment Income: | | | |
| Loans | \$ 40 | \$ 56 | (29) % |
| Securities | 2 | 7 | (71) % |
| Total prepayment income | \$ 42 | \$ 63 | (33) % |
| GAAP Net Interest Margin | 2.39 % | 2.48 % | (9) bp |
| Less: | | | |
| Prepayment income from loans | -9 bp | -14 bp | 5 bp |
| Prepayment income from securities | -1 | -2 | 1 bp |
| Total prepayment income contribution to net interest margin | -10 bp | -16 bp | 6 bp |
| Adjusted Net Interest Margin (non-GAAP) | 2.29 % | 2.32 % | (3) bp |

The following table sets forth certain information regarding our average balance sheet for the six-month periods, including the average yields on our interest-earning assets and the average costs of our interest-bearing liabilities. Average yields are calculated by dividing the interest income produced by the average balance of interest-earning assets. Average costs are calculated by dividing the interest expense produced by the average balance of interest-bearing liabilities. The average balances for the quarters are derived from average balances that are calculated daily. The average yields and costs include fees, as well as premiums and discounts (including mark-to-market adjustments from acquisitions), that are considered adjustments to such average yields and costs.

Net Interest Income Analysis

| (dollars in millions) | For the Nine Months Ended | | | | | |
|--|---------------------------|-----------------|---------------------|--------------------|---------------|---------------------|
| | September 30, 2022 | | | September 30, 2021 | | |
| | Average Balance | Interest | Average Yield/ Cost | Average Balance | Interest | Average Yield/ Cost |
| ASSETS: | | | | | | |
| Interest-earning assets: | | | | | | |
| Mortgage and other loans and leases, net ⁽¹⁾ | \$ 47,158 | \$ 1,259 | 3.56 % | \$ 42,905 | \$ 1,145 | 3.56 % |
| Securities ⁽²⁾⁽³⁾ | 6,864 | 125 | 2.43 | 6,655 | 118 | 2.38 |
| Reverse repurchase agreements | 388 | 7 | 2.35 | 410 | 3 | 1.00 |
| Interest-earning cash, cash equivalents, and due from banks | 2,326 | 20 | 1.12 | 2,044 | 3 | 0.17 |
| Total interest-earning assets | 56,736 | 1,411 | 3.32 | 52,014 | 1,269 | 3.25 |
| Non-interest-earning assets | 4,993 | | | 5,232 | | |
| Total assets | <u>\$ 61,729</u> | | | <u>\$ 57,246</u> | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Interest-bearing checking and money market accounts | \$ 16,915 | \$ 104 | 0.82 % | \$ 12,703 | \$ 24 | 0.25 % |
| Savings accounts | 9,245 | 33 | 0.49 | 7,396 | 20 | 0.36 |
| Certificates of deposit | 8,197 | 46 | 0.75 | 9,280 | 43 | 0.63 |
| Total interest-bearing deposits | 34,357 | 183 | 0.71 | 29,379 | 87 | 0.40 |
| Short term borrowed funds | 1,925 | 17 | 1.16 | 2,253 | 6 | 0.35 |
| Other borrowed funds | 13,419 | 194 | 1.93 | 13,495 | 209 | 2.07 |
| Total Borrowed funds | 15,344 | 211 | 1.84 | 15,748 | 215 | 1.83 |
| Total interest-bearing liabilities | 49,701 | 394 | 1.06 | 45,127 | 302 | 0.90 |
| Non-interest-bearing deposits | 4,332 | | | 4,402 | | |
| Other liabilities | 750 | | | 810 | | |
| Total liabilities | 54,783 | | | 50,339 | | |
| Stockholders' equity | 6,946 | | | 6,907 | | |
| Total liabilities and stockholders' equity | <u>\$ 61,729</u> | | | <u>\$ 57,246</u> | | |
| Net interest income/interest rate spread | | <u>\$ 1,017</u> | <u>2.26 %</u> | | <u>\$ 967</u> | <u>2.35 %</u> |
| Net interest margin | | | <u>2.39 %</u> | | | <u>2.48 %</u> |
| Ratio of interest-earning assets to interest-bearing liabilities | | | <u>1.14x</u> | | | <u>1.15x</u> |

Provision for (Recovery of) Credit Losses

For the nine months ended September 30, 2022, the provision for credit losses totaled \$9 million compared to a net recovery of credit losses of \$1 million for the nine months ended September 30, 2021. On a year-to-date basis, we recorded a net recovery of \$5 million compared to a net recovery of \$7 million for 2021 year-to-date.

Non-Interest Income

For the nine-months ended September 30, 2022, non-interest income totaled \$49 million, up \$4 million or 9% compared to the nine months ended September 30, 2021. Included in the current year-to-date period is a \$2 million net loss on securities compared to no such gain or loss in the year-ago year-to-date period. Also included in the current year-to-date period is the previously mentioned gain on the sale of the Company's former headquarters building.

The following table summarizes our non-interest income for the respective periods:

Non-Interest Income Analysis

| <i>(dollars in millions)</i> | For the Nine Months Ended | |
|--------------------------------------|---------------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 |
| Fee income | \$ 17 | \$ 17 |
| BOLI income | 24 | 22 |
| Net gain (loss) on securities | (2) | — |
| Other income: | | |
| Third-party investment product sales | 4 | — |
| Other | 6 | 6 |
| Total other income | 10 | 6 |
| Total non-interest income | <u>\$ 49</u> | <u>\$ 45</u> |

Non-Interest Expense

For the nine-months ended September 30, 2022, non-interest expense totaled \$415 million, up \$9 million or 2% compared to the nine months ended September 30, 2021. Merger-related expenses for the nine months ended September 30, 2022 totaled \$15 million compared to \$16 million for the nine months ended September 30, 2021. Excluding the impact of merger-related expenses, total operating expenses for the nine months ended September 30, 2022 were \$400 million, up \$10 million or 3% compared to \$390 million for the nine months ended September 30, 2021. The efficiency ratio for the nine months ended September 30, 2022 was 37.53% compared to 38.58% during the nine months ended September 30, 2021.

Income Tax Expense

For the nine-months ended September 30, 2022, total income tax expense was \$164 million, up slightly compared to total income tax expense of \$161 million for the nine months ended September 30, 2021. This represents an effective tax rate of 25.48% and 26.48%, respectively, for the nine months ended September 30, 2022 and 2021, respectively.

The year-ago nine-month period included \$2 million of income tax expense due to the revaluation of deferred taxes related to a change in the New York State tax rate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about the Company's market risk were presented on pages 68 through 72 of our 2021 Annual Report on Form 10-K, filed with the SEC on February 25, 2022. Subsequent changes in the Company's market risk profile and interest rate sensitivity are detailed in the discussion entitled "Management of Market and Interest Rate Risk" earlier in this quarterly report.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's (the "SEC's") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e), as adopted by the SEC under the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period.

(b) Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Refer to “Part I, Financial Information, Item 1, Financial Statements, Note 14 Legal Proceedings”, which is incorporated by reference into this item.

Item 1A. Risk Factors

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 as such factors could materially affect the Company’s business, financial condition, or future results of operations. There have been no material changes in the risk factors as discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Shares Repurchased Pursuant to the Company’s Stock-Based Incentive Plans

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

Shares Repurchased Pursuant to the Board of Directors’ Share Repurchase Authorization

On October 23, 2018, the Board of Directors authorized the repurchase of up to \$300 million of the Company’s common stock. Under said authorization, shares may be repurchased on the open market or in privately negotiated transactions. As of September 30, 2022, the Company has repurchased \$286 million of its common stock under this repurchase authorization, leaving \$9 million available for repurchase under this repurchase authorization.

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

| <i>(amounts in millions, except share data)</i> Period | Total Shares of Common Stock Repurchased | Average Price Paid per Common Share | Total Allocation |
|---|---|--|---------------------|
| Third Quarter 2022 | | | |
| July | 94,243 | \$ 9.09 | \$ 1 |
| August | 1,077 | 10.80 | 0 |
| September | 11,702 | 9.57 | 0 |
| Total Third Quarter 2022 | <u>107,022</u> | 9.16 | <u>\$ 1</u> |

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

| <u>Exhibit No.</u> | |
|--------------------|--|
| 2.1 | Agreement and Plan of Merger, dated as of April 24, 2021, by and among New York Community Bancorp, Inc., 615 Corp., a wholly-owned subsidiary of New York Community Bancorp, Inc. and Flagstar Bancorp, Inc. ⁽¹⁾ |
| 2.2 | Amendment No 1, dated April 26, 2022, to the Agreement and Plan of Merger, dated April 24, 2021 by and among New York Community Bancorp, Inc., 615 Corp., and Flagstar Bancorp, Inc. ⁽²⁾ |
| 2.3 | Amendment No 2, dated October 27, 2022, to the Agreement and Plan of Merger, dated April 24, 2021 by and among New York Community Bancorp, Inc., 615 Corp., and Flagstar Bancorp, Inc. ⁽³⁾ |
| 3.1 | Amended and Restated Certificate of Incorporation. ⁽⁴⁾ |
| 3.2 | Certificates of Amendment of Amended and Restated Certificate of Incorporation. ⁽⁵⁾ |
| 3.3 | Certificate of Amendment of Amended and Restated Certificate of Incorporation. ⁽⁶⁾ |
| 3.4 | Certificate of Designations of the Registrant with respect to the Series A Preferred Stock, dated March 16, 2017, filed with the Secretary of State of the State of Delaware and effective March 16, 2017. ⁽⁷⁾ |
| 3.5 | Amended and Restated Bylaws. ⁽⁸⁾ |
| 4.1 | Specimen Stock Certificate. ⁽⁹⁾ |
| 4.2 | Deposit Agreement, dated as of March 16, 2017, by and among the Registrant, Computershare, Inc., and Computershare Trust Company, N.A., as joint depository, and the holders from time to time of the depository receipts described therein. ⁽¹⁰⁾ |
| 4.3 | Form of certificate representing the Series A Preferred Stock. ⁽¹⁰⁾ |
| 4.4 | Form of depository receipt representing the Depository Shares. ⁽¹⁰⁾ |
| 4.5 | Registrant will furnish, upon request, copies of all instruments defining the rights of holders of long-term debt instruments of the registrant and its consolidated subsidiaries. |
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (attached hereto). |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (attached hereto). |
| 32.0 | Section 1350 Certifications of the Chief Executive Officer and Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002 (attached hereto). |
| 101.INS | XBRL Instance Document – the instance document does not appear in the Interactive Data File because iXBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | The cover page of New York Community Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, formatted in Inline XBRL (included within the Exhibit 101 attachments). |

* Pursuant to Item 601(b)(2) of Regulation S-K, certain schedules and similar attachments have been omitted. The registrant hereby agrees to furnish a copy of any omitted schedule or similar attachment to the SEC upon request.

- (1) Incorporated by reference to Exhibits to the Company's Form 8-K filed with the Securities and Exchange Commission on April 27, 2021 (File No. 1-31565).
- (2) Incorporated by reference to Exhibits to the Company's Form 8-K filed with the Securities and Exchange Commission on April 27, 2022 (File No. 1-31565).
- (3) Incorporated by reference to Exhibits to the Company's Form 8-K filed with the Securities and Exchange Commission on October 28, 2022 (File No. 1-31565).

- (4) Incorporated by reference to Exhibits filed with the Company's Form 10-Q for the quarterly period ended March 31, 2001 (File No. 0-22278).
- (5) Incorporated by reference to Exhibits filed with the Company's Form 10-K for the year ended December 31, 2003 (File No. 1-31565).
- (6) Incorporated by reference to Exhibits to the Company's Form 8-K filed with the Securities and Exchange Commission on April 27, 2016 (File No. 1-31565).
- (7) Incorporated by reference to Exhibits of the Company's Registration Statement on Form 8-A (File No. 333-210919), as filed with the Securities and Exchange Commission on March 16, 2017.
- (8) Incorporated by reference to Exhibits filed with the Company's Form 8-K filed with the Securities and Exchange Commission on June 8, 2022 (File No. 1-31565).
- (9) Incorporated by reference to Exhibits filed with the Company's Form 10-Q for the quarterly period ended September 30, 2017 (File No. 1-31565).
- (10) Incorporated by reference to Exhibits filed with the Company's Form 8-K filed with the Securities and Exchange Commission on March 17, 2017 (File No. 1-31565).

NEW YORK COMMUNITY BANCORP, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

New York Community Bancorp, Inc.

(Registrant)

DATE: November 4, 2022

BY: /s/ Thomas R. Cangemi

Thomas R. Cangemi
Chairman, President, and Chief Executive Officer

DATE: November 4, 2022

BY: /s/ John J. Pinto

John J. Pinto
Senior Executive Vice President
and Chief Financial Officer

NEW YORK COMMUNITY BANCORP, INC.

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas R. Cangemi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New York Community Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 4, 2022

BY: /s/ Thomas R. Cangemi

Thomas R. Cangemi
Chairman, President, and Chief Executive Officer

NEW YORK COMMUNITY BANCORP, INC.

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, John J. Pinto, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New York Community Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 4, 2022

BY: /s/ John J. Pinto

John J. Pinto
Senior Executive Vice President
and Chief Financial Officer

NEW YORK COMMUNITY BANCORP, INC.

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of New York Community Bancorp, Inc. (the "Company") on Form 10-Q for the period ended on September 30, 2022 as filed with the Securities and Exchange Commission (the "Report"), the undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

DATE: November 4, 2022

BY: /s/ Thomas R. Cangemi
Thomas R. Cangemi
Chairman, President, and Chief Executive Officer

DATE: November 4, 2022

BY: /s/ John J. Pinto
John J. Pinto
Senior Executive Vice President
and Chief Financial Officer
