

NEW YORK COMMUNITY BANCORP INC
Form 10-Q
August 09, 2012
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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 JUNE 30, 2012

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

06-1377322

(I.R.S. Employer Identification No.)

incorporation or organization)

615 Merrick Avenue, Westbury, New York 11590

(Address of principal executive offices)

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

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

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

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

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

439,118,145

Number of shares of common stock outstanding at

August 2, 2012

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NEW YORK COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)

	June 30, 2012 (unaudited)	December 31, 2011
Assets:		
Cash and cash equivalents	\$ 3,160,673	\$ 2,001,737
Securities:		
Available-for-sale (\$227,545 and \$590,488 pledged, respectively)	411,503	724,662
Held to maturity (\$3,268,071 and \$3,610,172 pledged, respectively) (fair value of \$4,032,094 and \$3,966,185, respectively)	3,853,587	3,815,854
Total securities	4,265,090	4,540,516
Non-covered loans held for sale	1,059,340	1,036,918
Non-covered loans held for investment, net of deferred loan fees and costs	26,492,755	25,532,818
Less: Allowance for losses on non-covered loans	(137,914)	(137,290)
Non-covered loans held for investment, net	26,354,841	25,395,528
Covered loans	3,516,097	3,753,031
Less: Allowance for losses on covered loans	(51,771)	(33,323)
Covered loans, net	3,464,326	3,719,708
Total loans, net	30,878,507	30,152,154
Federal Home Loan Bank stock, at cost	424,269	490,228
Premises and equipment, net	250,675	250,859
FDIC loss share receivable	631,156	695,179
Goodwill	2,436,131	2,436,131
Core deposit intangibles, net	41,589	51,668
Mortgage servicing rights	136,562	117,012
Bank-owned life insurance	777,990	768,996
Other real estate owned (includes \$50,732 and \$71,400, respectively, covered by loss sharing agreements)	98,033	155,967
Other assets	386,672	363,855
Total assets	\$ 43,487,347	\$ 42,024,302
Liabilities and Stockholders Equity:		
Deposits:		
NOW and money market accounts	\$ 8,692,549	\$ 8,757,198
Savings accounts	4,107,372	3,953,859
Certificates of deposit	9,852,702	7,373,263
Non-interest-bearing accounts	2,344,026	2,189,810
Total deposits	24,996,649	22,274,130
Borrowed funds:		
Wholesale borrowings:		
Federal Home Loan Bank advances	7,847,283	9,314,193
Repurchase agreements	4,125,000	4,125,000
Fed funds purchased	185,000	--
Total wholesale borrowings	12,157,283	13,439,193
Junior subordinated debentures	427,029	426,936
Other borrowings	4,300	94,284

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Total borrowed funds	12,588,612	13,960,413
Other liabilities	290,567	224,055
Total liabilities	37,875,828	36,458,598
Stockholders' equity:		
Preferred stock at par \$0.01 (5,000,000 shares authorized; none issued)	--	--
Common stock at par \$0.01 (600,000,000 shares authorized; 439,133,951 and 437,426,665 shares issued, and 439,124,100 and 437,344,796 shares outstanding, respectively)	4,391	4,374
Paid-in capital in excess of par	5,316,176	5,309,269
Retained earnings	355,215	324,967
Treasury stock, at cost (9,851 and 81,869 shares)	(134)	(996)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain on securities available for sale, net of tax	5,979	1,321
Net unrealized loss on the non-credit portion of other-than-temporary impairment (OTTI) losses on securities, net of tax	(13,578)	(13,627)
Net unrealized loss on pension and post-retirement obligations, net of tax	(56,530)	(59,604)
Total accumulated other comprehensive loss, net of tax	(64,129)	(71,910)
Total stockholders' equity	5,611,519	5,565,704
Total liabilities and stockholders' equity	\$ 43,487,347	\$ 42,024,302

See accompanying notes to the consolidated financial statements.

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(in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Interest Income:				
Mortgage and other loans	\$406,481	\$408,292	\$804,665	\$824,234
Securities and money market investments	48,499	60,716	96,953	115,697
Total interest income	454,980	469,008	901,618	939,931
Interest Expense:				
NOW and money market accounts	9,357	10,398	18,090	21,552
Savings accounts	3,565	4,206	7,061	8,333
Certificates of deposit	23,489	24,952	47,209	51,926
Borrowed funds	121,913	127,508	244,188	252,924
Total interest expense	158,324	167,064	316,548	334,735
Net interest income	296,656	301,944	585,070	605,196
Provision for losses on non-covered loans	15,000	15,000	30,000	41,000
Provision for losses on covered loans	18,448	8,708	18,448	8,708
Net interest income after provisions for loan losses	263,208	278,236	536,622	555,488
Non-Interest Income:				
Total loss on OTTI of securities	--	(18,124)	--	(18,124)
Less: Non-credit portion of OTTI recorded in other comprehensive income (before taxes)	--	--	--	--
Net loss on OTTI recognized in earnings	--	(18,124)	--	(18,124)
Fee income	9,433	12,143	19,191	24,042
Bank-owned life insurance	6,802	7,564	16,387	14,453
Net gain on sales of securities	141	18,743	859	28,735
Mortgage banking income	58,323	11,774	93,488	31,712
Gain on business disposition	--	9,823	--	9,823
FDIC indemnification income	14,759	7,624	14,759	7,624
Other	8,747	9,341	15,517	19,233
Total non-interest income	98,205	58,888	160,201	117,498
Non-Interest Expense:				
Operating expenses:				
Compensation and benefits	73,591	73,218	147,208	145,286
Occupancy and equipment	23,249	21,770	45,133	43,710
General and administrative	53,669	52,912	103,186	98,221

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Total operating expenses	150,509	147,900	295,527	287,217
Amortization of core deposit intangibles	4,920	7,144	10,079	14,529
Total non-interest expense	155,429	155,044	305,606	301,746
Income before income taxes	205,984	182,080	391,217	371,240
Income tax expense	74,772	62,621	141,752	128,605
Net Income	\$131,212	\$119,459	\$249,465	\$242,635
Other comprehensive income (loss), net of tax:				
Change in net unrealized gain/loss on securities available for sale, net of tax of \$2,096; \$5,065; \$3,473; and \$7,643, respectively	3,094	(7,439)	5,185	(11,276)
Change in the non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of \$16; \$4,811; \$31; and \$4,825, respectively	26	7,187	49	7,207
Change in pension and post-retirement obligations, net of tax of \$1,044; \$505; \$2,086; and \$1,006, respectively	1,537	740	3,074	1,484
Less: Reclassification adjustment for sales of available for sale securities and loss on OTTI of securities, net of tax of \$57; \$250; \$332; and \$1,428, respectively	(84)	(369)	(527)	(2,122)
Total other comprehensive income (loss), net of tax	4,573	119	7,781	(4,707)
Total comprehensive income, net of tax	\$135,785	\$119,578	\$257,246	\$237,928
Basic earnings per share	\$0.30	\$0.27	\$0.56	\$0.55
Diluted earnings per share	\$0.30	\$0.27	\$0.56	\$0.55

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share data)

(unaudited)

	For the Six Months Ended June 30, 2012
Common Stock (Par Value: \$0.01):	
Balance at beginning of year	\$ 4,374
Shares issued for restricted stock awards (1,707,286 shares)	17
Balance at end of period	4,391
Paid-in Capital in Excess of Par:	
Balance at beginning of year	5,309,269
Shares issued for restricted stock awards, net of forfeitures	(3,395)
Compensation expense related to restricted stock awards	10,337
Tax effect of stock plans	(35)
Balance at end of period	5,316,176
Retained Earnings:	
Balance at beginning of year	324,967
Net income	249,465
Dividends paid on common stock (\$0.50 per share)	(219,217)
Balance at end of period	355,215
Treasury Stock:	
Balance at beginning of year	(996)
Purchase of common stock (197,057 shares)	(2,554)
Shares issued for restricted stock awards (269,075 shares)	3,416
Balance at end of period	(134)
Accumulated Other Comprehensive Loss, net of tax:	
Balance at beginning of year	(71,910)
Other comprehensive income, net of tax	7,781
Balance at end of period	(64,129)
Total stockholders equity	\$ 5,611,519

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See accompanying notes to the consolidated financial statements.

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(in thousands)

(unaudited)

	Six Months Ended June 30,	
	2012	2011
Cash Flows from Operating Activities:		
Net income	\$ 249,465	\$ 242,635
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	48,448	49,708
Depreciation and amortization	12,139	11,876
Accretion of premiums and discounts, net	(742)	(850)
Amortization of core deposit intangibles	10,079	14,529
Net gain on sale of securities	(859)	(28,735)
Net gain on sale of loans	(92,976)	(25,213)
Gain on business disposition	--	(9,823)
Stock plan-related compensation	10,375	7,919
Loss on OTTI of securities recognized in earnings	--	18,124
Changes in assets and liabilities:		
Decrease in deferred tax asset, net	13,512	38,358
Decrease (increase) in other assets	51,779	(11,574)
Increase (decrease) in other liabilities	71,671	(83,978)
Origination of loans held for sale	(5,094,278)	(2,640,272)
Proceeds from sale of loans originated for sale	5,117,092	3,379,810
Net cash provided by operating activities	395,705	962,514
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	1,378,707	963,317
Proceeds from repayment of securities available for sale	370,667	81,642
Proceeds from sale of securities held to maturity	--	284,406
Proceeds from sale of securities available for sale	330,859	544,149
Purchase of securities held to maturity	(1,415,389)	(2,609,676)
Purchase of securities available for sale	(379,890)	(142,178)
Net redemption of Federal Home Loan Bank stock	65,959	21,277
Net increase in loans	(704,639)	(653,405)
Purchase of premises and equipment, net	(11,955)	(24,027)
Net cash acquired in business transactions	--	100,027
Net cash used in investing activities	(365,681)	(1,434,468)
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	2,722,519	(11,340)
Net decrease in short-term borrowed funds	(1,277,000)	(500,000)
Net decrease in long-term borrowed funds	(94,801)	(18,832)
Tax effect of stock plans	(35)	2,252
Cash dividends paid on common stock	(219,217)	(218,397)
Treasury stock purchases	(2,554)	(2,677)
Net cash received from stock option exercises	--	3,519

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Net cash provided by (used in) financing activities	1,128,912	(745,475)
Net increase (decrease) in cash and cash equivalents	1,158,936	(1,217,429)
Cash and cash equivalents at beginning of period	2,001,737	1,927,542
Cash and cash equivalents at end of period	\$ 3,160,673	\$ 710,113
Supplemental information:		
Cash paid for interest	\$311,632	\$346,984
Cash paid for income taxes	171,965	89,958
Non-cash investing and financing activities:		
Transfers to other real estate owned from loans	59,208	111,612
See accompanying notes to the consolidated financial statements.		

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

Organization

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

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

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

The Company changed its name to New York Community Bancorp, Inc. on November 21, 2000 in anticipation of completing the first of eight business combinations that expanded its footprint well beyond Queens County to encompass all five boroughs of New York City, Long Island, and Westchester County in New York, and seven counties in the northern and central parts of New Jersey. The Company expanded beyond this region to south Florida, northeast Ohio, and central Arizona through its FDIC-assisted acquisition of certain assets and assumption of certain liabilities of AmTrust Bank (AmTrust) in December 2009, and extended its Arizona franchise through its FDIC-assisted acquisition of certain assets and assumption of certain liabilities of Desert Hills Bank (Desert Hills) in March 2010. On June 28, 2012, the Company completed its⁴¹ transaction when it assumed the deposits of Aurora Bank FSB.

Reflecting this strategy of growth through acquisitions, the Community Bank currently operates 241 branches, four of which operate directly under the Community Bank name. The remaining 237 branches operate through seven divisional banks Queens County Savings Bank, Roslyn Savings Bank, Richmond County Savings Bank, and Roosevelt Savings Bank (in New York), Garden State Community Bank in New Jersey, AmTrust Bank in Florida and Arizona, and Ohio Savings Bank in Ohio.

The Commercial Bank currently operates 34 branches in Manhattan, Queens, Brooklyn, Westchester County, and Long Island (all in New York), including 17 branches that operate under the name Atlantic Bank.

Basis of Presentation

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

The unaudited consolidated financial statements include the accounts of the Company and other entities in which the Company has a controlling financial interest. All inter-company accounts and transactions are eliminated

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in consolidation. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2011 Annual Report on Form 10-K. The Company currently has unconsolidated subsidiaries in the form of nine wholly-owned statutory business trusts, which were formed to issue guaranteed capital debentures (capital securities). Please see Note 6, Borrowed Funds, for additional information regarding these trusts.

When necessary, certain reclassifications have been made to prior-year amounts to conform to the current-year presentation.

Note 2. Computation of Earnings per Share

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

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

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

(in thousands, except share and per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$131,212	\$119,459	\$249,465	\$242,635
Less: Dividends paid on and earnings allocated to participating securities	(1,246)	(921)	(2,339)	(1,815)
Earnings applicable to common stock	\$129,966	\$118,538	\$247,126	\$240,820
Weighted average common shares outstanding	437,820,639	436,179,448	437,644,249	435,872,952
Basic earnings per common share	\$0.30	\$0.27	\$0.56	\$0.55
Earnings applicable to common stock	\$129,966	\$118,538	\$247,126	\$240,820
Weighted average common shares outstanding	437,820,639	436,179,448	437,644,249	435,872,952
Potential dilutive common shares ⁽¹⁾	4,063	437,504	4,698	646,914
Total shares for diluted earnings per share computation	437,824,702	436,616,952	437,648,947	436,519,866
Diluted earnings per common share and common share equivalents	\$0.30	\$0.27	\$0.56	\$0.55

(1) Options to purchase 4,981,879 shares of the Company's common stock that were outstanding in the three and six months ended June 30, 2012, at a weighted average exercise price of \$15.40, were excluded from the respective computations of diluted EPS because their

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inclusion would have had an antidilutive effect. Options to purchase 744,838 and 736,938 shares, respectively, of the Company's common stock that were outstanding in the three and six months ended June 30, 2011, at respective weighted average exercise prices of \$21.37 and \$21.42, were excluded from the respective computations of diluted EPS because their inclusion would have had an antidilutive effect.

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The following table summarizes the Company's portfolio of securities available for sale at June 30, 2012:

(in thousands)	June 30, 2012			Fair Value
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	
Mortgage-Related Securities:				
GSE ⁽¹⁾ certificates	\$ 91,166	\$ 6,355	\$ 8	\$ 97,513
GSE CMOs ⁽²⁾	62,305	4,538	--	66,843
Private label CMOs	21,728	--	626	21,102
Total mortgage-related securities	\$ 175,199	\$ 10,893	\$ 634	\$ 185,458
Other Securities:				
GSE debentures	\$ 97,388	\$ 399	\$ --	\$ 97,787
State, county, and municipal	1,192	108	--	1,300
Capital trust notes	35,437	900	4,037	32,300
Preferred stock	49,890	2,888	--	52,778
Common stock	42,983	1,178	2,281	41,880
Total other securities	\$ 226,890	\$ 5,473	\$ 6,318	\$ 226,045
Total securities available for sale ⁽³⁾	\$ 402,089	\$ 16,366	\$ 6,952	\$ 411,503

(1) Government-sponsored enterprises

(2) Collateralized mortgage obligations

(3) The non-credit portion of OTTI recorded in accumulated other comprehensive loss (AOCL) was \$570,000 (before taxes).

As of June 30, 2012, the fair value of marketable equity securities included common stock of \$41.9 million, corporate preferred stock of \$52.5 million, and Freddie Mac preferred stock of \$280,000. Common stock primarily consisted of an investment in a large cap equity fund and certain other funds that are Community Reinvestment Act (CRA) eligible. The Freddie Mac preferred stock was recognized by the Company as other-than-temporarily impaired in the fourth quarter of 2008.

The following table summarizes the Company's portfolio of securities available for sale at December 31, 2011:

(in thousands)	December 31, 2011			Fair Value
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	
Mortgage-Related Securities:				
GSE certificates	\$ 97,642	\$ 5,013	\$ 10	\$ 102,645
GSE CMOs	62,373	2,903	--	65,276
Private label CMOs	25,306	--	1,265	24,041
Total mortgage-related securities	\$ 185,321	\$ 7,916	\$ 1,275	\$ 191,962

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Other Securities:				
GSE debentures	\$ 456,969	\$ 1,797	\$ --	\$ 458,766
State, county, and municipal	1,188	97	--	1,285
Capital trust notes	36,754	141	4,692	32,203
Preferred stock	--	195	--	195
Common stock	42,863	1,604	4,216	40,251
Total other securities	\$ 537,774	\$ 3,834	\$ 8,908	\$ 532,700
Total securities available for sale ⁽¹⁾	\$ 723,095	\$ 11,750	\$ 10,183	\$ 724,662

(1) The non-credit portion of OTTI recorded in AOCL was \$570,000 (before taxes).

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The following tables summarize the Company's portfolio of securities held to maturity at June 30, 2012 and December 31, 2011:

(in thousands)	Amortized Cost	Carrying Amount	June 30, 2012		Fair Value
			Gross Unrealized Gain	Gross Unrealized Loss	
Mortgage-Related Securities:					
GSE certificates	\$ 912,030	\$ 912,030	\$ 63,322	\$ 62	\$ 975,290
GSE CMOs	2,251,818	2,251,818	96,927	--	2,348,745
Other mortgage-related securities	3,303	3,303	--	--	3,303
Total mortgage-related securities	\$ 3,167,151	\$ 3,167,151	\$ 160,249	\$ 62	\$ 3,327,338
Other Securities:					
GSE debentures	\$ 436,312	\$ 436,312	\$ 12,866	\$ --	\$ 449,178
Corporate bonds	101,304	101,304	9,001	160	110,145
Municipal bonds	17,432	17,432	3	226	17,209
Capital trust notes	153,044	131,388	15,733	18,897	128,224
Total other securities	\$ 708,092	\$ 686,436	\$ 37,603	\$ 19,283	\$ 704,756
Total securities held to maturity ⁽¹⁾	\$ 3,875,243	\$ 3,853,587	\$ 197,852	\$ 19,345	\$ 4,032,094

(1) Held-to-maturity securities are reported at a carrying amount equal to amortized cost less the non-credit portion of OTTI recorded in AOCL. The non-credit portion of OTTI recorded in AOCL was \$21.7 million (before taxes).

(in thousands)	Amortized Cost	Carrying Amount	December 31, 2011		Fair Value
			Gross Unrealized Gain	Gross Unrealized Loss	
Mortgage-Related Securities:					
GSE certificates	\$ 660,945	\$ 660,945	\$ 47,064	\$ --	\$ 708,009
GSE CMOs	2,331,916	2,331,916	93,216	--	2,425,132
Other mortgage-related securities	3,379	3,379	--	--	3,379

&