

The total amount of net unrecognized tax benefits at December 31, 2014 that would have affected the effective tax rate, if recognized, was \$16.1 million.

Interest and penalties (if any) related to the underpayment of income taxes are classified as a component of income tax expense in the Consolidated Statements of Income and Comprehensive Income. During the years ended December 31, 2014, 2013, and 2012, the Company recognized income tax expense attributed to interest and penalties of \$700,000, \$900,000, and \$1.0 million, respectively. Accrued interest and penalties on tax liabilities were \$3.4 million and \$2.2 million, respectively, at December 31, 2014 and 2013.

The following table summarizes changes in the liability for unrecognized gross tax benefits for the years ended December 31, 2014, 2013, and 2012:

<i>(in thousands)</i>	December 31,		
	2014	2013	2012
Uncertain tax positions at beginning of year	\$20,250	\$ 24,220	\$ 8,922
Additions for tax positions relating to current-year operations	3,515	2,436	4,365
Additions for tax positions relating to prior tax years	1,819	6,218	11,890
Subtractions for tax positions relating to prior tax years	(929)	(3,641)	(457)
Reductions in balance due to settlements	124	(8,983)	(500)
Uncertain tax positions at end of year	<u>\$24,779</u>	<u>\$ 20,250</u>	<u>\$24,220</u>

The Company and its subsidiaries have filed tax returns in many states. The following are the more significant tax filings that are open for examination:

- Federal tax filings for tax years 2011 through the present;
- New York State tax filings for tax years 2010 through the present;
- New York City tax filings for tax years 2011 through the present; and
- New Jersey tax filings for tax years 2012 through the present.

In addition, while the Company and some of its subsidiaries are currently under examination by certain other states, their presence and tax exposure in those states are not significant.

It is reasonably possible that there will be developments within the next twelve months that would necessitate an adjustment to the balance of unrecognized tax benefits. The Company does not expect that such settlements will have a material impact on tax expense. In addition, the Company does not believe that the ranges of possible adjustments for each federal, state, and local tax position would be material.

As a savings institution, the Community Bank is subject to a special federal tax provision regarding its frozen tax bad debt reserve. At December 31, 2014, the Community Bank's federal tax bad debt base-year reserve was \$61.5 million, with a related net federal deferred tax liability of \$21.5 million, which has not been recognized since the Community Bank does not expect that this reserve will become taxable in the foreseeable future. Events that would result in taxation of this reserve include redemptions of the Community Bank's stock or certain excess distributions by the Community Bank to the Company.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Pledged Assets

The Company pledges securities to serve as collateral for its repurchase agreements. At December 31, 2014 and 2013, the Company had pledged mortgage-related securities held to maturity with a carrying value of \$2.9 billion at both dates. The Company also had pledged other securities held to maturity with a carrying value of \$1.7 billion at December 31, 2014 and a carrying value of \$2.1 billion at the prior year end. In addition, at December 31, 2014 and 2013, the Company had pledged available-for-sale mortgage-related securities with carrying values of \$11.4 million and \$79.9 million, respectively.

Loan Commitments and Letters of Credit

At December 31, 2014 and 2013, the Company had commitments to originate loans, including unused lines of credit, of \$2.6 billion and \$2.1 billion, respectively. The majority of the outstanding loan commitments at December 31, 2014 and 2013 had adjustable interest rates, and were expected to close within 90 days.