Oritani Financial Corp
Form 10-Q
November 09, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from _ to
Commission File No. 001-34786

Oritani Financial Corp.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 30-0628335 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

370 Pascack Road, Township of Washington, New Jersey 07676
(Address of Principal Executive Offices)

(201) 664-5400
(Registrant's telephone number)

N/A
(Former name or former address, if changed since last report)

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 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 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 small reporting company. See 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 | (Do not check if a smaller reporting company) | 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

As of November 9, 2016, there were 56,245,065 shares of the Registrant's common stock, par value $0.01 per share, issued and 45,243,507 shares outstanding.

Oritani Financial Corp.
FORM 10-Q

Index

Index
Part I. Financial Information
Item 1. Financial Statements

Oritani Financial Corp. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share data)

| | September 30, 2016 (unaudited) | June 30, 2016 (audited) |
|---|---|---|
| Assets | | |
| Cash on hand and in banks | $25,079 | $16,243 |
| Federal funds sold and short term investments | 182 | 328 |
| Cash and cash equivalents | 25,261 | 16,571 |
| Loans, net | 3,209,103 | 3,131,957 |
| Securities available for sale, at fair value | 176,261 | 141,850 |
| Securities held to maturity, fair value of $179,774 and $170,706, respectively. | 177,849 | 168,107 |
| Bank Owned Life Insurance (at cash surrender value) | 94,007 | 93,327 |
| Federal Home Loan Bank of New York stock ("FHLB"), at cost | 32,881 | 38,003 |
| Accrued interest receivable | 9,990 | 9,943 |
| Investments in real estate joint ventures, net | 4,213 | 4,307 |
| Real estate owned | 449 | 487 |
| Office properties and equipment, net | 14,095 | 14,338 |
| Deferred tax assets, net | 46,550 | 47,360 |
| Other assets | 3,983 | 3,088 |
| Total Assets | $3,794,642 | $3,669,338 |
| Liabilities | | |
| Deposits | $2,496,280 | $2,260,003 |
| Borrowings | 667,592 | 781,623 |
| Advance payments by borrowers for taxes and insurance | 20,960 | 21,415 |
| Other liabilities | 70,152 | 71,097 |
| Total Liabilities | 3,254,984 | 3,134,138 |
| Stockholders' Equity | | |
| Common stock, $0.01 par value; 150,000,000 shares authorized; 56,245,065 shares issued; 45,188,139 shares outstanding at September 30, 2016 and 45,247,420 shares outstanding at June 30, 2016. | 562 | 562 |
| Additional paid-in capital | 510,548 | 513,177 |
| Restricted Stock Awards | (480) | (4,242) |
| Treasury stock, at cost; 11,056,926 shares at September 30, 2016 and 10,997,645 shares at June 30, 2016. | (147,207) | (146,173) |
| Unallocated common stock held by the employee stock ownership plan | (20,142) | (20,481) |
| Retained income | 205,469 | 202,429 |
| Accumulated other comprehensive loss, net of tax | (9,092) | (10,072) |
| Total Stockholders' Equity | 539,658 | 535,200 |
| Total Liabilities and Stockholders' Equity | $3,794,642 | $3,669,338 |

See accompanying notes to unaudited consolidated financial statements.

3

Index

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Income
(In thousands, except per share data)

| | Three months ended September 30, | |
| --- | --- | --- |
| | 2016 | 2015 |
| | (unaudited) | |
| Interest income: | | |
| Interest on mortgage loans | $31,973 | $30,789 |
| Dividends on FHLB stock | 457 | 401 |
| Interest on securities available for sale | 826 | 1,203 |
| Interest on securities held to maturity | 803 | 571 |
| Interest on federal funds sold and short term investments | 1 | 1 |
| Total interest income | 34,060 | 32,965 |
| Interest expense: | | |
| Deposits | 5,739 | 3,662 |
| Borrowings | 3,021 | 5,154 |
| Total interest expense | 8,760 | 8,816 |
| Net interest income before provision for loan losses | 25,300 | 24,149 |
| Provision for loan losses | — | — |
| Net interest income after provision for loan losses | 25,300 | 24,149 |
| Other income: | | |
| Service charges | 182 | 258 |
| Real estate operations, net | — | 235 |
| Income from investments in real estate joint ventures | 316 | 407 |
| Bank-owned life insurance | 679 | 696 |
| Net gain on sale of assets | — | 4,312 |
| Other income | 81 | 77 |
| Total other income | 1,258 | 5,985 |
| Other expenses: | | |
| Compensation, payroll taxes and fringe benefits | 7,358 | 7,703 |
| Advertising | 90 | 90 |
| Office occupancy and equipment expense | 800 | 718 |
| Data processing service fees | 544 | 518 |
| Federal insurance premiums | 450 | 399 |
| Net expense from real estate operations | 55 | 330 |
| Other expenses | 971 | 979 |
| Total operating expenses | 10,268 | 10,737 |
| Income before income tax expense | 16,290 | 19,397 |
| Income tax expense | 5,679 | 6,782 |
| Net income | $10,611 | $12,615 |
| Earnings per basic common share | $0.25 | $0.31 |
| Earnings per diluted common share | $0.24 | $0.30 |

See accompanying notes to unaudited consolidated financial statements.

Index

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
(In thousands)

| | Three months ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| | (unaudited) | |
| Net income | $10,611 | $12,615 |
| Other comprehensive income (loss) | | |
| Change in unrealized holding (loss) gain on securities available for sale | (392 ) | 446 |
| Amortization related to post-retirement obligations | 72 | 33 |
| Net change in unrealized gain (loss) on interest rate swaps | 1,300 | (2,364 ) |
| Total other comprehensive income (loss) | 980 | (1,885 ) |
| Total comprehensive income | $11,591 | $10,730 |

See accompanying notes to unaudited consolidated financial statements.

5

Index

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Stockholders' Equity
Three months ended September 30, 2016 and 2015 (unaudited)
(In thousands, except share data)

| | Shares Outstanding | Common stock | Additional paid-in capital | Restricted Stock Awards | Treasury stock | Unallocated common stock held by ESOP | Retained income | Accumulated other comprehensive income (loss), net of tax | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at June 30, 2015 | 44,012,239 | $562 | $508,999 | $(8,088) | $(162,344) | $(22,803) | $203,192 | $(1,848) | $517,670 |
| Net income | — | — | — | — | — | — | 12,615 | — | 12,615 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | — | (1,885) | (1,885) |
| Cash dividends declared | — | — | — | — | — | — | (7,211) | — | (7,211) |
| Purchase of treasury stock | (97,233) | — | — | — | (1,530) | — | — | — | (1,530) |
| Compensation cost for stock options and restricted stock | — | — | 1,511 | — | — | — | — | — | 1,511 |
| ESOP shares allocated or committed to be released | — | — | 285 | — | — | 329 | — | — | 614 |
| Exercise of stock options | 52,000 | — | — | — | 690 | — | (92) | — | 598 |
| Vesting of restricted stock awards | — | — | (3,725) | 3,776 | — | — | (51) | — | — |
| Cumulative effect of change in accounting principle-adoption of ASU 2016-09 | — | — | — | — | — | — | (33) | — | (33) |
| Balance at September 30, 2015 | 43,967,006 | $562 | $507,070 | $(4,312) | $(163,184) | $(22,474) | $208,420 | $(3,733) | $522,349 |
| | | | | | | | | | |
| Balance at June 30, 2016 | 45,247,420 | $562 | $513,177 | $(4,242) | $(146,173) | $(20,481) | $202,429 | $(10,072) | $535,200 |
| Net income | — | — | — | — | — | — | 10,611 | — | 10,611 |
| Other comprehensive | — | — | — | — | — | — | — | 980 | 980 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| income, net of tax | | | | | | | | | |
| Cash dividends declared | — | — | — | — | — | — | (7,480) | — | (7,480) |
| Purchase of treasury stock | (94,953) | — | — | — | (1,508) | — | — | — | (1,508) |
| Compensation cost for stock options and restricted stock | — | — | 775 | — | — | — | — | — | 775 |
| ESOP shares allocated or committed to be released | — | — | 314 | — | — | 339 | — | — | 653 |
| Exercise of stock options | 35,672 | — | — | — | 474 | — | (47) | — | 427 |
| Vesting of restricted stock awards | — | — | (3,718) | 3,762 | — | — | (44) | — | — |
| Balance at September 30, 2016 | 45,188,139 | $562 | $510,548 | $(480) | $(147,207) | $(20,142) | $205,469 | $(9,092) | $539,658 |

See accompanying notes to unaudited consolidated financial statements.

Index

Oritani Financial Corp. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

| | Three months ended September 30, 2016 | 2015 |
|---|---|---|
| | (unaudited) | |
| Cash flows from operating activities: | | |
| Net income | $10,611 | $12,615 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| ESOP and stock-based compensation expense | 1,428 | 2,125 |
| Tax benefit from stock-based compensation | 350 | 433 |
| Depreciation of premises and equipment | 232 | 224 |
| Net amortization and accretion of premiums and discounts on securities | 269 | 302 |
| Amortization and accretion of deferred loan fees, net | (550) | (843) |
| Decrease (increase) in deferred taxes | 97 | (1,763) |
| Gain on sale of real estate joint ventures and real estate investments | — | (4,222) |
| Gain on sale of real estate owned | — | (90) |
| Writedown of real estate owned | 38 | 250 |
| Proceeds from sale of real estate owned | — | 1,290 |
| Increase in cash surrender value of bank owned life insurance | (679) | (696) |
| Increase in accrued interest receivable | (47) | (151) |
| Decrease (increase) in other assets | 1,509 | (1,274) |
| Increase in other liabilities | 213 | 4,716 |
| Net cash provided by operating activities | 13,471 | 12,916 |
| Cash flows from investing activities: | | |
| Net increase in loans receivable | (49,939) | (7,737) |
| Purchase of mortgage loans | (26,657) | — |
| Purchase of securities available for sale | (46,000) | — |
| Purchase of securities held to maturity | (17,615) | (19,489) |
| Proceeds from payments, calls and maturities of securities available for sale | 10,775 | 20,393 |
| Proceeds from payments, calls and maturities of securities held to maturity | 7,729 | 4,128 |
| Net decrease in Federal Home Loan Bank of New York stock | 5,122 | 2,596 |
| Proceeds from sales of real estate joint ventures and real estate investments | — | 4,619 |
| Net increase in real estate held for investment | — | (92) |
| Net decrease (increase) in real estate joint ventures | 94 | (81) |
| Purchase of fixed assets | (12) | (235) |
| Net cash (used in) provided by investing activities | (116,503) | 4,102 |
| Cash flows from financing activities: | | |
| Net increase in deposits | 236,277 | 45,658 |
| Purchase of treasury stock | (1,508) | (1,530) |
| Dividends paid to shareholders | (7,480) | (7,211) |
| Exercise of stock options | 427 | 598 |
| Decrease in advance payments by borrowers for taxes and insurance | (455) | (660) |
| Proceeds from borrowed funds | 12,000 | 19,837 |
| Repayment of borrowed funds | (126,031) | (77,500) |
| Payment of employee taxes withheld from shared-based awards | (1,508) | (1,530) |
| Net cash provided by (used in) financing activities | 111,722 | (22,338) |

| | | |
|---|---|---|
| Net increase (decrease) in cash and cash equivalents | 8,690 | (5,320 ) |
| Cash and cash equivalents at beginning of period | 16,571 | 15,129 |
| Cash and cash equivalents at end of period | $25,261 | $9,809 |
| Supplemental cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $8,731 | $8,774 |
| Income taxes | $7,249 | $6,138 |
| Noncash transfer | | |
| Loans receivable transferred to real estate owned | $— | $317 |

See accompanying notes to unaudited consolidated financial statements.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements are composed of the accounts of Oritani Financial Corp., its wholly owned subsidiary, Oritani Bank (the "Bank") and the wholly owned subsidiaries of Oritani Bank; Oritani Finance Company, Ormon LLC ("Ormon"), and Oritani Investment Corp., as well as its wholly owned subsidiary, Oritani Asset Corporation (a real estate investment trust), (collectively, the "Company"). Intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, all of the adjustments (consisting of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the three month period ended September 30, 2016 are not necessarily indicative of the results of operations that may be expected for the fiscal year ending June 30, 2017.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for the preparation of the Form 10-Q. The consolidated financial statements presented should be read in conjunction with the Company's audited consolidated financial statements and notes to consolidated financial statements included in the Company's June 30, 2016 Annual Report on Form 10-K, filed with the SEC on September 13, 2016.

The consolidated financial statements have been prepared in conformity with GAAP. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities presented in the Consolidated Balance Sheets at September 30, 2016 and June 30, 2016 and in the Consolidated Statements of Income for the three months ended September 30, 2016 and 2015. Actual results could differ significantly from those estimates.

A material estimate that is particularly susceptible to significant changes relates to the determination of the allowance for loan losses. The allowance for loan losses represents management's best estimate of losses known and inherent in the portfolio that are both probable and reasonable to estimate. While management uses the most current information available to estimate losses on loans, actual losses are dependent on future events and, as such, increases in the allowance for loan losses may be necessary.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements
2. Earnings Per Share ("EPS")

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. The weighted average common shares outstanding includes the average number of shares of common stock outstanding and allocated or committed to be released Employee Stock Ownership Plan shares.

Diluted earnings per share is computed using the same method as basic earnings per share, but reflects the potential dilution that could occur if stock options were exercised and converted into common stock. These potentially dilutive shares would then be included in the weighted average number of shares outstanding for the period using the treasury stock method. When applying the treasury stock method, we add the assumed proceeds from option exercises and the average unamortized compensation costs related to stock options. We then divide this sum by our average stock price to calculate shares assumed to be repurchased. The excess of the number of shares issuable over the number of shares assumed to be repurchased is added to basic weighted average common shares to calculate diluted EPS.

The following is a summary of the Company's earnings per share calculations and reconciliation of basic to diluted earnings per share.

| | Three months ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| | (In thousands, except per share data) | |
| Net income | $10,611 | $12,615 |
| Weighted average common shares outstanding—basic | 42,775 | 41,256 |
| Effect of dilutive stock options outstanding | 1,233 | 1,188 |
| Weighted average common shares outstanding—diluted | 44,008 | 42,444 |
| Earnings per share-basic | $0.25 | $0.31 |
| Earnings per share-diluted | $0.24 | $0.30 |

For the three months ended September 30, 2016 and 2015 there were 4,438 and 9,316 option shares, respectively, that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for those periods.

3. Stock Repurchase Program

On March 4, 2015, the Board of Directors of the Company authorized a fourth stock repurchase plan pursuant to which the Company is authorized to repurchase up to 5% of the outstanding shares, or 2,205,451 shares. At September 30, 2016, there are 1,892,553 shares yet to be purchased under the current plans. At September 30, 2016, a total of 13,273,979 shares had been acquired under repurchase programs at a weighted average cost of $13.30 per share. The timing of the repurchases depend on certain factors, including but not limited to, market conditions and prices, the Company's liquidity and capital requirements, and alternative uses of capital. Repurchased shares will be held as treasury stock and will be available for general corporate purposes. The Company may conduct repurchases in accordance with a Rule 10b5-1 trading plan.

4. Equity Incentive Plans

The 2007 Equity Incentive Plan ("the 2007 Equity Plan") was approved by the Company's stockholders on April 22, 2008, which authorized the issuance of up to 4,172,817 shares of Company common stock pursuant to grants of incentive and non-statutory stock options, stock appreciation rights, and restricted stock awards. The 2011 Equity Incentive Plan ("2011 Equity Plan") was approved by the Company's stockholders on July 26, 2011. The 2011 Equity Plan authorized the issuance of up to 5,790,849 shares of the Company's common stock pursuant to grants of stock options, restricted stock awards and restricted stock units, with no more than 1,654,528 of the shares issued as restricted stock awards or restricted stock units. Employees and outside directors of the Company or Oritani Bank are eligible to receive awards under the Equity Plans.

Stock options are granted at an exercise price equal to the market price of our common stock on the grant date, based on quoted market prices. Stock options generally vest over a five-year service period and expire ten years from issuance. The vesting of the options accelerate upon death or disability, retirement or a change in control and expire 90 days after termination of service, excluding disability or retirement. The Company recognizes compensation expense for all option grants over the awards' respective requisite service periods. Management estimated the fair values of all option grants using the Black-Scholes option-pricing model. Management estimated the expected life of the options using the simplified method. The Treasury yield in effect at the time of the grant provides the risk-free rate for periods within the contractual life of the option. The Company classified share-based compensation for employees and outside directors within "compensation, payroll taxes and fringe benefits" in the consolidated statements of income to correspond with the same line item as the cash compensation paid.

There were no options issued during the three months ended September 30, 2016. The fair value of the options issued during the three months ended September 30, 2015 was estimated using the Black-Scholes options-pricing model with the assumptions in the following table.

| | Three months ended September 30, 2015 |
|---|---|
| Option shares granted | 20,000 |
| Expected dividend yield | 6.75 % |
| Expected volatility | 26.10 % |
| Risk-free interest rate | 2.03 % |
| Expected option life | 6.5 |

The following is a summary of the Company's stock option activity and related information as of September 30, 2016 and changes therein during the three months then ended:

| | Number of Stock Options | Weighted Average Grant Date Fair Value | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (years) |
|---|---|---|---|---|
| Outstanding at June 30, 2016 | 4,568,005 | $ 2.59 | $ 11.65 | 5.3 |
| Granted | — | — | — | — |

| | | | | |
|---|---|---|---|---|
| Exercised | (35,672 ) | 2.71 | 11.95 | 5.0 |
| Forfeited | — | — | — | — |
| Outstanding at September 30, 2016 | 4,532,333 | $ 2.59 | $ 11.64 | 5.1 |
| Exercisable at September 30, 2016 | 4,452,997 | $ 2.60 | $ 11.58 | 5.0 |

The Company recorded $266,000 and $533,000 of share based compensation expense related to options for the three months ended September 30, 2016 and 2015, respectively. Expected future expense related to the non-vested options outstanding at September 30, 2016 is $121,000 over a weighted average period of 2.1 years. Upon exercise of vested options, management expects to draw on treasury stock as the source of the shares.

Index

Oritani Financial Corp. and subsidiaries

Notes to Unaudited Consolidated Financial Statements

Restricted stock shares vest over a five-year service period on the anniversary date of the grant. Vesting of the restricted stock shares accelerate upon death or disability, retirement or a change in control. The product of the number of shares granted and the grant date market price of the Company's common stock determines the fair value of restricted shares under the Company's restricted stock plan. The Company recognizes compensation expense for the fair value of restricted shares on a straight-line basis over the requisite service period.

The following is a summary of the status of the Company's restricted stock shares as of September 30, 2016 and changes therein during the three months then ended:

| | Number of Shares Awarded | Weighted Average Grant Date Fair Value |
|---|---|---|
| Non-vested at June 30, 2016 | 347,487 | $ 12.37 |
| Granted | — | — |
| Vested | (307,820) | 11.98 |
| Forfeited | — | — |
| Non-vested at September 30, 2016 | 39,667 | $ 15.41 |

The Company recorded $509,000 and $978,000 of share based compensation expense related to the restricted stock shares for the three months ended September 30, 2016 and 2015, respectively. Expected future expense related to the non-vested restricted shares at September 30, 2016 is $427,000 over a weighted average period of 2.2 years.

5. Post-retirement Benefits

The Company provides several post-retirement benefit plans to directors and to certain active and retired employees. The Company has a nonqualified Directors' Retirement Plan ("Retirement Plan"), a nonqualified Benefit Equalization Plan ("BEP Plan"), which provides benefits to employees who are disallowed certain benefits under the Company's qualified benefit plans, and a Post Retirement Medical Plan ("Medical Plan") for directors and certain eligible employees.

Net periodic benefit costs for the three months ended September 30, 2016 and 2015 are presented in the following table.

| | Retirement Plan | | BEP Plan | | Medical Plan | |
|---|---|---|---|---|---|---|
| | Three months ended September 30, | | | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | (In thousands) | | | | | |
| Service cost | $38 | $44 | $— | $— | $14 | $19 |
| Interest cost | 45 | 57 | 10 | 12 | 59 | 59 |
| Amortization of unrecognized: | | | | | | |
| Prior service cost | — | — | — | — | — | — |
| Net loss | — | 7 | 13 | 10 | 87 | 39 |
| Total | $83 | $108 | $23 | $22 | $160 | $117 |

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

6. Loans, net

Loans, net are summarized as follows:

| | September 30, 2016 | June 30, 2016 |
|---|---|---|
| | (In thousands) | |
| Residential | $226,209 | $223,701 |
| Residential commercial real estate | 1,690,600 | 1,596,876 |
| Credit/grocery retail commercial real estate | 470,801 | 457,058 |
| Other commercial real estate | 857,242 | 887,443 |
| Construction and land loans | 2,305 | 4,810 |
| Total loans | 3,247,157 | 3,169,888 |
| Less: | | |
| Deferred loan fees, net | 8,176 | 7,980 |
| Allowance for loan losses | 29,878 | 29,951 |
| Loans, net | $3,209,103 | $3,131,957 |

The Company's allowance for loan losses is analyzed quarterly and many factors are considered, including growth in the portfolio, delinquencies, nonaccrual loan levels, and other environmental factors.  There have been no material changes to the allowance for loan loss methodology as disclosed in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on September 13, 2016.

The activity in the allowance for loan losses for the three months ended September 30, 2016 and 2015 is summarized as follows:

| | Three months ended September 30, | |
|---|---|---|
| | (In thousands) | |
| | 2016 | 2015 |
| Balance at beginning of period | $29,951 | $30,889 |
| Provisions for loan losses | — | — |
| Recoveries of loans previously charged off | 2 | — |
| Loans charged off | (75 ) | (255 ) |
| Balance at end of period | $29,878 | $30,634 |

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

The following table provides the three month activity in the allowance for loan losses allocated by loan category at September 30, 2016 and 2015. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

| | Three months ended September 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Residential | Residential commercial real estate | Credit/grocery retail commercial real estate | Other commercial real estate | Construction and land loans | Total |
| | (In thousands) | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | $1,300 | $ 12,837 | $ 3,646 | $ 11,850 | $ 318 | $29,951 |
| Charge-offs | (75) | — | — | — | — | (75) |
| Recoveries | — | — | — | 2 | — | 2 |
| Provisions | 569 | 773 | (174) | (1,009) | (159) | — |
| Ending balance | $1,794 | $ 13,610 | $ 3,472 | $ 10,843 | $ 159 | $29,878 |

| | Three months ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Residential | Residential commercial real estate | Credit/grocery retail commercial real estate | Other commercial real estate | Construction and land loans | Total |
| | (In thousands) | | | | | |
| Allowance for loan losses: | | | | | | |
| Beginning balance | $1,521 | $ 10,814 | $ 4,042 | $ 13,943 | $ 569 | $30,889 |
| Charge-offs | (99) | — | — | (156) | — | (255) |
| Recoveries | — | — | — | — | — | — |
| Provisions | 258 | (208) | 570 | (739) | 119 | — |
| Ending balance | $1,680 | $ 10,606 | $ 4,612 | $ 13,048 | $ 688 | $30,634 |

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

The following table details the amount of loans receivables that are evaluated individually, and collectively, for impairment, and the related portion of allowance for loan loss that is allocated to each loan portfolio segment at September 30, 2016 and June 30, 2016.

| At September 30, 2016 | Residential | Residential commercial real estate | Credit/grocery retail commercial real estate | Other commercial real estate | Construction and land loans | Total |
|---|---|---|---|---|---|---|
| | (In thousands) | | | | | |
| Allowance for loan losses: | | | | | | |
| Individually evaluated for impairment | $20 | $— | $ — | $ 51 | $ 47 | $118 |
| Collectively evaluated for impairment | 1,774 | 13,610 | 3,472 | 10,792 | 112 | 29,760 |
| Total | $1,794 | $13,610 | $ 3,472 | $ 10,843 | $ 159 | $29,878 |
| Loans receivable: | | | | | | |
| Individually evaluated for impairment | $3,689 | $— | $ — | $ 10,108 | $ 56 | $13,853 |
| Collectively evaluated for impairment | 222,520 | 1,690,600 | 470,801 | 847,134 | 2,249 | 3,233,304 |
| Total | $226,209 | $1,690,600 | $ 470,801 | $ 857,242 | $ 2,305 | $3,247,157 |

| At June 30, 2016 | Residential | Residential commercial real estate | Credit/grocery retail commercial real estate | Other commercial real estate | Construction and land loans | Total |
|---|---|---|---|---|---|---|
| | (In thousands) | | | | | |
| Allowance for loan losses: | | | | | | |
| Individually evaluated for impairment | $20 | $— | $ — | $ 51 | $ 47 | $118 |
| Collectively evaluated for impairment | 1,280 | 12,837 | 3,646 | 11,799 | 271 | 29,833 |
| Total | $1,300 | $12,837 | $ 3,646 | $ 11,850 | $ 318 | $29,951 |
| Loans receivable: | | | | | | |
| Individually evaluated for impairment | $3,631 | $310 | $ — | $ 9,154 | $ 56 | $13,151 |
| Collectively evaluated for impairment | 220,070 | 1,596,566 | 457,058 | 878,289 | 4,754 | 3,156,737 |
| Total | $223,701 | $1,596,876 | $ 457,058 | $ 887,443 | $ 4,810 | $3,169,888 |

The Company continuously monitors the credit quality of its loan portfolio. In addition to internal staff, the Company utilizes the services of a third party loan review firm to evaluate the credit quality ratings of its loan receivables. Credit quality is monitored by reviewing certain credit quality indicators. Assets classified as "Satisfactory" are deemed to possess average to superior credit quality, requiring no more than normal attention. Assets classified as "Pass/Watch" have generally acceptable asset quality yet possess higher risk characteristics/circumstances than satisfactory assets. Such characteristics may include strained liquidity, slow pay, stale financial statements or other circumstances requiring greater attention from bank staff. We classify an asset as "Special Mention" if the asset has a potential weakness that warrants management's close attention. Such weaknesses, if left uncorrected, may result in the deterioration of the repayment prospects of the asset. An asset is considered "Substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as "Doubtful" have all of the weaknesses inherent in those classified substandard, with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Included in the Substandard caption are all loans that were past due 90 days (or more) and all impaired loans.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements
The following table provides information about the loan credit quality at September 30, 2016 and June 30, 2016:

| | At September 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Satisfactory | Pass/Watch | Special Mention | Substandard | Doubtful | Total |
| | (In thousands) | | | | | |
| Residential | $203,476 | $ 286 | $18,170 | $ 4,277 | $ — | $226,209 |
| Residential commercial real estate | 1,668,217 | 20,602 | 1,781 | — | — | 1,690,600 |
| Credit/grocery retail commercial real estate | 452,326 | 15,523 | 2,952 | — | — | 470,801 |
| Other commercial real estate | 748,739 | 72,516 | 16,006 | 19,981 | — | 857,242 |
| Construction and land loans | 2,249 | — | — | 56 | — | 2,305 |
| Total | $3,075,007 | $ 108,927 | $38,909 | $ 24,314 | $ — | $3,247,157 |

| | At June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Satisfactory | Pass/Watch | Special Mention | Substandard | Doubtful | Total |
| | (In thousands) | | | | | |
| Residential | $199,911 | $ 18,882 | $531 | $ 4,377 | $ — | $223,701 |
| Residential commercial real estate | 1,583,686 | 9,563 | 3,317 | 310 | — | 1,596,876 |
| Credit/grocery retail commercial real estate | 438,562 | 15,523 | 2,973 | — | — | 457,058 |
| Other commercial real estate | 798,457 | 51,567 | 17,553 | 19,866 | — | 887,443 |
| Construction and land loans | 4,754 | — | — | 56 | — | 4,810 |
| Total | $3,025,370 | $ 95,535 | $24,374 | $ 24,609 | $ — | $3,169,888 |

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

The following table provides information about loans past due at September 30, 2016 and June 30, 2016:

| | At September 30, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90 days or More Past Due | Total Past Due | Current | Total Loans | Nonaccrual (1) |
| | (In thousands) | | | | | | |
| Residential | $300 | $1,068 | $572 | $1,940 | $224,269 | $226,209 | $ 830 |
| Residential commercial real estate | — | — | — | — | 1,690,600 | 1,690,600 | — |
| Credit/grocery retail commercial real estate | — | — | — | — | 470,801 | 470,801 | — |
| Other commercial real estate | 1,609 | 222 | 2,799 | 4,630 | 852,612 | 857,242 | 9,651 |
| Construction and land loans | — | — | 56 | 56 | 2,249 | 2,305 | 56 |
| Total | $1,909 | $1,290 | $3,427 | $6,626 | $3,240,531 | $3,247,157 | $ 10,537 |

| | At June 30, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90 days or More Past Due | Total Past Due | Current | Total Loans | Nonaccrual (2) |
| | (In thousands) | | | | | | |
| Residential | $1,745 | $531 | $684 | $2,960 | $220,741 | $223,701 | $ 931 |
| Residential commercial real estate | 3,601 | 1,166 | — | 4,767 | 1,592,109 | 1,596,876 | 310 |
| Credit/grocery retail commercial real estate | — | — | — | — | 457,058 | 457,058 | — |
| Other commercial real estate | 3,746 | — | 1,641 | 5,387 | 882,056 | 887,443 | 8,671 |
| Construction and land loans | — | — | 56 | 56 | 4,754 | 4,810 | 56 |
| Total | $9,092 | $1,697 | $2,381 | $13,170 | $3,156,718 | $3,169,888 | $ 9,968 |

(1) Included in nonaccrual loans at September 30, 2016 are residential loans totaling $66,000 and other commercial real estate loans totaling $165,000 that were 60-89 days past due; residential loans totaling $14,000 and other commercial real estate loans totaling $209,000 that were 30-59 days past due; and residential loans totaling $178,000 and other commercial real estate loans totaling $6.5 million that were current.

(2) Included in nonaccrual loans at June 30, 2016 are residential loans totaling $180,000 that were 30-59 days past due; residential loans totaling $66,000, residential commercial real estate loans totaling $310,000 and other commercial real estate loans totaling $7.0 million that were current.

The Company defines an impaired loan as a loan for which it is probable, based on current information, that the Company will not collect all amounts due under the contractual terms of the loan agreement.  Loans we individually classify as impaired include multifamily, commercial mortgage and construction loans with balances of $1.0 million or more, unless a condition exists for loans less than $1.0 million that would increase the Bank's potential loss exposure.  At September 30, 2016 impaired loans were primarily collateral-dependent and totaled $13.9 million, of which $486,000 had a specific allowance for credit losses of $118,000 and $13.4 million of impaired loans had no related allowance for credit losses.  At June 30, 2016 impaired loans were primarily collateral-dependent and totaled $13.2 million, of which $487,000  had a related allowance for credit losses of $118,000 and $12.7 million of impaired loans had no related allowance for credit losses.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements
The following table provides information about the Company's impaired loans at September 30, 2016 and June 30, 2016:

| | Impaired Loans | | | | |
|---|---|---|---|---|---|
| | At September 30, 2016 | | | Three months ended September 30, 2016 | |
| | Recorded Investment | Unpaid Principal Balance | Allowance | Average Recorded Investment | Interest Income Recognized |
| | (In thousands) | | | | |
| With no related allowance recorded: | | | | | |
| Residential | $3,506 | $3,506 | $ — | $3,462 | $ 34 |
| Other commercial real estate | 9,861 | 9,861 | — | 9,089 | 121 |
| | 13,367 | 13,367 | — | 12,551 | 155 |
| With an allowance recorded: | | | | | |
| Residential | $163 | $183 | $ 20 | $164 | $ 2 |
| Other commercial real estate | 196 | 247 | 51 | 196 | — |
| Construction and land loans | 9 | 56 | 47 | 9 | — |
| | 368 | 486 | 118 | 369 | 2 |
| Total: | | | | | |
| Residential | $3,669 | $3,689 | $ 20 | $3,626 | $ 36 |
| Other commercial real estate | 10,057 | 10,108 | 51 | 9,285 | 121 |
| Construction and land loans | 9 | 56 | 47 | 9 | — |
| | $13,735 | $13,853 | $ 118 | $12,920 | $ 157 |

| | Impaired Loans | | | | |
|---|---|---|---|---|---|
| | At June 30, 2016 | | | Year ended June 30, 2016 | |
| | Recorded Investment | Unpaid Principal Balance | Allowance | Average Recorded Investment | Interest Income Recognized |
| | (In thousands) | | | | |
| With no related allowance recorded: | | | | | |
| Residential | $3,447 | $3,447 | $ — | $3,507 | $ 140 |
| Residential commercial real estate | 310 | 310 | — | 296 | — |
| Other commercial real estate | 8,907 | 8,907 | — | 9,127 | 263 |
| | 12,664 | 12,664 | — | 12,930 | 403 |
| With an allowance recorded: | | | | | |
| Residential | $164 | $184 | $ 20 | $166 | $ 6 |
| Other commercial real estate | 196 | 247 | 51 | 196 | — |
| Construction and land loans | 9 | 56 | 47 | 72 | — |
| | 369 | 487 | 118 | 434 | 6 |
| Total: | | | | | |
| Residential | $3,611 | $3,631 | $ 20 | $3,673 | $ 146 |
| Residential commercial real estate | 310 | 310 | - | 296 | — |
| Other commercial real estate | 9,103 | 9,154 | 51 | 9,323 | 263 |
| Construction and land loans | 9 | 56 | 47 | 72 | — |
| | $13,033 | $13,151 | $ 118 | $13,364 | $ 409 |

17

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

Troubled debt restructured loans ("TDRs") are those loans whose terms have been modified because of deterioration in the financial condition of the borrower. The Company has selectively modified certain borrower's loans to enable the borrower to emerge from delinquency and keep their loans current. The eligibility of a borrower for a TDR modification depends upon the facts and circumstances of each transaction, which may change from period to period, and involve judgment by management regarding the likelihood that the modification will result in the maximum recovery by the Company. Modifications could include extension of the terms of the loan, reduced interest rates, and forgiveness of accrued interest and/or principal. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or, if the obligation yields a market rate (a rate equal to or greater than the rate the Company was willing to accept at the time of the restructuring for a new loan with comparable risk), until the year subsequent to the year in which the restructuring takes place, provided the borrower has performed under the modified terms for a six month period. Management classifies all TDRs as impaired loans. Included in impaired loans at September 30, 2016 are $4.3 million of loans which are deemed TDRs. At June 30, 2016, TDRs totaled $4.6 million.

The following table presents additional information regarding the Company's TDRs as of September 30, 2016 and June 30, 2016:

| | Troubled Debt Restructurings at September 30, 2016 | | |
|---|---|---|---|
| | Performing | Nonperforming | Total |
| | (In thousands) | | |
| Residential | $— | $ 183 | $183 |
| Other commercial real estate | 378 | 3,648 | 4,026 |
| Construction and land loans | — | 56 | 56 |
| Total | $378 | $ 3,887 | $4,265 |
| Allowance | $— | $ 118 | $118 |

| | Troubled Debt Restructurings at June 30, 2016 | | |
|---|---|---|---|
| | Performing | Nonperforming | Total |
| | (In thousands) | | |
| Residential | $— | $ 184 | $184 |
| Residential commercial real estate | — | 310 | 310 |
| Other commercial real estate | 386 | 3,703 | 4,089 |
| Construction and land loans | — | 56 | 56 |
| Total | $386 | $ 4,253 | $4,639 |
| Allowance | $— | $ 118 | $118 |

The following tables present information about TDRs for the periods presented:

| Three months ended September 30, | | | | | |
|---|---|---|---|---|---|
| 2016 | | | 2015 | | |
| Number of Relationships | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment | Number of Relationships | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |

| | (Dollars in thousands) | | | (Dollars in thousands) | |
|---|---|---|---|---|---|
| Other commercial real estate | — | $ — | $ — | 1 | $ 3,385 | $ 2,307 |
| Total | — | $ — | $ — | 1 | $ 3,385 | $ 2,307 |

There were no loan relationships modified in a troubled debt restructuring during the three months ended September 30, 2016. The relationship modified during the three months ended September 30, 2015, was granted an extended maturity in conjunction with a principal paydown.

There have been no loans that were modified as TDR during the last twelve months that have subsequently defaulted (90 days or more past due) during the current quarter ended September 30, 2016.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

7. Investment Securities

Securities Held to Maturity

The following is a comparative summary of securities held to maturity at September 30, 2016 and June 30, 2016:

| | At September 30, 2016 | | | |
|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| | (In thousands) | | | |
| U.S. Government and federal agency obligations | | | | |
| Due in one to five years | $6,750 | $ — | $ 14 | $6,736 |
| Mortgage-backed securities: | | | | |
| FHLMC | 9,953 | 129 | 6 | 10,076 |
| FNMA | 79,549 | 1,333 | 6 | 80,876 |
| GNMA | 1,359 | 62 | — | 1,421 |
| CMO | 80,238 | 490 | 63 | 80,665 |
| | $177,849 | $ 2,014 | $ 89 | $179,774 |

| | At June 30, 2016 | | | |
|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| | (In thousands) | | | |
| U.S. Government and federal agency obligations | | | | |
| Due in one to five years | $6,750 | $ 4 | $ 2 | $6,752 |
| Mortgage-backed securities: | | | | |
| FHLMC | 9,129 | 162 | — | 9,291 |
| FNMA | 83,112 | 1,588 | 11 | 84,689 |
| GNMA | 1,398 | 66 | — | 1,464 |
| CMO | 67,718 | 792 | — | 68,510 |
| | $168,107 | $ 2,612 | $ 13 | $170,706 |

The contractual maturities of mortgage-backed securities held to maturity generally exceed 20 years; however, the effective lives are expected to be shorter due to anticipated prepayments and, in the case of CMOs, cash flow priorities. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

The Company did not sell any securities held to maturity during the three months ended September 30, 2016 and 2015. Securities with fair values of $82.9 million and $86.6 million at September 30, 2016 and June 30, 2016, respectively, were pledged as collateral for advances. The fair value of securities held to maturity pledged as collateral for cash flow hedge interest rate swaps totaled $25.1 million and $20.3 million at September 30, 2016 and June 30, 2016, respectively. The Company did not record other-than-temporary impairment charges on securities held to maturity during the three months ended September 30, 2016 and 2015.

19

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements
Gross unrealized losses on securities held to maturity and the fair value of the related securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2016 and June 30, 2016 were as follows:

| | At September 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | Greater than 12 months | | Total | |
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| | (In thousands) | | | | | |
| U.S. Government and federal agency obligations | $4,986 | $ 14 | $— | $ — | $4,986 | $ 14 |
| Mortgage-backed securities: | | | | | | |
| FHLMC | 1,185 | 6 | — | — | 1,185 | 6 |
| FNMA | 1,232 | 1 | 2,017 | 5 | 3,249 | 6 |
| CMO | 30,481 | 63 | — | — | 30,481 | 63 |
| | $37,884 | $ 84 | $2,017 | $ 5 | $39,901 | $ 89 |

| | At June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | Greater than 12 months | | Total | |
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| | (In thousands) | | | | | |
| U.S. Government and federal agency obligations | $4,998 | $ 2 | $— | $ — | $4,998 | $ 2 |
| Mortgage-backed securities: | | | | | | |
| FNMA | — | — | 3,267 | 11 | 3,267 | 11 |
| | $4,998 | $ 2 | $3,267 | $ 11 | $8,265 | $ 13 |

Management evaluated the securities in the above tables and concluded that none of the securities with losses has impairments that are other-than-temporary. The unrealized losses on investments in mortgage-backed securities were caused by interest rate changes and market conditions. Because the decline in fair value is attributable to changes in interest rates and market conditions and not credit quality, and because the Company has no intent to sell and believes it is not more than likely than not that it will be required to sell these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements
Securities Available for Sale

The following is a comparative summary of securities available for sale at September 30, 2016 and June 30, 2016:

| | At September 30, 2016 | | | |
|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| | (In thousands) | | | |
| Equity securities | $601 | $ 627 | $ — | $1,228 |
| Mortgage-backed securities: | | | | |
| FHLMC | 715 | 31 | — | 746 |
| FNMA | 14,049 | 428 | — | 14,477 |
| GNMA | 45,275 | — | 164 | 45,111 |
| CMO | 113,700 | 1,070 | 71 | 114,699 |
| | $174,340 | $ 2,156 | $ 235 | $176,261 |

| | At June 30, 2016 | | | |
|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| | (In thousands) | | | |
| Equity securities | $601 | $ 524 | $ — | $1,125 |
| Mortgage-backed securities: | | | | |
| FHLMC | 815 | 34 | — | 849 |
| FNMA | 14,650 | 535 | — | 15,185 |
| CMO | 123,173 | 1,548 | 30 | 124,691 |
| | $139,239 | $ 2,641 | $ 30 | $141,850 |

The contractual maturities of mortgage-backed securities available for sale generally exceed 20 years; however, the effective lives are expected to be shorter due to anticipated prepayments and, in the case of CMOs, cash flow priorities. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

The Company did not sell any securities available for sale during the three months ended September 30, 2016 and 2015. The Equity securities caption relates to holdings of shares in financial institutions common stock. Available for sale securities with fair values of $72.6 million and $78.4 million at September 30, 2016 and June 30, 2016, respectively, were pledged as collateral for advances. The fair value of securities available for sale pledged as collateral for cash flow hedge interest rate swaps totaled $1.0 million and $1.2 million at September 30, 2016 and June 30, 2016, respectively. There were no other-than-temporary impairment charges on available for sale securities for the three months ended September 30, 2016 and 2015.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

Gross unrealized losses on securities available for sale and the fair value of the related securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2016 and June 30, 2016 were as follows:

| | At September 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | Greater than 12 months | | Total | |
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| | (In thousands) | | | | | |
| Mortgage-backed securities: | | | | | | |
| GNMA | $45,112 | $ 164 | $— | $ — | $45,112 | $ 164 |
| CMO | 17,334 | 29 | 4,768 | 42 | 22,102 | 71 |
| | $62,446 | $ 193 | $4,768 | $ 42 | $67,214 | $ 235 |

| | At June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | Greater than 12 months | | Total | |
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| | (In thousands) | | | | | |
| Mortgage-backed securities: | | | | | | |
| CMO | $— | $ — | $5,112 | $ 30 | $5,112 | $ 30 |
| | $— | $ — | $5,112 | $ 30 | $5,112 | $ 30 |

Management evaluated the securities in the above tables and concluded that none of the securities with losses has impairments that are other-than-temporary. The unrealized losses on investments in mortgage-backed securities were caused by interest rate changes and market conditions. Because the decline in fair value is attributable to changes in interest rates and market conditions and not credit quality, and because the Company has no intent to sell and believes it is not more than likely than not that it will be required to sell these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

8. Deposits

Deposits include checking (non-interest and interest-bearing demand deposits), money market, savings and time deposits. We had brokered deposits totaling $383.4 million and $253.2 million at September 30, 2016 and June 30, 2016, respectively.

Deposit balances are summarized as follows:

| | September 30, 2016 Amount | June 30, 2016 Amount |
|---|---|---|
| | (In thousands) | |
| Checking accounts | $622,333 | $453,136 |
| Money market deposit accounts | 732,418 | 681,710 |
| Savings accounts | 169,152 | 165,623 |
| Time deposits | 972,377 | 959,534 |
| | $2,496,280 | $2,260,003 |

9. Derivatives and Hedging Activities

Oritani is exposed to certain risks regarding its ongoing business operations. Derivative instruments are used to offset a portion of the Company's interest rate risk. Specifically, the Company has utilized interest rate swaps to partially offset the interest rate risk inherent in the Company's balance sheet. Oritani recognizes interest rate swaps as either assets or liabilities at fair value in the statement of financial condition with an offset recorded in Other Comprehensive Income and any ineffectiveness is recorded in earnings. The interest rate swaps have been designed as cash flow hedges. For all cash flow hedges that are currently effective, the balance sheet item that has been hedged is brokered deposits. For all cash flow hedges that are are not yet effective, it is anticipated that the balance sheet item that will be hedged is brokered deposits.

Oritani is exposed to credit-related losses in the event of nonperformance by the counterparties to the agreements. Oritani controls the credit risk through monitoring procedures and does not expect the counterparty to fail their obligations. Oritani only deals with primary dealers and believes that the credit risk inherent in these contracts was not significant during and at period end. Oritani has the right to demand that the counterparty post collateral to cover any market value shortfall of the counterparty regarding the transaction.

At September 30, 2016, Oritani had entered into twenty one interest rate swap agreements with a total notional outstanding of $430.0 million. These agreements all feature exchanges of fixed for variable payments covering various hedging periods maturing between January 2017 and July 2024. The Company is paying fixed rates on these swaps ranging from 0.44% to 3.67%, in exchange for receiving variable payments linked to one month LIBOR.

The following table presents amounts included in the consolidated balance sheets related to the fair value of derivative financial instruments at September 30, 2016 and June 30, 2016.

| | | At September 30, 2016 | | At June 30, 2016 | |
|---|---|---|---|---|---|
| text | Balance Sheet Line Item | Notional Amount | Fair Value | Notional Amount | Fair Value |

| | | | | | |
|---|---|---|---|---|---|
| Cash flow hedge interest rate swaps | | | | | |
| Gross unrealized gain | Other Assets | $150,000 | $353 | $25,000 | $3 |
| Gross unrealized loss | Other Liabilities | 280,000 | (15,574) | 405,000 | (17,495) |
| Gross notional / net fair value | | $430,000 | $(15,221) | $430,000 | $(17,492) |

Gains (losses) included in the consolidated statements of income and in comprehensive income, on a pre-tax basis, related to cash flow hedge interest rate swaps are as follows:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| | (in thousands) | |
| Amount of loss reclassified from accumulated other comprehensive loss to interest expense | $(627) | $— |
| Amount of gain (loss) recognized in other comprehensive income | 1,647 | (4,157) |

There was no ineffectiveness recognized during the three months ended September 30, 2015. The accumulated net after-tax losses related to effective cash flow hedges included in accumulated other comprehensive loss were $8.6 million and $9.9 million at September 30, 2016 and June 30, 2016, respectively. Amounts reported in accumulated other comprehensive loss related to cash flow interest rate swaps are reclassified to interest expense as interest payments are made. The fair value of securities pledged as collateral for the swaps at September 30, 2016 and June 30, 2016 was $26.2 million and $21.5 million, respectively.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

10. Income Taxes

The Company files income tax returns in the United States federal jurisdiction and in New Jersey, Pennsylvania and New York state and local jurisdictions.

The Company is no longer subject to federal and state income tax examinations by tax authorities for years prior to 2012. The Company's federal return for the tax year ended December 31, 2012 was audited during fiscal 2016. Our state and city tax returns are not currently under audit and have not been subject to an audit during the past five years. The Company did not have any uncertain tax positions at September 30, 2016 and June 30, 2016. The Company recognizes accrued interest and penalties related to unrecognized tax benefits, where applicable, in income tax expense.

11. Real Estate Joint Ventures, net and Real Estate Held for Investment

The Company accounts for investments in joint ventures under the equity method. The balance reflects the cost basis of investments, plus the Company's share of income earned on the joint venture operations, less cash distributions, including excess cash distributions, and the Company's share of losses on joint venture operations. Cash received in excess of the Company's recorded investment in a joint venture is recorded as unearned revenue in other liabilities. As of September 30, 2016 and June 30, 2016, the Company has ownership interest in one joint venture entity that owns an income-producing commercial rental property. This entity is being marketed for sale. The book value of this joint venture is $4.2 million and $4.3 million at September 30, 2016 and June 30, 2016, respectively. All other joint ventures investments were sold during fiscal 2016 and 2015. There were no sales for the three months ended September 30, 2016. Proceeds from the sale of joint investments for the three months ended September 30, 2015 were $4.6 million resulting in gains of $4.2 million.

Real estate held for investment included the Company's undivided interest in real estate properties accounted for under the equity method and properties held for investment purposes. Cash received in excess of the Company's recorded investment for an undivided interest in real estate property was recorded as unearned revenue in other liabilities. The operations of the properties held for investment purposes were reflected in the financial results of the Company and included in the Other Income caption in the Income Statement. Properties held for investment purposes were carried at cost less accumulated depreciation. As of June 30, 2016, all real estate investments were sold during fiscal 2016 and 2015. There were no sales for the three months ended September 30, 2016 and 2015.

Index

Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements
12. Fair Value Measurements

The Company adopted FASB ASC 820, "Fair Value Measurements and Disclosures," on July 1, 2008. Under ASC 820, fair value measurements are not adjusted for transaction costs. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Basis of Fair Value Measurement:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Price or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

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

Following are descriptions of the valuation methodologies and key inputs used to measure assets recorded at fair value, as well as a description of the methods and significant assumptions used to estimate fair value disclosures for financial instruments not recorded at fair value in their entirety on a recurring basis. The descriptions include an indication of the level of the fair value hierarchy in which the assets or liabilities are classified.

Cash and Cash Equivalents

Due to their short-term nature, the carrying amount of these instruments approximates fair value.

Securities

The Company records securities held to maturity at amortized cost and securities available for sale at fair value on a recurring basis. The majority of the Company's securities are fixed income instruments that are not quoted on an exchange, but are traded in active markets. The estimated fair values for securities are obtained from an independent nationally recognized third-party pricing service. Our independent pricing service provides us with prices which are primarily categorized as Level 2, as quoted prices in active markets for identical assets are generally not available for the majority of securities in our portfolio. Pricing services may employ modeling techniques in determining pricing. Inputs to these models include market spreads, dealer quotes, prepayment speeds, credit information and the instrument's terms and conditions, among other things. Management compares the pricing to a second independent pricing source for reasonableness. Equity securities are reported at Level 1 based on quoted market prices for identical securities in active markets.

FHLB of New York Stock

FHLB of New York Stock is recorded at cost (par value) and evaluated for impairment based on the ultimate recoverability of the par value. There is no active market for this stock and no significant observable market data is available for this instrument. The Company considers the profitability and asset quality of FHLB, dividend payment history and recent redemption experience, when determining the ultimate recoverability of the par value. The Company believes its investment in FHLB stock is ultimately recoverable at par. The carrying amount of FHLB stock approximates fair value, since this is the amount for which it could be redeemed.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements
Loans

The Company does not record loans at fair value on a recurring basis. However, periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements. The estimated fair value for significant nonperforming loans and impaired loans are valued utilizing independent appraisals of the collateral securing such loans that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments to comparable assets based on the appraisers' market knowledge and experience. The appraisals may be adjusted downward by management (0-20% adjustment rate and 0-10%  risk premium rate), as necessary, for changes in relevant valuation factors subsequent to the appraisal date and the timing of anticipated cash flows (0-8% discount rate).  The Company classifies impaired loans as Level 3.

Fair value for loans held for investment is estimated using portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential, multifamily, commercial real estate, construction, land and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming/impaired categories. Fair value of performing loans is estimated using a discounted cash flow model that employs a discount rate that reflects the current market pricing for loans with similar characteristics and remaining maturity, adjusted by an amount for estimated credit losses inherent in the portfolio at the balance sheet date. The rates take into account the expected yield curve. Fair values estimated in this manner do not fully incorporate an exit-price approach to fair value. The Company classifies the estimated fair value of loans held for investment as Level 3.

Real Estate Owned

Assets acquired through foreclosure or deed in lieu of foreclosure are recorded at fair value less estimated selling costs when acquired, thus establishing a new cost basis. Subsequently, real estate owned is carried at the lower of cost or fair value, less estimated selling costs. Fair value is generally based on independent appraisals. These appraisals include adjustments to comparable assets based on the appraisers' market knowledge and experience, and are considered Level 3. When an asset is acquired, the excess of the loan balance over fair value, less estimated liquidation costs (5%-20% discount rate), is charged to the allowance for loan losses.  If the estimated fair value of the asset declines, a write-down is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in the economic conditions.

Deposit Liabilities

The estimated fair value of deposits with no stated maturity, such as checking, savings, and money market accounts, is equal to the amount payable on demand at the balance sheet date. The estimated fair value of term deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities. The Company classifies the estimated fair value of term deposits as Level 2.

Borrowings

The book value of overnight borrowings approximates the estimated fair value. The estimated fair value of term borrowings is calculated based on the discounted cash flow of contractual amounts due, using market rates currently available for borrowings of similar amount and remaining maturity. The Company classifies the estimated fair value of term borrowings as Level 2.

Derivatives

The fair value of our interest rate swaps was estimated using Level 2 inputs. The fair value was determined using third party prices that are based on discounted cash flow analyses using observed market interest rate curves and volatilities.

Commitments to Extend Credit and to Purchase or Sell Securities

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of commitments to purchase or sell securities is estimated based on bid quotations received from securities dealers. The fair value of off-balance-sheet commitments approximates book value.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the recorded amount of assets and liabilities measured at fair value on a recurring basis as of September 30, 2016 and June 30, 2016 by level within the fair value hierarchy. There were no transfers between levels within the fair value hierarchy during the three months ended September 30, 2016.

| | Fair Value as of September 30, 2016 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | (In thousands) | | | |
| Assets: | | | | |
| Equity Securities | $ 1,228 | $ 1,228 | $ — | $ — |
| Mortgage-backed securities available for sale | | | | |
| FHLMC | 746 | — | 746 | — |
| FNMA | 14,477 | — | 14,477 | — |
| GNMA | 45,111 | — | 45,111 | — |
| CMO | 114,699 | — | 114,699 | — |
| Total securities available for sale | 176,261 | 1,228 | 175,033 | — |
| Interest rate swaps | 353 | — | 353 | — |
| Total assets | $ 176,614 | $ 1,228 | $ 175,386 | $ — |
| Liabilities: | | | | |
| Interest rate swaps | $ (15,574 ) | $ — | $ (15,574 ) | $ — |

| | Fair Value as of June 30, 2016 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | (In thousands) | | | |
| Assets: | | | | |
| Equity Securities | $ 1,125 | $ 1,125 | $ — | $ — |
| Mortgage-backed securities available for sale | | | | |

| | | | | |
|---|---|---|---|---|
| FHLMC | 849 | — | 849 | — |
| FNMA | 15,185 | — | 15,185 | — |
| CMO | 124,691 | — | 124,691 | — |
| Total securities available for sale | $ 141,850 | $ 1,125 | $ 140,725 | $ — |
| | | | | |
| Interest rate swap | 3 | — | 3 | — |
| Total assets measured on a recurring basis | 141,853 | 1,125 | 140,728 | — |
| | | | | |
| Liabilities: | | | | |
| Interest rate swaps | $ (17,495 ) | $ — | $ (17,495 ) | $ — |

27

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure the fair value of certain other financial assets on a nonrecurring basis in accordance with U.S. GAAP. The adjustments to fair value usually result from the application of lower-of-cost-or-fair value accounting or write downs of individual assets.

The following tables present the recorded amount of assets measured at fair value on a nonrecurring basis as of September 30, 2016 and June 30, 2016 by level within the fair value hierarchy.

| | Fair Value as of September 30, 2016 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | (In thousands) | | | |
| Assets: | | | | |
| Impaired loans: | | | | |
| Residential | $222 | $ — | $ — | $ 222 |
| Other commercial real estate | 3,225 | — | — | 3,225 |
| Construction and land loans | 9 | — | — | 9 |
| Total impaired loans | 3,456 | — | — | 3,456 |
| Real estate owned | | | | |
| Other commercial real estate | 449 | — | — | 449 |
| Total real estate owned | 449 | — | — | 449 |
| Total assets measured on a non-recurring basis | $3,905 | $ — | $ — | $ 3,905 |

| | Fair Value as of June 30, 2016 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | (In thousands) | | | |
| Assets: | | | | |
| Impaired loans: | | | | |
| Residential | $164 | $ — | $ — | $ 164 |
| Other commercial real estate | 3,269 | — | — | 3,269 |
| Construction and land loans | 9 | — | — | 9 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total impaired loans | 3,442 | | — | | — | | 3,442 |
| Real estate owned | | | | | | | |
| Other commercial real estate | 487 | | — | | — | | 487 |
| Total real estate owned | 487 | | — | | — | | 487 |
| Total assets measured on a non-recurring basis | $3,929 | $ | — | $ | — | $ | 3,929 |

28

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

Estimated Fair Value of Financial Instruments

The following tables present the carrying amount, estimated fair value, and placement in the fair value hierarchy of financial instruments not recorded at fair values in their entirety on a recurring basis on the Company's balance sheet at September 30, 2016 and June 30, 2016. These tables exclude financial instruments for which the carrying amount approximates fair value. Financial instruments for which the carrying amount approximates fair value include cash and cash equivalents, FHLB stock, non-maturity deposits, and overnight borrowings.

| | September 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| | (In thousands) | | | | |
| Financial assets: | | | | | |
| Securities held to maturity | $177,849 | $179,774 | $ — | $179,774 | $— |
| Loans, net (1) | 3,209,103 | 3,230,234 | — | — | 3,230,234 |
| Financial liabilities: | | | | | |
| Time deposits | 972,377 | 982,799 | — | 982,799 | — |
| Term borrowings | 476,392 | 486,215 | — | 486,215 | — |

(1) Comprised of loans (including impaired loans), net of deferred loan fees and the allowance for loan losses.

| | June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| | (In thousands) | | | | |
| Financial assets: | | | | | |
| Securities held to maturity | $168,107 | $170,706 | $ — | $170,706 | $— |
| Loans, net (1) | 3,131,957 | 3,169,724 | — | — | 3,169,724 |
| Financial liabilities: | | | | | |
| Time deposits | 959,534 | 969,320 | — | 969,320 | — |
| Term borrowings | 464,623 | 474,843 | — | 474,843 | — |

(1) Comprised of loans (including impaired loans), net of deferred loan fees and the allowance for loan losses.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include the mortgage banking operation, deferred tax assets, and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

13. Other Comprehensive Income

The components of comprehensive income, both gross and net of tax, are presented for the periods below (in thousands):

| | Three months ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| Gross: | | |
| Net income | $16,290 | $19,397 |
| Other comprehensive income (loss) | | |
| Change in unrealized holding (loss) gain on securities available for sale | (689 ) | 718 |
| Amortization related to post-retirement obligations | 100 | 56 |
| Net change in unrealized gain (loss) on interest rate swaps | 2,274 | (4,157 ) |
| Total other comprehensive income (loss) | 1,685 | (3,383 ) |
| Total comprehensive income | 17,975 | 16,014 |
| Tax applicable to: | | |
| Net income | 5,679 | 6,782 |
| Other comprehensive income (loss) | | |
| Change in unrealized holding (loss) gain on securities available for sale | (297 ) | 272 |
| Amortization related to post-retirement obligations | 28 | 23 |
| Net change in unrealized gain (loss) on interest rate swaps | 974 | (1,793 ) |
| Total other comprehensive income (loss) | 705 | (1,498 ) |
| Total comprehensive income | 6,384 | 5,284 |
| Net of tax: | | |
| Net income | 10,611 | 12,615 |
| Other comprehensive income (loss) | | |
| Change in unrealized holding (loss) gain on securities available for sale | (392 ) | 446 |
| Amortization related to post-retirement obligations | 72 | 33 |
| Net change in unrealized gain (loss) on interest rate swaps | 1,300 | (2,364 ) |
| Total other comprehensive income (loss) | 980 | (1,885 ) |
| Total comprehensive income | $11,591 | $10,730 |

Index
Oritani Financial Corp. and subsidiaries
Notes to Unaudited Consolidated Financial Statements

The following table presents the changes in the components of accumulated other comprehensive (loss) income, net of tax, for the three months ended September 30, 2016 and 2015 (in thousands):

| | Unrealized Holding Loss on Securities Available for Sale | Post Retirement Obligations | Unrealized Holding Loss on Interest Rate Swaps | Accumulated Other Comprehensive (Loss), Net of Tax |
|---|---|---|---|---|
| Balance at June 30, 2016 | $ 1,529 | $ (1,657) | $ (9,944) | $ (10,072) |
| Net change | (392) | 72 | 1,300 | 980 |
| Balance at September 30, 2016 | $ 1,137 | $ (1,585) | $ (8,644) | $ (9,092) |
| | | | | |
| Balance at June 30, 2015 | $ 1,496 | $ (1,316) | $ (2,028) | $ (1,848) |
| Net change | 446 | 33 | (2,364) | (1,885) |
| Balance at September 30, 2015 | $ 1,942 | $ (1,283) | $ (4,392) | $ (3,733) |

The following table sets forth information about the amount reclassified from accumulated other comprehensive income (loss) to the consolidated statement of income and the affected line item in the statement where net income is presented (in thousands).

| Accumulated Other Comprehensive Income (Loss) Component | Affected line item in the Consolidated Statement of Income | Three months ended September 30, 2016 | Three months ended September 30, 2015 |
|---|---|---|---|
| Amortization related to post-retirement obligations (1) | | | |
| Prior service cost | | — | — |
| Net loss | | 100 | 56 |
| | Compensation, payroll taxes and fringe benefits | 100 | 56 |
| | | | |
| | Total before tax | 100 | 56 |
| | Income tax benefit | 28 | 23 |
| | Net of tax | 72 | 33 |

(1) These accumulated other comprehensive income (loss) components are included in the computations of net periodic benefit cost. See Note 5. Post-retirement Benefits.

31

14. Recent Accounting Pronouncements

In October 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory". This update requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This update is effective for fiscal years beginning after December 31, 2017, including interim periods within that year. The Company does not expect that the adoption of this guidance will have a significant impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cashflows (Topic 230): Classification of Certain Cash Receipts and Cash Payments". This update addresses eight specific cash flow issue with the objective of reducing existing diversity in practice. This update is effective for fiscal years beginning after December 31, 2017, including interim periods within that year. The Company does not expect that the adoption of this guidance will have a significant impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". This update revises the methodology for estimating credit losses on loans receivable, held-to-maturity debt securities, unfunded loan commitments, and certain other financial assets measured at amortized cost. Under ASU 2016-13, the current expected credit losses ("CECL") model is based on lifetime expected losses, rather than incurred losses, and requires the recognition of credit loss expense in the statement of income and a related allowance for credit losses on the balance sheet at the time of origination or purchase of a loan receivable or held-to-maturity debt security. Subsequent changes in this estimate are recorded through credit loss expense and related allowance. The CECL model requires the use of not only relevant historical experience and current conditions, but also reasonable and supportable forecasts of future events and circumstances, thus incorporating a broad range of information in developing credit loss estimates, which could result in significant changes to both the timing and amount of credit loss expense and allowance. Under ASU 2016-13, available-for-sale debt securities are evaluated for impairment if fair value is less than amortized cost. Estimated credit losses are recorded through a credit loss expense and an allowance, rather than a write-down of the investment. Changes in fair value that are not credit-related will continue to be recorded in other comprehensive income. Certain additional disclosures are required, including further disaggregation of credit quality indicators for loans receivable by year of origination. This update is effective for interim and annual reporting periods beginning after December 15, 2019; early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Company is evaluating the impact of this update on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, "Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting". This ASU requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments in this Update require that an entity that has an available for sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The ASU is effective for all entities in fiscal years, and interim periods in those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied prospectively to changes in ownership (or influence) after the adoption date. The Company does not expect that the adoption of this guidance will have a significant impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, "Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the Emerging Issues Task Force))". This ASU clarifies that a change in the counterparty to a derivative instrument (novation), that has been designated as a hedging instrument does not, on its own, require dedesignation of that hedge accounting relationship provided that all other hedge accounting criteria continue to be met. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods therein. Early adoption is permitted, including adoption in an interim period. The Company does not expect that the adoption of this guidance will have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". This ASU requires lessees to put most leases on their balance sheets but recognize expenses in the income statement in a manner similar to current accounting treatment. This ASU changes the guidance on sale-leaseback transactions, initial direct costs and lease execution costs, and, for lessors, modifies the classification criteria and the accounting for sales-type and direct financing leases. For public business entities, this ASU is effective for annual periods beginning after December 15, 2018, and interim periods therein. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the impact of the adoption of this guidance on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", which is intended to improve the recognition and measurement of financial instruments. The ASU revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company does not expect that the adoption of this guidance will have a significant impact on the Company's consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items", which eliminates from U.S. GAAP the concept of an extraordinary item. The Board released the new guidance as part of its simplification initiative, which, as explained in the ASU, is intended to "identify, evaluate and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of financial statements". To be considered an extraordinary item under existing U.S. GAAP, an event or transaction must be unusual in nature and must occur infrequently. As a result, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, the ASU does not affect the reporting and disclosure requirements for an event that is unusual in nature or that occurs infrequently. For all entities, the ASU is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. Entities may apply the guidance prospectively or retrospectively to all prior periods presented in the financial statements. If an entity chooses to apply the guidance prospectively, it must disclose whether amounts included in income from continuing operations after adoption of the ASU are related to events and transactions previously recognized and classified as extraordinary items before the date of adoption. Early adoption is permitted if the guidance is applied as of the beginning of the annual period of adoption. We adopted this guidance on July 1, 2015 with no significant impact on the Company's consolidated financial statements.

Index

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Quarterly Report contains certain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward looking statements may be identified by reference to a future period or periods, or by use of forward looking terminology, such as "may," "will," "believe," 'expect," "estimate," 'anticipate," "continue," or similar terms or variations on those terms, or the negative of those terms. Forward looking statements are subject to numerous risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements in addition to those risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended June 30, 2016, include, but are not limited to, those related to the economic environment, particularly in the market areas in which Oritani Financial Corp. (the "Company") operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset-liability management, the financial and securities markets and the availability of and costs associated with sources of liquidity.

The Company wishes to caution readers not to place undue reliance on any such forward looking statements, which speak only as of the date made. The Company wishes to advise readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions, which may be made to any forward looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Overview

Oritani Financial Corp. (the "Company") is a Delaware corporation that was incorporated in March 2010. The Company is the stock holding company of Oritani Bank. The Company owns 100% of the outstanding shares of common stock of the Bank. The Company has engaged primarily in the business of holding the common stock of the Bank and two limited liability companies. The two limited liability companies previously owned a variety of real estate investments but the majority of such investments have now been sold. The Bank's principal business consists of attracting retail, commercial and municipal bank deposits from the general public and investing those deposits, together with funds generated from operations and borrowed funds, in multifamily and commercial real estate loans, one- to four-family residential mortgage loans as well as in second mortgage and equity loans, construction loans, business loans, other consumer loans, and investment securities. The Bank originates loans primarily for investment and holds such loans in its portfolio. Occasionally, the Bank will also enter into loan participations. The Bank's primary sources of funds are deposits, borrowings, investment maturities and principal and interest payments on loans and securities. The Bank's revenues are derived principally from interest on loans and securities. The Bank also generates revenue from fees and service charges and other income. The Bank's results of operations depend significantly on its net interest income; which is the difference between the interest earned on interest-earning assets and the interest paid on interest-bearing liabilities. The Bank's net interest income is primarily affected by the market interest rate environment, the shape of the U.S. Treasury yield curve, the timing of the re-pricing of interest-earning assets and interest-bearing liabilities, and the prepayment rate on its mortgage-related assets. Provisions for loan losses and asset impairment charges can also have a significant impact on results of operations. Other factors that may affect the Bank's results of operations are general and local economic and competitive conditions, government policies and actions of regulatory authorities.

The Bank's business strategy is to operate as a well-capitalized and profitable financial institution dedicated to providing exceptional personal service to its individual, business, and municipal customers. The Bank's primary focus has been, and will continue to be, organic growth in multifamily and commercial real estate lending.

Index

Comparison of Financial Condition at September 30, 2016 and June 30, 2016

Total Assets. Total assets increased $125.3 million to $3.79 billion at September 30, 2016, from $3.67 billion at June 30, 2016.

Cash and Cash Equivalents. Cash and cash equivalents (which include fed funds and short term investments) increased $8.7 million to $25.3 million at September 30, 2016, from $16.6 million at June 30, 2016.

Net Loans. Loans, net increased $77.1 million, or 2.5%, to $3.21 billion at September 30, 2016, from $3.13 billion at June 30, 2016. The annualized growth rate was 9.9%. The increase in loans was primarily in residential commercial real estate (multifamily) which increased $93.7 million over the period. The Company's primary strategic business objective is the organic growth of multifamily and commercial real estate loans. For the three months ended September 30, 2016, loan originations and purchases totaled $152.6 million and $26.7 million, respectively. Loan principal payments totaled $102.6 million over that same period. For the comparable 2015 period, loan originations and loan principal payments totaled $114.6 million and $106.9 million, respectively. There were no loan purchases in the 2015 period. The Company continues to limit the origination of loans with fixed rate periods greater than 5 years and also continues to utilize the elevated underwriting standards regarding certain aspects of commercial real estate lending implemented in the first calendar quarter of 2016. These decisions had a negative impact on loan growth; however, management believes these restraints are in the best long term interests of the Company.

Delinquency and non performing asset information is provided below:

| | 9/30/2016 | 6/30/2016 | 3/31/2016 | 12/31/2015 | 9/30/2015 |
|---|---|---|---|---|---|
| | (Dollars in thousands) | | | | |
| Delinquency Totals | | | | | |
| 30—59 days past due | $ 1,686 | $ 8,912 | $ 2,930 | $ 6,320 | $ 8,188 |
| 60—89 days past due | 1,060 | 1,698 | 1,184 | 404 | 190 |
| Nonaccrual | 10,537 | 9,968 | 9,989 | 10,880 | 10,879 |
| Total | $ 13,283 | $ 20,578 | $ 14,103 | $ 17,604 | $ 19,257 |
| Non Performing Asset Totals | | | | | |
| Nonaccrual loans, per above | $ 10,537 | $ 9,968 | $ 9,989 | $ 10,880 | $ 10,879 |
| Real Estate Owned | 449 | 487 | 487 | 487 | 2,926 |
| Total | $ 10,986 | $ 10,455 | $ 10,476 | $ 11,367 | $ 13,805 |
| Nonaccrual loans to total loans | 0.32 % | 0.31 % | 0.33 % | 0.37 % | 0.39 % |
| Delinquent loans to total loans | 0.41 % | 0.65 % | 0.46 % | 0.60 % | 0.69 % |
| Non performing assets to total assets | 0.29 % | 0.28 % | 0.29 % | 0.32 % | 0.41 % |

Delinquent loan and non performing asset totals continue to illustrate minimal credit issues at the Company. Further, of the $10.5 million in loans classified as nonaccrual at September 30, 2016, $6.7 million were current.

Index
Securities available for sale. Securities AFS increased $34.4 million to $176.3 million at September 30, 2016, from $141.9 million at June 30, 2016. Although the Company had been classifying the majority of new purchases as held to maturity, $46.0 million of adjustable rate mortgage backed securities were purchased that were classified as AFS.
Securities held to maturity. Securities HTM increased $9.7 million to $177.8 million at September 30, 2016, from $168.1 million at June 30, 2016. Purchases of $17.6 million were partially offset by sales, payments, calls and maturities of $7.7 million.
Investments in real estate joint ventures, net and real estate held for investment. The Company previously announced its intention to investigate the sale of the properties and interests in these portfolios. As of September 30, 2016, all but one such property had been sold and closed. This remaining property is being marketed, and significant progress regarding disposition of the property has been attained. Management will provide additional updates as greater certainty regarding the results of the marketing efforts are realized.

Federal Home Loan Bank of New York ("FHLB") stock. FHLB stock decreased $5.1 million to $32.9 million at September 30, 2016, from $38.0 million at June 30, 2016. FHLB stock holdings are required depending on several factors, including the level of borrowings with the FHLB. As FHLB borrowings decreased over the quarter, excess FHLB stock was redeemed.

Deposits. Deposits increased $236.3 million to $2.50 billion at September 30, 2016, from $2.26 billion at June 30, 2016. A portion of the growth achieved in the September 2016 quarter is attributable to increases in brokered deposits. The period end balance of brokered deposits at September 30, 2016 and June 30, 2016 was $383.4 million and $253.2 million, respectively. The average balance of deposits increased $175.9 million to $2.40 billion at September 30, 2016 from $2.23 billion at June 30, 2016, which represents an annualized growth rate of 31.6%.
Borrowings. Borrowings decreased $114.0 million to $667.6 million at September 30, 2016, from $781.6 million at June 30, 2016. The decrease in borrowings is primarily in overnight and short-term borrowings. Deposit growth has enabled the Company to reduce borrowings.
Stockholders' Equity. Stockholders' equity increased $4.5 million to $539.7 million at September 30, 2016, from $535.2 million at June 30, 2016. The increase was primarily due to net income and the net impact of the amortization of stock based compensation plans, partially offset by dividends and repurchases. During the September 30, 2016 quarter, 94,953 shares of stock were repurchased at a total cost of $1.5 million and an average cost of $15.88 per share. The shares repurchased were shares redeemed by employees, in lieu of payroll taxes due, in conjunction with the vesting of stock awards from the 2011 Equity Plan. Based on our September 30, 2016 closing price of $15.72 per share, the Company stock was trading at 131.6% of book value.

Index

Average Balance Sheet for the Three Months Ended September 30, 2016 and 2015

The following table presents certain information regarding Oritani Financial Corp.'s financial condition and net interest income for the three months ended September 30, 2016 and 2015. The table presents the annualized average yield on interest-earning assets and the annualized average cost of interest-bearing liabilities. We derived the yields and costs by dividing annualized income or expense by the average balance of interest-earning assets and interest-bearing liabilities, respectively, for the periods shown. We derived average balances from daily balances over the periods indicated. Interest income includes fees that we consider adjustments to yields, including prepayment penalties.

| | Average Balance Sheet and Yield/Rate Information For the Three Months Ended (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2016 | | | September 30, 2015 | | |
| | Average Outstanding Balance | Interest Earned/Paid | Average Yield/Rate | Average Outstanding Balance | Interest Earned/ Paid | Average Yield/Rate |
| | (Dollars in thousands) | | | | | |
| Interest-earning assets: | | | | | | |
| Loans [1] | $3,151,514 | $ 31,973 | 4.06 % | $2,759,345 | $30,789 | 4.46 % |
| Federal Home Loan Bank Stock | 33,167 | 457 | 5.51 % | 37,870 | 401 | 4.24 % |
| Securities available for sale | 166,857 | 826 | 1.98 % | 251,443 | 1,203 | 1.91 % |
| Securities held to maturity | 171,904 | 803 | 1.87 % | 111,679 | 571 | 2.05 % |
| Federal funds sold and short term investments | 808 | 1 | 0.50 % | 1,624 | 1 | 0.25 % |
| Total interest-earning assets | 3,524,250 | 34,060 | 3.87 % | 3,161,961 | 32,965 | 4.17 % |
| Non-interest-earning assets | 187,055 | | | 185,142 | | |
| Total assets | $3,711,305 | | | $3,347,103 | | |
| Interest-bearing liabilities: | | | | | | |
| Savings deposits | 166,963 | 96 | 0.23 % | 158,887 | 95 | 0.24 % |
| Money market | 714,355 | 1,885 | 1.06 % | 619,617 | 839 | 0.54 % |
| Checking accounts | 550,886 | 548 | 0.40 % | 436,462 | 396 | 0.36 % |
| Time deposits | 972,335 | 3,210 | 1.32 % | 781,646 | 2,332 | 1.19 % |
| Total deposits | 2,404,539 | 5,739 | 0.95 % | 1,996,612 | 3,662 | 0.73 % |
| Borrowings | 674,088 | 3,021 | 1.79 % | 751,255 | 5,154 | 2.74 % |
| Total interest-bearing liabilities | 3,078,627 | 8,760 | 1.14 % | 2,747,867 | 8,816 | 1.28 % |
| Non-interest-bearing liabilities | 94,250 | | | 77,929 | | |
| Total liabilities | 3,172,877 | | | 2,825,796 | | |
| Stockholders' equity | 538,428 | | | 521,307 | | |
| Total liabilities and stockholders' equity | $3,711,305 | | | $3,347,103 | | |
| Net interest income | | $ 25,300 | | | $24,149 | |
| Net interest rate spread [2] | | | 2.73 % | | | 2.89 % |
| Net interest-earning assets [3] | $445,623 | | | $414,094 | | |
| Net interest margin [4] | | | 2.87 % | | | 3.05 % |
| Average of interest-earning assets to interest-bearing liabilities | | | 114.47 % | | | 115.07 % |

(1) Average outstanding balance includes nonaccrual loans and interest earned includes prepayment income.

(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Index

Comparison of Operating Results for the Three Months Ended September 30, 2016 and 2015

Net Income. Net income decreased $2.0 million to $10.6 million for the quarter ended September 30, 2016, from $12.6 million for the corresponding 2015 quarter. The primary cause of the decreased net income in 2016 was due to profits on the sale of real estate joint ventures in 2015. The Company realized pretax gains of $4.2 million on the sales of real estate joint ventures in the 2015 period that were not replicated in the 2016 period. The impact was partially offset by increased net interest income in the 2016 period. Our annualized return on average assets was 1.14% for the quarter ended September 30, 2016, and 1.51% for the quarter ended September 30, 2015.

Interest Income. Total interest income increased $1.1 million to $34.1 million for the three months ended September 30, 2016, from $33.0 million for the three months ended September 30, 2015. The components of interest income for the three months ended September 30, 2016 and 2015, changed as follows:

| | Three months ended September 30, | | | | Increase / (decrease) | | |
|---|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | | | |
| | Interest Income | Yield | Interest Income | Yield | Interest Income | Average Balance | Yield |
| | (Dollars in thousands) | | | | | | |
| Interest on mortgage loans | $31,973 | 4.06 % | $30,789 | 4.46 % | $1,184 | $392,169 | (0.40)% |
| Dividends on FHLB stock | 457 | 5.51 % | 401 | 4.24 % | 56 | (4,703 ) | 1.27 % |
| Interest on securities AFS | 826 | 1.98 % | 1,203 | 1.91 % | (377 ) | (84,586 ) | 0.07 % |
| Interest on securities HTM | 803 | 1.87 % | 571 | 2.05 % | 232 | 60,225 | (0.18)% |
| Interest on federal funds sold and short term investments | 1 | 0.50 % | 1 | 0.25 % | — | (816 ) | 0.25 % |
| Total interest income | $34,060 | 3.87 % | $32,965 | 4.17 % | $1,095 | $362,289 | (0.30)% |

The Company's primary strategic business objective remains the organic growth of multifamily and commercial real estate loans. The average balance of the loan portfolio increased $392.2 million, or 14.2%, for the three months ended September 30, 2016 versus the comparable 2015 period. On a linked quarter basis (September 30, 2016 versus June 30, 2016), the annualized growth rates of the portfolio were 12.0% and 9.9%, when measured based on average and period end balances, respectively.

The yield on the loan portfolio decreased 40 basis points for the quarter ended September 30, 2016 versus the comparable 2015 period. On a linked quarter basis (September 30, 2016 versus June 30, 2016), the yield on the loan portfolio decreased 18 basis points. Decreases in the level of prepayment income impacted these results. Exclusive of prepayment penalties, the yield on the loan portfolio decreased 26 basis points versus the quarter ended September 30, 2015 and decreased 6 basis points on a linked quarter basis. The decrease continues a trend of decreased yield on loans and was primarily attributable to the impact of current market rates on new originations as well as refinancings, prepayments and repricings. Competition for multifamily and commercial real estate loan originations remains elevated and the spread to alternative costs of funds remains lower than historical levels. The market rates on new originations are below the average yield of the loan portfolio. Prepayment penalties totaled $631,000, $1.5 million and $1.6 million for the quarters ended September 30, 2016, June 30, 2016 and September 30, 2015, respectively. Prepayment penalty income boosted annualized loan yield by 8, 20 and 23 basis points for the quarters ended September 30, 2016, June 30, 2016 and September 30, 2015, respectively. See additional information regarding loans in "Comparison of Financial Condition at September 30, 2016 and June 30, 2016-Net Loans."

The average balance of securities available for sale decreased $84.6 million for the three months ended September 30, 2016 versus the comparable 2015 period, while the average balance of securities held to maturity increased $60.2 million over the same period. The Company has been classifying the majority of new purchases as held to maturity.

38

Index

Interest Expense. Total interest expense decreased $56,000 to $8.8 million for the three months ended September 30, 2016, from $8.8 million for the three months ended September 30, 2015. The components of interest expense for the three months ended September 30, 2016 and 2015, changed as follows:

| | Three months ended September 30, | | | | Increase / (decrease) | | |
|---|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | | | |
| | Interest Expense | Cost | Interest Expense | Cost | Interest Expense | Average Balance | Cost |
| | (Dollars in thousands) | | | | | | |
| Savings deposits | $96 | 0.23% | $95 | 0.24% | $1 | $8,076 | (0.01)% |
| Money market | 1,885 | 1.06% | 839 | 0.54% | 1,046 | 94,738 | 0.52 % |
| Checking accounts | 548 | 0.40% | 396 | 0.36% | 152 | 114,424 | 0.04 % |
| Time deposits | 3,210 | 1.32% | 2,332 | 1.19% | 878 | 190,689 | 0.13 % |
| Total deposits | 5,739 | 0.95% | 3,662 | 0.73% | 2,077 | 407,927 | 0.22 % |
| Borrowings | 3,021 | 1.79% | 5,154 | 2.74% | (2,133) | (77,167) | (0.95)% |
| | $8,760 | 1.14% | $8,816 | 1.28% | $(56) | $330,760 | (0.14)% |

Strong deposit growth remains a strategic objective of the Company. As detailed above, the average balance of deposits increased $407.9 million, or 20.4%, for the quarter ended September 30, 2016 versus the comparable 2015 period. Growth was particularly strong when measured on a linked quarter comparison basis. The average balance of deposits increased $175.9 million, representing quarterly growth of 7.9% and annualized growth of 31.6%, for the quarter ended September 30, 2016 versus the quarter ended June 30, 2016. The average balance of brokered deposits increased $71.0 million and $87.6 million versus the quarters ended June 30, 2016 and September 30, 2015, respectively. The overall cost of deposits increased 22 basis points for the quarter ended September 30, 2016 versus the comparable 2015 period, and 3 basis points on a linked quarter comparison basis. The increased cost is primarily attributable to the costs of interest rate swaps that are being reflected as interest expense on money market accounts. The situation occurred as a result of two balance sheet restructures that are discussed in detail in the Company's Form 10-Q for the quarterly period ended December 31, 2015, and the Company's Form 10-K for the annual period ended June 30, 2016. The increased cost of the money market accounts is partially offset by the decrease in cost of borrowings.

As detailed in the table above, the average balance of borrowings decreased $77.2 million for the three months ended September 30, 2016 versus the comparable 2015 period, while the cost decreased 95 basis points. The increase in the average balance of deposits allowed the Company to reduce borrowings while still funding growth. The cost of borrowings was also affected by the balance sheet restructures referenced above. On a linked quarter basis, the average balance of borrowings decreased $123.0 million and the cost of borrowings decreased 12 basis points.

Index

Net Interest Income Before Provision for Loan Losses. Net interest income increased by $1.2 million to $25.3 million for the three months ended September 30, 2016, from $24.1 million for the three months ended September 30, 2015. The Company's net interest income, spread and margin over the period are detailed in the chart below.

| | Including Prepayment Penalties | | | Excluding Prepayment Penalties* | | |
|---|---|---|---|---|---|---|
| For the Three Months Ended | Net Interest Income Before Provision | Spread | Margin | Net Interest Income Before Provision | Spread | Margin |
| | (Dollars in thousands) | | | | | |
| September 30, 2016 | $$25,300 | 2.73 % | 2.87 % | $$24,669 | 2.65 % | 2.80 % |
| June 30, 2016 | 25,707 | 2.82 % | 2.97 % | 24,169 | 2.64 % | 2.79 % |
| March 31, 2016 | 25,151 | 2.86 % | 3.01 % | 24,154 | 2.74 % | 2.89 % |
| December 31, 2015 | 25,294 | 2.99 % | 3.14 % | 23,744 | 2.79 % | 2.95 % |
| September 30, 2015 | 24,149 | 2.89 % | 3.05 % | 22,567 | 2.69 % | 2.85 % |

* - Prepayment penalties on loans are excluded.

The Company's spread and margin have been significantly impacted by prepayment penalties. The chart above details results with and without the impact of prepayment penalties. While prepayment penalty income is expected to continue, significant fluctuations in the level of prepayment income are also expected.

The Company's spread and margin remain under pressure due to several factors. These factors were discussed in the Company's Form 10-K for the annual period ended June 30, 2016, and in other prior filings. Despite the spread and margin compression, the Company's net interest income excluding prepayment penalties has been expanding. The Company undertook the balance sheet restructures referenced above, in part, to counter some of the spread and margin compression that is occurring. The benefits of the balance sheet restructures can be seen most prominently in the results (excluding prepayment penalties) for the quarters December 31, 2015 and September 30, 2016. The results for the quarter ended September 30, 2016 show expansion of the spread and margin by one basis point versus the quarter ended June 30, 2016. The positive impact of the balance sheet restructure that was discussed in the Company's Form 10-K for the annual period ended June 30, 2016, was almost fully offset by the compression that occurred over the September 30, 2016 quarter.

The Company's net interest income and net interest rate spread were both negatively impacted in all periods due to the reversal of accrued interest income on loans delinquent more than 90 days. The total of such income reversed was $119,000 for the three months ended September 30, 2016 and $177,000 for the three months ended September 30, 2015.

Index

Provision for Loan Losses. The Company recorded no provision for loan losses for both the three months ended September 30, 2016 and the three months ended September 30, 2015. A rollforward of the allowance for loan losses for the three months ended September 30, 2016 and 2015 is presented below:

| | Three months ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| | (Dollars in thousands) | |
| Balance at beginning of period | $29,951 | $30,889 |
| Provisions charged to operations | — | — |
| Recoveries of loans previously charged off | 2 | — |
| Loans charged off | (75) | (255) |
| Balance at end of period | $29,878 | $30,634 |
| Allowance for loan losses to total loans | 0.92 % | 1.09 % |
| Net charge-offs (annualized) to average loans outstanding | 0.01 % | 0.04 % |

The improving delinquency and nonaccrual trends, changes in loan risk ratings, loan growth, charge-offs and economic and business conditions continue to have a meaningful impact on the current level of provision for loan losses. In addition, improvements in general economic and business conditions have also impacted the level of provisioning by decreasing the necessary level of general allowances. See additional information regarding the allowance for loan losses in Note 6 of the financial statements and "Comparison of Financial Condition at September 30, 2016 and June 30, 2016-Net Loans."

Other Income. Other income decreased $4.7 million to $1.3 million for the three months ended September 30, 2016, from $6.0 million for the three months ended September 30, 2015. In the 2015 period, the Company sold three of its investments in real estate joint ventures and the total pretax gain was $4.2 million. There were no comparable sales in the 2016 period. See additional information under "Comparison of Financial Condition at September 30, 2016 and June 30, 2016," regarding the sales of investments in real estate joint ventures and real estate held for investment. Net income from investments in real estate joint ventures and income from real estate operations, net, decreased by a combined $326,000 for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015. Earnings from these two categories have decreased as the Company has disposed of the majority of such properties.

Other Expenses. Other expenses decreased $469,000 to $10.3 million for the three months ended September 30, 2016, from $10.7 million for the three months ended September 30, 2015. Compensation, payroll taxes and fringe benefits decreased $345,000 to $7.4 million for the three months ended September 30, 2016, from $7.7 million for the three months ended September 30, 2015. The cost for the majority of the stock awards and stock options granted in conjunction with the Company's 2011 Equity Plan fully amortized in August 2016. The 2015 period included the amortization expense related to these plans for a full quarter while the 2016 period only had half of such expenses, thereby reducing such expenses in the 2016 period by $735,000. After adjusting for this situation, expenses increased $390,000. The increase was primarily due to increases in direct compensation, due to additional staffing and salary adjustments and increases in the cost of a nonqualified benefit plan. Real estate owned operations decreased $275,000 to $55,000 for the three months ended September 30, 2016, from $330,000 for the three months ended September 30, 2015. The majority of the decrease was due to a valuation adjustment made on a property in the 2015 period. In addition, the lower level of REO assets has also decreased the cost of REO operations in the 2016 period.

Income Tax Expense. Income tax expense for the three months ended September 30, 2016 was $5.7 million on pre-tax income of $16.3 million, resulting in an effective tax rate of 34.9%. Income tax expense for the three months ended

September 30, 2015 was $6.8 million on pre-tax income of $19.4 million, resulting in an effective tax rate of 35.0%. The Company's effective rate in both periods was positively affected by the adoption of Accounting Standards Codification ("ASC") 718, "Compensation—Stock Compensation," as well as Accounting Standards Update ("ASU") 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplified certain aspects of accounting for share-based compensation.

Index
Liquidity and Capital Resources

The Company's primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, Federal Home Loan Bank ("FHLB") borrowings and investment maturities.  While scheduled amortization of loans is a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.  The Company has other sources of liquidity if a need for additional funds arises, including advances from the FHLB and Federal Reserve Bank of New York.

At September 30, 2016 and June 30, 2016, the Company had $191.2 million and $317.0 million in overnight borrowings from the FHLB, respectively.  The Company had total borrowings of $667.6 million at September 30, 2016 and $781.6 million at June 30, 2016.  The Company's total borrowings at September 30, 2016 include $427.9 million in longer term borrowings with the FHLB.  In the normal course of business, the Company routinely enters into various commitments, primarily relating to the origination of loans.  At September 30, 2016, outstanding commitments to originate loans totaled $78.6 million and outstanding commitments to extend credit totaled $15.6 million.  The Company expects to have sufficient funds available to meet current commitments in the normal course of business.

Time deposits scheduled to mature in one year or less totaled $618.1 million at September 30, 2016.  Based upon historical experience, management estimates that a large portion of such deposits will remain with the Company.  The portion that remains will be significantly impacted by the renewal rates offered by the Company.

The management of liquidity described in the above paragraphs primarily pertains to Oritani Bank. The Company, on an unconsolidated basis, also has liquidity sources and uses. The Company's primary, recurring source of funds has been dividends from Oritani Bank. As a wholly owned subsidiary of the Company, the Bank will typically distribute its net income to the Company as a dividend. Under the New Jersey Banking Act, a stock savings bank may declare and pay a dividend on its capital stock only to the extent that the payment of the dividend would not impair the capital stock of the savings bank. In addition, a stock savings bank may not pay a dividend unless the savings bank would, after the payment of the dividend, have a surplus of not less than 50% of its capital stock, or alternatively, the payment of the dividend would not reduce the surplus. Additionally, Oritani Bank must notify the Federal Reserve Board thirty days before declaring any dividend to the Company. The Federal Reserve Board may object to the payment of the dividend if it deems it to be unsafe or unsound or a violation of a law, regulation or order or if the institution will be undercapitalized after the dividend. An inability of Oritani Bank to pay dividends may restrict the Company's ability to pay dividends.

The Company's primary use of funds has been dividends to shareholders and repurchases of common stock. The declarations of such dividends are at the discretion of the Company and the dividend amount could be reduced or eliminated if the payment of a dividend to shareholders would result in a liquidity concern. The Company's loan portfolio was an additional source and use of funds. The Company periodically originated loans which were a significant use of funds. The principal and interest payments from these loans provided a recurring source of funds. The majority of the Company's loans were directly or indirectly related to entities in the Company's investment in real estate joint ventures and real estate held for investment portfolios. The Company announced its intention to explore the strategic disposition of the properties and interests in these portfolios.  As of June 30, 2016, the properties and interests in these portfolios were disposed, the related loans were repaid and the sales activity and loan repayments were a significant, but transitory, source of funds. In addition, the Company secured external financing, a source of funds independent of the Bank.  At September 30, 2016 and June 30, 2016, the Company had $12.5 million in borrowings outstanding from another financial institution.  In addition, at September 30, 2016 and June 30, 2016 , the Company, on an unconsolidated basis, had cash and cash equivalents of $57.4 million and $66.2 million, respectively.

In July 2013, the Federal Reserve Board and the FDIC issued final rules implementing the Basel III regulatory capital framework and related Dodd-Frank Act changes.  The rules revise minimum capital requirements and adjust prompt corrective action thresholds. Under the final rules, minimum requirements will increase for both the quantity and quality of capital held by the Company and the Bank. The rules include a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5 percent and a common equity Tier 1 capital conservation buffer of 2.5 percent of risk-weighted assets. The final rules also raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0 percent to 6.0 percent and require a minimum leverage ratio of 4.0 percent. The final rule became effective January 1, 2015, subject to a transition period for various components of the rule that require full compliance for the Company by January 1, 2019, including a capital conservation buffer of 2.5 percent of risk-weighted assets for which the transitional period began on January 1, 2016.

As of September 30, 2016 and June 30, 2016, the Company and Bank exceeded all regulatory capital requirements as follows:

| | September 30, 2016 | | | |
|---|---|---|---|---|
| | Actual | | Required | |
| | Amount | Ratio | Amount | Ratio |
| | (Dollars in thousands) | | | |
| Company: | | | | |
| Common Equity Tier 1 ("CET1") (to risk-weighted assets) | $548,750 | 16.45% | $150,123 | 4.50 % |
| Tier 1capital (to risk-weighted assets) | 548,750 | 16.45% | 200,164 | 6.00 % |
| Total capital (to risk-weighted assets) | 578,628 | 17.34% | 266,885 | 8.00 % |
| Tier 1 leverage capital (to average assets) | 548,750 | 14.82% | 148,082 | 4.00 % |
| Capital Conservation Buffer | 311,742 | 9.34 % | 20,850 | 0.625% |

42

Index

| | September 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | Required | | Well-Capitalized | |
| | Amount | Rate | Amount | Rate | Amount | Rate |
| | (Dollars in thousands) | | | | | |
| Bank: | | | | | | |
| Common Equity Tier 1 ("CET1") (to risk weighted assets) | $479,009 | 14.36 % | $150,103 | 4.50 % | $216,815 | 6.50 % |
| Tier 1 capital (to risk-weighted assets) | 479,009 | 14.36 % | 200,137 | 6.00 % | 266,850 | 8.00 % |
| Total capital (to risk-weighted assets) | 508,887 | 15.26 % | 266,850 | 8.00 % | 333,562 | 10.00 % |
| Tier 1 Leverage capital (to average assets) | 479,009 | 12.94 % | 148,053 | 4.00 % | 185,067 | 5.00 % |
| Capital conservation buffer | 242,037 | 7.26 % | 20,848 | 0.625 % | | |

| | June 30, 2016 | | | |
|---|---|---|---|---|
| | Actual | | Required | |
| | Amount | Ratio | Amount | Ratio |
| | (Dollars in thousands) | | | |
| Company: | | | | |
| Common Equity Tier 1 ("CET1") (to risk-weighted assets) | $545,272 | 16.77 % | $146,311 | 4.50 % |
| Tier 1capital (to risk-weighted assets) | 545,272 | 16.77 % | 195,081 | 6.00 % |
| Total capital (to risk-weighted assets) | 575,223 | 17.69 % | 260,108 | 8.00 % |
| Tier 1 leverage capital (to average assets) | 545,272 | 14.94 % | 145,676 | 4.00 % |
| Capital Conservation Buffer | 315,034 | 9.69 % | 20,321 | 0.625 % |

| | June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | Required | | Well-Capitalized | |
| | Amount | Rate | Amount | Rate | Amount | Rate |
| | (Dollars in thousands) | | | | | |
| Bank: | | | | | | |
| Common Equity Tier 1 ("CET1") (to risk weighted assets) | $466,987 | 14.36 % | $146,288 | 4.50 % | $211,305 | 6.50 % |
| Tier 1 capital (to risk-weighted assets) | 466,987 | 14.36 % | 195,050 | 6.00 % | 260,067 | 8.00 % |
| Total capital (to risk-weighted assets) | 496,938 | 15.28 % | 260,067 | 8.00 % | 325,084 | 10.00 % |
| Tier 1 Leverage capital (to average assets) | 466,987 | 12.86 % | 145,255 | 4.00 % | 181,569 | 5.00 % |
| Capital conservation buffer | 236,871 | 7.29 % | 20,318 | 0.625 % | | |

Critical Accounting Policies

Note 1 to the Company's Audited Consolidated Financial Statements for the year ended June 30, 2016, included in the Company's Annual Report on Form 10-K, as supplemented by this report, contains a summary of significant accounting policies. Various elements of these accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Certain assets and liabilities are carried in the consolidated Balance Sheets at fair value or the lower of cost or fair value. Policies with respect to the methodologies used to determine the allowance for loan losses and judgments regarding the valuation of securities and derivatives as well as the valuation allowance against deferred tax assets are the most critical accounting policies because they are important to the presentation of the Company's financial condition and results of operations, involve a higher degree of complexity, and require management to make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions, and estimates could result in material differences in the results of operations or financial condition. These critical accounting policies and their application are reviewed periodically and, at least annually, with the Audit Committee of the Board of Directors. For a further discussion of the critical accounting policies of the Company, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K, for the year ended June 30, 2016.

Index

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has the authority and responsibility for managing interest rate risk. Oritani Bank has established an Asset/Liability Management Committee, comprised of various members of its senior management, which is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for recommending to the Board the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors. The Asset/Liability Management Committee reports its activities to the Board on a monthly basis. An interest rate risk analysis is presented to the Board on a quarterly basis.

We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates.  As part of our ongoing asset-liability management, we currently use the following strategies to manage our interest rate risk:

(i) originating multifamily and commercial real estate loans that generally tend to have shorter interest duration and generally have interest rates that reset in five years or less. The chart below provides maturity/repricing information for the entire loan portfolio, the majority of which is comprised of multifamily and commercial real estate loans;
(ii) investing in shorter duration securities and mortgage-backed securities;
(iii) obtaining general financing through FHLB advances with a fixed long term; and
(iv) utilizing interest rate swaps or other derivative instruments

Loan Portfolio by Reprice/Maturity Date
At September 30, 2016
(Dollars in thousands)

| Repricing or Maturing Within: | Amount | Weighted Average Rate | | % of Total Loans | | Cumulative % of Total Loans | |
|---|---|---|---|---|---|---|---|
| 1 Year or less | $468,041 | 3.97 | % | 14.41 | % | 14.41 | % |
| 1 - 3 years | 1,202,605 | 3.54 | % | 37.04 | % | 51.45 | % |
| 3 - 5 years | 835,344 | 3.71 | % | 25.72 | % | 77.17 | % |
| 5 - 7 years | 323,971 | 3.98 | % | 9.98 | % | 87.15 | % |
| 7 to 10 years | 116,274 | 4.69 | % | 3.58 | % | 90.73 | % |
| Greater than 10 years | 300,922 | 4.76 | % | 9.27 | % | 100.00 | % |
| Total | $3,247,157 | 3.84 | % | 100.00 | % | | |

At September 30, 2016, 51.45 % of the loan portfolio matured or repriced in 3 years or less, and 77.17% matured or repriced in 5 years or less.

Shortening the average maturity of our interest-earning assets by increasing our investments in shorter-term loans and securities, as well as loans and securities with variable rates of interest, helps to better match the maturities and interest rates of our assets and liabilities, thereby reducing the exposure of our net interest income to changes in market interest rates.  In addition, if changes occur that cause the estimated duration of a security to lengthen significantly, management will consider the sale of such security.  By following these strategies, we believe that we are well-positioned to react to changes in market interest rates.

44

Index

Net Portfolio Value. We compute the amounts by which the net present value of cash flow from assets, liabilities and off balance sheet items (the institution's net portfolio value or "NPV") would change in the event of a range of assumed changes in market interest rates. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the "Change in Interest Rates" column below.

The table below sets forth, as of September 30, 2016, the estimated changes in our net portfolio value that would result from the designated instantaneous changes in the United States Treasury yield curve. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates and loan prepayment and deposit decay rates, and should not be relied upon as indicative of actual results.

| | | Estimated Increase (Decrease) in NPV | | NPV as a Percentage of Present Value of Assets (3) | |
|---|---|---|---|---|---|
| Change in Interest Rates (basis points) (1) | Estimated NPV (2) | Amount | Percent | NPV Ratio (4) | Increase (Decrease) basis points |
| | (Dollars in thousands) | | | | |
| +200 | $542,671 | $(58,142) | (9.7)% | 14.7% | (91) |
| +100 | 574,553 | (26,260) | (4.4)% | 15.3% | (34) |
| — | 600,813 | — | —% | 15.6% | — |
| (100) | 675,275 | 74,462 | 12.4% | 17.0% | 137 |

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
(4) NPV Ratio represents NPV divided by the present value of assets.

The table above indicates that at September 30, 2016, in the event of a 100 basis point decrease in interest rates, we would experience a 12.4% increase in net portfolio value. In the event of a 200 basis point increase in interest rates, we would experience a 9.7% decrease in net portfolio value. These changes in net portfolio value are within the limitations established in our asset and liability management policies.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in net portfolio value require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net portfolio value table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net portfolio value table 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 will differ from actual results.

Index
Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

There were no changes made in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting during the period covered by this report.

Part II – Other Information

Item 1. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes from those risk factors previously disclosed in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on September 13, 2016.

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

(a) Unregistered Sale of Equity Securities. There were no sales of unregistered securities during the period covered by this report.
(b) Use of Proceeds. Not applicable.
(c) Repurchase of Our Equity Securities. The following table shows the Company's repurchases of its common stock for each calendar month in the three months ended September 30, 2016 and the stock repurchase plan approved by our Board of Directors.

| Period | Total Number of Shares Repurchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan | Maximum Number of Shares That May Yet Be Purchased Under the Plan |
|---|---|---|---|---|
| July 31, 2016 | 763 | $ 16.44 | 763 | 1,986,743 |
| August 31, 2016 | 94,190 | 15.88 | 94,190 | 1,892,553 |
| September 30, 2016 | — | — | — | 1,892,553 |
| | 94,953 | $ 15.88 | 94,953 | |

On March 4, 2015, the Board of Directors of the Company authorized a fourth stock repurchase plan pursuant to which the Company is authorized to repurchase up to 5 % of the outstanding shares, or 2,205,451 shares. As of November 9, 2016, the Company has repurchased, under the repurchase plans approved since the second step transaction, 13,273,979 shares of its stock at an average price of $13.30 per share.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Index

Item 6. Exhibits

The following exhibits are either filed as part of this report or are incorporated herein by reference:

| | |
|---|---|
| 3.1 | Certificate of Incorporation of Oritani Financial Corp. * |
| 3.2 | Bylaws of Oritani Financial Corp. * |
| 4 | Form of Common Stock Certificate of Oritani Financial Corp. * |
| 10.1 | Employment Agreement between Oritani Financial Corp. and Kevin J. Lynch**, **** |
| 10.2 | Form of Employment Agreement between Oritani Financial Corp. and executive officers**,**** |
| 10.3 | Oritani Bank Director Retirement Plan**, **** |
| 10.4 | Oritani Bank Benefit Equalization Plan**, **** |
| 10.5 | Oritani Bank Executive Supplemental Retirement Income Agreement**, **** |
| 10.6 | Form of Employee Stock Ownership Plan**, **** |
| 10.7 | Director Deferred Fee Plan**, **** |
| 10.8 | Oritani Financial Corp. 2007 Equity Incentive Plan*, **** |
| 10.9 | Oritani Financial Corp. 2011 Equity Incentive Plan***, **** |
| 21 | Subsidiaries of Registrant** |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

| | |
|---|---|
| * | Incorporated by reference to the Registration Statement on Form S-1 of Oritani Financial Corp. (file no. 333-165226), originally filed with the Securities and Exchange Commission on March 5, 2010. |
| ** | Incorporated by reference to the Registration Statement on Form S-1 of Oritani Financial Corp. (file no. 333-137309), originally filed with the Securities and Exchange Commission on September 14, 2006. |
| *** | Incorporated by reference to the Company's Proxy Statement for the 2011 Special Meeting of Stockholders filed with the Securities and Exchange Commission on June 27, 2011 (file No. 001-34786). |
| **** | Available on our website www.oritani.com. |
| ***** | Management contract, compensatory plan or arrangement. |

47

Index

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.

| | | |
|---|---|---|
| | | ORITANI FINANCIAL CORP. |
| Date: | November 9, 2016 | /s/ Kevin J. Lynch<br>Kevin J. Lynch<br>President and Chief Executive Officer |
| Date: | November 9, 2016 | /s/ John M. Fields, Jr.<br>John M. Fields, Jr.<br>Executive Vice President and Chief Financial Officer |