NEW YORK COMMUNITY BANCORP INC
Form 10-Q
August 10, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2009

Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**06-1377322**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization) **Identification No.)**

615 Merrick Avenue, Westbury, New York 11590

(Address of principal executive offices)

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

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

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

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

Large Accelerated Filer	x	Accelerated Filer	¨
Non-accelerated Filer	¨	Smaller Reporting Company	¨

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

345,206,434

Number of shares of common stock outstanding at August 4, 2009

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NEW YORK COMMUNITY BANCORP, INC.

FORM 10-Q

Quarter Ended June 30, 2009

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)

	June 30, 2009 (unaudited)	December 31, 2008
Assets:		
Cash and cash equivalents	$ 162,764	$ 203,216
Securities available for sale:		
Mortgage-related ($684,924 and $811,152 pledged, respectively)	749,709	833,684
Other securities ($9,339 and $78,847 pledged, respectively)	99,404	176,818
Total available-for-sale securities	849,113	1,010,502
Securities held to maturity:		
Mortgage-related ($2,795,646 and $3,131,098 pledged, respectively) (fair value of $2,877,393 and $3,199,414, respectively)	2,813,348	3,164,856
Other securities ($1,442,076 and $1,359,912 pledged, respectively) (fair value of $1,878,197 and $1,628,387, respectively)	1,976,425	1,726,135
Total held-to-maturity securities	4,789,773	4,890,991
Total securities	5,638,886	5,901,493
Loans, net of deferred loan fees and costs	22,777,163	22,192,212
Less: Allowance for loan losses	(98,082)	(94,368)
Loans, net	22,679,081	22,097,844
Federal Home Loan Bank of New York (FHLB-NY) stock, at cost	439,063	400,979
Premises and equipment, net	211,137	217,762
Goodwill	2,436,401	2,436,401
Core deposit intangibles, net	76,617	87,780
Bank-owned life insurance	702,123	691,429
Other assets	514,051	430,002
Total assets	$ 32,860,123	$ 32,466,906
Liabilities and Stockholders Equity:		
Deposits:		
NOW and money market accounts	$ 4,424,433	$ 3,818,952
Savings accounts	2,756,674	2,632,078
Certificates of deposit	6,046,646	6,796,971
Non-interest-bearing accounts	1,126,328	1,127,647
Total deposits	14,354,081	14,375,648
Borrowed funds:		
FHLB-NY advances	8,430,528	7,708,064
Repurchase agreements	4,225,000	4,485,000
Federal funds purchased	250,000	150,000
Junior subordinated debentures	483,987	484,216

Other borrowings	669,488	669,430
Total borrowed funds	14,059,003	13,496,710
Other liabilities	236,373	375,302
Total liabilities	28,649,457	28,247,660
Stockholders equity:		
Preferred stock at par $0.01 (5,000,000 shares authorized; none issued)		
Common stock at par $0.01 (600,000,000 shares authorized; 345,208,226 and 344,985,111 shares issued, respectively; 345,208,174 and 344,985,111 shares outstanding, respectively)	3,452	3,450
Paid-in capital in excess of par	4,187,864	4,181,599
Retained earnings	97,125	123,511
Treasury stock (52 and 0 shares at the respective dates)	(1)	
Unallocated common stock held by Employee Stock Ownership Plan (ESOP)	(1,473)	(1,995)
Accumulated other comprehensive loss, net of tax (AOCL):		
Net unrealized loss on securities and non-credit portion of other-than-temporary impairment (OTTI) losses, net of tax	(24,185)	(32,506)
Net unrealized loss on securities transferred from available for sale to held to maturity, net of tax	(4,323)	(4,706)
Net unrealized loss on pension and post-retirement obligations, net of tax	(47,793)	(50,107)
Total accumulated other comprehensive loss, net of tax	(76,301)	(87,319)
Total stockholders equity	4,210,666	4,219,246
Total liabilities and stockholders equity	$ 32,860,123	$ 32,466,906

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Interest Income:				
Mortgage and other loans	$ 321,640	$ 310,396	$ 643,357	$ 623,384
Securities and money market investments	80,056	82,904	158,445	172,240
Total interest income	401,696	393,300	801,802	795,624
Interest Expense:				
NOW and money market accounts	7,314	13,144	14,877	27,312
Savings accounts	3,565	5,869	7,781	11,874
Certificates of deposit	44,617	65,799	97,340	142,373
Borrowed funds	128,615	177,938	257,304	322,056
Total interest expense	184,111	262,750	377,302	503,615
Net interest income	217,585	130,550	424,500	292,009
Provision for loan losses	12,000	1,700	18,000	1,700
Net interest income after provision for loan losses	205,585	128,850	406,500	290,309
Non-interest (Loss) Income:				
Total loss on OTTI of securities	(51,073)	(49,595)	(51,073)	(49,595)
Less: Non-credit portion of OTTI recorded in other comprehensive income (before taxes)	11,345		11,345	
Net loss on OTTI recognized in earnings	(39,728)	(49,595)	(39,728)	(49,595)
Fee income	9,282	10,210	18,573	20,794
Bank-owned life insurance	6,728	7,134	13,568	13,879
Net gain on sale of securities		568		568
Gain on debt repurchases				926
Other	6,007	9,024	12,052	19,266
Total non-interest (loss) income	(17,711)	(22,659)	4,465	5,838
Non-interest Expense:				
Operating expenses:				
Compensation and benefits	45,045	43,340	87,467	86,406
Occupancy and equipment	17,907	17,212	36,643	34,922
General and administrative	38,975	21,948	61,728	39,990

Total operating expenses	101,927	82,500	185,838	161,318
Debt repositioning charge		285,369		285,369
Amortization of core deposit intangibles	5,476	5,821	11,163	11,853
Total non-interest expense	107,403	373,690	197,001	458,540
Income (loss) before income taxes	80,471	(267,499)	213,964	(162,393)
Income tax expense (benefit)	24,023	(112,716)	68,827	(79,981)
Net Income (Loss)	$ 56,448	$ (154,783)	$ 145,137	$ (82,412)
Other comprehensive income (loss), net of tax:				
Change in net unrealized gain (loss) on securities and non-credit portion of OTTI for the period	1,264	15,519	9,294	3,967
Change in pension and post-retirement obligations	1,111	50	2,314	151
Total comprehensive income (loss), net of tax	$ 58,823	$ (139,214)	$ 156,745	$ (78,294)
Basic earnings (loss) per share	$ 0.16	$ (0.47)	$ 0.42	$ (0.25)
Diluted earnings (loss) per share	$ 0.16	$ (0.47)	$ 0.42	$ (0.25)

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share data)

(unaudited)

	Six Months Ended June 30, 2009
Common Stock (Par Value: $0.01):	
Balance at beginning of year	$ 3,450
Shares issued for restricted stock awards (223,115 shares)	2
Balance at end of period	3,452
Paid-in Capital in Excess of Par:	
Balance at beginning of year	4,181,599
Allocation of ESOP stock	1,354
Issuances of restricted stock, net of forfeitures	(1,235)
Compensation expense related to restricted stock awards	4,803
Exercise of stock options	22
Tax effect of stock plans	1,321
Balance at end of period	4,187,864
Retained Earnings:	
Balance at beginning of year	123,511
Net income	145,137
Dividends paid on common stock ($0.50 per share)	(172,113)
Adjustment for the cumulative effect of applying FASB Staff Position FAS 115-2 (FSP FAS 115-2), net of tax	590
Balance at end of period	97,125
Treasury Stock:	
Balance at beginning of year	
Purchase of common stock (109,807 shares)	(1,262)
Exercise of stock options (2,320 shares)	28
Shares issued for restricted stock awards (107,435 shares)	1,233
Balance at end of period	(1)
Unallocated Common Stock Held by ESOP:	
Balance at beginning of year	(1,995)
Earned portion of ESOP	522
Balance at end of period	(1,473)
Accumulated Other Comprehensive Loss, net of tax:	
Balance at beginning of year	(87,319)

Change in net unrealized loss on securities available for sale, net of tax of $5,520		(8,391)
Adjustment for the cumulative effect of applying FSP FAS 115-2, net of tax of $377		(590)
Reclassification adjustment for OTTI losses recognized in earnings, net of tax of $(15,506)		24,222
Non-credit portion of OTTI losses recognized in other comprehensive income, net of tax of $4,425		(6,920)
Amortization of net unrealized loss on securities transferred from available for sale to held to maturity, net of tax of $(252)		383
Change in pension and post-retirement obligations, net of tax of $(1,479)		2,314
Balance at end of period		(76,301)
Total stockholders equity	$	4,210,666

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash Flows from Operating Activities:		
Net income (loss)	$ 145,137	$ (82,412)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Provision for loan losses	18,000	1,700
Depreciation and amortization	10,016	9,958
Accretion of discounts, net	(3,943)	(4,785)
Net change in net deferred loan origination costs and fees	(932)	4,633
Amortization of core deposit intangibles	11,163	11,853
Net gain on sale of securities		(568)
Net gain on sale of loans	(285)	(152)
Stock plan-related compensation	6,679	6,887
Loss on OTTI of securities recognized in earnings	39,728	49,595
Changes in assets and liabilities:		
Increase in deferred tax asset, net	(16,138)	(18,927)
Increase in other assets	(85,622)	(112,954)
Decrease in other liabilities	(135,111)	(42,629)
Origination of loans held for sale	(50,619)	(25,335)
Proceeds from sale of loans originated for sale	43,032	23,480
Net cash used in operating activities	(18,895)	(179,656)
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	1,900,150	1,449,965
Proceeds from repayment of securities available for sale	150,050	162,914
Proceeds from sale of securities available for sale		11,438
Purchase of securities held to maturity	(1,808,546)	(1,469,186)
Purchase of securities available for sale		(12,320)
Net (purchase) redemption of FHLB-NY stock	(38,084)	2,821
Net increase in loans	(590,433)	(612,594)
Purchase of loans		(45,500)
Proceeds from sale of loans		25,035
Purchase of premises and equipment, net	(3,391)	(5,547)
Net cash used in investing activities	(390,254)	(492,974)
Cash Flows from Financing Activities:		
Net (decrease) increase in deposits	(21,567)	223,503
Net increase in short-term borrowings	512,500	1,021,100
Net increase (decrease) in long-term borrowings	49,793	(817,004)
Tax effect of stock plans	1,321	2,270
Proceeds from issuance of common stock		339,152
Cash dividends paid on common stock	(172,113)	(162,026)
Treasury stock purchases	(1,262)	(2,160)

Net cash received from stock option exercises		25		12,177
Net cash provided by financing activities		368,697		617,012
Net decrease in cash and cash equivalents		(40,452)		(55,618)
Cash and cash equivalents at beginning of period		203,216		335,743
Cash and cash equivalents at end of period	$	162,764	$	280,125
Supplemental information:				
Cash paid for interest	$	380,345	$	523,463
Cash paid for income taxes		162,382		22,074
Non-cash investing activities:				
Mortgage loans securitized and transferred to mortgage-related securities held to maturity, net	$		$	71,307
Transfer to other real estate owned from loans		561		

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of New York Community Bancorp, Inc. and subsidiaries (the Company), including its two principal banking subsidiaries, New York Community Bank (the Community Bank) and New York Commercial Bank (the Commercial Bank). The unaudited consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, are necessary to present a fair statement of the results for the periods presented. There are no other adjustments reflected in the accompanying consolidated financial statements. The results of operations for the three and six months ended June 30, 2009 are not necessarily indicative of the results of operations that may be expected for all of 2009.

Certain information and note disclosures normally 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 (the SEC).

The unaudited consolidated financial statements include the accounts of the Company and other entities in which the Company has a controlling financial interest. All inter-company balances and transactions have been eliminated. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s 2008 Annual Report on Form 10-K.

Certain reclassifications have been made to the prior-period consolidated financial statements to conform to the June 30, 2009 presentation.

Note 2. Stock-based Compensation

At June 30, 2009, the Company had 6,021,509 shares available for grant as options, restricted stock, or other forms of related rights under the New York Community Bancorp, Inc. 2006 Stock Incentive Plan (the 2006 Stock Incentive Plan). Under the 2006 Stock Incentive Plan, the Company granted 365,000 shares of restricted stock in the six months ended June 30, 2009, with an average fair value of $11.79 per share on the date of grant and a vesting period of five years. The six-month amount includes 335,000 shares that were granted in the second quarter with an average fair value of $11.73 per share on the date of grant. Compensation and benefits expense related to restricted stock grants is recognized on a straight-line basis over the vesting period, and totaled $2.3 million and $2.1 million, respectively, in the three months ended June 30, 2009 and 2008, and $4.8 million and $3.7 million, respectively, in the six months ended at those dates.

A summary of activity with regard to restricted stock awards in the six months ended June 30, 2009 is presented in the following table:

	For the Six Months Ended June 30, 2009	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2009	2,346,345	$ 14.95
Granted	365,000	11.79
Vested	(475,100)	16.94
Forfeited	(31,850)	13.40
Unvested at June 30, 2009	2,204,395	14.02

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As of June 30, 2009, unrecognized compensation cost relating to unvested restricted stock totaled $27.8 million. This amount will be recognized over a remaining weighted average period of 3.9 years.

In addition, the Company had eleven stock option plans at June 30, 2009: the 1993 and 1997 New York Community Bancorp, Inc. Stock Option Plans; the 1993 and 1996 Haven Bancorp, Inc. Stock Option Plans; the 1998 Richmond County Financial Corp. Stock Compensation Plan; the T R Financial Corp. 1993 Incentive Stock Option Plan; the Roslyn Bancorp, Inc. 1997 and 2001 Stock-based Incentive Plans; the 1998 Long Island Financial Corp. Stock Option Plan; and the 2003 and 2004 Synergy Financial Group, Inc. Stock Option Plans (all eleven plans collectively referred to as the Stock Option Plans). All stock options granted under the Stock Option Plans expire ten years from the date of grant.

In connection with its adoption of Statement of Financial Accounting Standards (SFAS) No. 123R, Share-based Payment, on January 1, 2006, and using the modified prospective approach, the Company recognizes compensation costs related to share-based payments at fair value on the date of grant, and recognizes such costs in the financial statements over the vesting period during which the employee provides service in exchange for the award. However, as there were no unvested options at any time during the six months ended June 30, 2009 or the year ended December 31, 2008, the Company did not record any compensation and benefits expense relating to stock options during these periods.

Generally, the Company issues new shares of common stock to satisfy the exercise of options. The Company may also use common stock held in Treasury to satisfy the exercise of options. In such event, the difference between the average cost of Treasury shares and the exercise price is recorded as an adjustment to retained earnings or paid-in capital on the date of exercise. At June 30, 2009, there were 13,438,645 stock options outstanding. The number of shares available for future issuance under the Stock Option Plans was 800 at June 30, 2009.

The status of the Company s Stock Option Plans at June 30, 2009 and the changes that occurred during the six months ended at that date are summarized in the following table:

	For the Six Months Ended June 30, 2009	
	Number of Stock Options	**Weighted Average Exercise Price**
Stock options outstanding and exercisable at January 1, 2009	13,702,712	$ 15.50
Exercised	(2,320)	10.78
Forfeited	(261,747)	15.15
Stock options outstanding and exercisable at June 30, 2009	13,438,645	15.51

Total stock options outstanding and exercisable at June 30, 2009 had a weighted average remaining contractual life of 2.71 years, a weighted average exercise price of $15.51 per share, and an aggregate intrinsic value of $1.2 million. The intrinsic values of options exercised during the six months ended June 30, 2009 and 2008 were $464.00 and $7.1 million, respectively.

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Note 3. Securities

The following tables summarize the Company s portfolio of securities available for sale at June 30, 2009 and December 31, 2008:

(in thousands)	June 30, 2009 Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-related Securities:				
GSE[1] certificates	$ 162,769	$ 7,130	$	$ 169,899
GSE CMOs[2]	463,035	13,801	515	476,321
Private label CMOs	112,493		9,004	103,489
Total mortgage-related securities	$ 738,297	$ 20,931	$ 9,519	$ 749,709
Other Securities:				
Corporate bonds	$ 15,813	$ 18	$ 3,490	$ 12,341
State, county, and municipal	6,529	1	209	6,321
Capital trust notes	44,083	109	12,084	32,108
Preferred stock	31,400	148	14,752	16,796
Common stock	42,413	581	11,156	31,838
Total other securities	$ 140,238	$ 857	$ 41,691	$ 99,404
Total securities available for sale[3]	$ 878,535	$ 21,788	$ 51,210	$ 849,113

(1) Government-sponsored enterprises
(2) Collateralized mortgage obligations
(3) As of June 30, 2009, the non-credit portion of OTTI recorded in AOCL was $471,000 pre-tax.

(in thousands)	December 31, 2008 Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-related Securities:				
GSE certificates	$ 180,132	$ 5,160	$	$ 185,292
GSE CMOs	519,389	9,727	154	528,962
Private label CMOs	139,332		19,902	119,430
Total mortgage-related securities	$ 838,853	$ 14,887	$ 20,056	$ 833,684
Other Securities:				
GSE debentures	$ 59,478	$ 2,481	$	$ 61,959
Corporate bonds	30,814		12,064	18,750
State, county, and municipal	6,528		387	6,141
Capital trust notes	44,337		14,471	29,866
Preferred stock	31,400	150	14,010	17,540
Common stock	53,343	151	10,932	42,562
Total other securities	$ 225,900	$ 2,782	$ 51,864	$ 176,818

Total securities available for sale	$ 1,064,753	$ 17,669	$ 71,920	$ 1,010,502

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The following tables summarize the Company s portfolio of securities held to maturity at June 30, 2009 and December 31, 2008:

(in thousands)	Amortized Cost	Carrying Amount	June 30, 2009 Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-related Securities:					
GSE certificates	$ 259,335	$ 259,335	$ 15,383	$	$ 274,718
GSE CMOs	2,547,200	2,547,200	65,296	16,634	2,595,862
Other mortgage-related securities	6,813	6,813			6,813
Total mortgage-related securities	$ 2,813,348	$ 2,813,348	$ 80,679	$ 16,634	$ 2,877,393
Other Securities:					
GSE debentures	$ 1,657,589	$ 1,657,589	$ 5	$ 20,863	$ 1,636,731
Corporate bonds	111,089	111,089	3,194	4,936	109,347
Capital trust notes	218,620	207,747	1,391	77,019	132,119
Total other securities	$ 1,987,298	$ 1,976,425	$ 4,590	$ 102,818	$ 1,878,197
Total securities held to maturity(1)	$ 4,800,646	$ 4,789,773	$ 85,269	$ 119,452	$ 4,755,590

(1) Held-to-maturity securities are reported at a carrying amount equal to amortized cost less the non-credit portion of OTTI recorded in AOCL as a result of adopting FSP FAS 115-2. As of June 30, 2009, the non-credit portion recorded in AOCL was $10.9 million (before taxes).

(in thousands)	Amortized Cost	December 31, 2008 Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-related Securities:				
GSE certificates	$ 282,441	$ 12,515	$	$ 294,956
GSE CMOs	2,875,878	40,944	18,901	2,897,921
Other mortgage-related securities	6,537			6,537
Total mortgage-related securities	$ 3,164,856	$ 53,459	$ 18,901	$ 3,199,414
Other Securities:				
GSE debentures	$ 1,372,593	$ 3,574	$	$ 1,376,167
Corporate bonds	133,165	153	26,561	106,757
Capital trust notes	220,377		74,914	145,463
Total other securities	$ 1,726,135	$ 3,727	$ 101,475	$ 1,628,387
Total securities held to maturity	$ 4,890,991	$ 57,186	$ 120,376	$ 4,827,801

Total pre-tax OTTI for the quarter ended June 30, 2009 was $51.1 million and the net OTTI that was recognized in earnings was $39.7 million. This OTTI related to credit loss was attributable to capital trust notes and was determined through a present-value analysis of expected cash flows on the securities. The significant inputs that the Company used to determine these expected cash flows were the anticipated magnitude and timing of interest payment deferrals, if any, and the underlying creditworthiness of the individual issuers whose debt acts as collateral for these single issue and pooled trust preferred securities.

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The following table presents a rollforward of the credit loss component of OTTI on debt securities for which a non-credit component of OTTI was recognized in other comprehensive income. The beginning balance represents the credit loss component for debt securities for which OTTI occurred prior to April 1, 2009. OTTI recognized in earnings after that date for credit-impaired debt securities is presented as additions in two components, based upon whether the current period is the first time a debt security was credit-impaired (initial credit impairment) or is not the first time a debt security was credit impaired (subsequent credit impairment). Changes in the credit loss component of credit-impaired debt securities were as follows:

(in thousands)		For the Three Months Ended June 30, 2009
Beginning balance as of April 1, 2009	$	103,350
Add: Initial other-than-temporary credit losses		38,509
Additional other-than-temporary credit losses		1,219
Less: Realized losses for securities sold		
Securities intended or required to be sold		
Increases in expected cash flows on debt securities		
Ending balance as of June 30, 2009	$	143,078

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The following table presents held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months or for twelve months or longer as of June 30, 2009:

At June 30, 2009	**Less than Twelve Months**		**Twelve Months or Longer**		**Total**	
(in thousands)	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Held-to-Maturity Debt Securities:						
GSE debentures	$ 1,586,731	$ 20,863	$	$	$ 1,586,731	$ 20,863
GSE CMOs	304,595	4,130	236,397	12,504	540,992	16,634
Corporate bonds	12,973	72	35,744	4,864	48,717	4,936
Capital trust notes	42,027	16,740	72,562	60,279	114,589	77,019
Total held-to-maturity debt securities	$ 1,946,326	$ 41,805	$ 344,703	$ 77,647	$ 2,291,029	$ 119,452
Available-for-Sale Securities:						
Debt Securities:						
GSE CMOs	$ 34,521	$ 515	$	$	$ 34,521	$ 515
Private label CMOs	44,161	7,793	59,328	1,211	103,489	9,004
Corporate bonds	8,611	1,389	2,655	2,101	11,266	3,490
State, county, and municipal	1,195	97	5,000	112	6,195	209
Capital trust notes	15,999	4,147	12,801	7,937	28,800	12,084
Total available-for-sale debt securities	$ 104,487	$ 13,941	$ 79,784	$ 11,361	$ 184,271	$ 25,302
Equity securities	13,767	9,183	21,795	16,725	35,562	25,908
Total available-for-sale securities	$ 118,254	$ 23,124	$ 101,579	$ 28,086	$ 219,833	$ 51,210

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The following table presents held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months or for twelve months or longer as of December 31, 2008:

At December 31, 2008	**Less than Twelve Months**		**Twelve Months or Longer**		**Total**	
(in thousands)	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Held-to-Maturity Debt Securities:						
GSE CMOs	$ 10,223	$ 279	$ 637,364	$ 18,622	$ 647,587	$ 18,901
Corporate bonds	71,224	20,080	5,350	6,481	76,574	26,561
Capital trust notes	69,478	15,405	75,985	59,509	145,463	74,914
Total held-to-maturity debt securities	$ 150,925	$ 35,764	$ 718,699	$ 84,612	$ 869,624	$ 120,376
Available-for-Sale Securities:						
Debt Securities:						
GSE CMOs	$	$	$ 39,603	$ 154	$ 39,603	$ 154
Private label CMOs			119,430	19,902	119,430	19,902
Corporate bonds	9,500	1,575	9,250	10,489	18,750	12,064
State, county, and municipal	1,137	276	5,004	111	6,141	387
Capital trust notes	19,781	12,015	6,885	2,456	26,666	14,471
Total available-for-sale debt securities	$ 30,418	$ 13,866	$ 180,172	$ 33,112	$ 210,590	$ 46,978
Equity securities	15,950	11,850	20,376	13,092	36,326	24,942
Total available-for-sale securities	$ 46,368	$ 25,716	$ 200,548	$ 46,204	$ 246,916	$ 71,920

In April 2009, the Financial Accounting Standards Board (the FASB) amended the OTTI model for debt securities. The impairment model for equity securities was not affected. Under the new guidance, an OTTI loss must be fully recognized in earnings if an investor has the intent to sell the debt security or if it is more likely than not that the investor will be required to sell the debt security before recovery of its amortized cost basis. However, even if an investor does not expect to sell a debt security, it must evaluate the expected cash flows to be received and determine if a credit loss has occurred. In the event of a credit loss, only the amount of impairment associated with the credit loss is recognized in earnings. Amounts relating to factors other than credit losses are recorded in AOCL. The guidance also requires additional disclosures regarding the calculation of credit losses as well as factors considered in reaching a conclusion that an investment is not other-than-temporarily impaired. The Company adopted the new guidance effective April 1, 2009. The Company recorded a $967,000 pre-tax transition adjustment for the non-credit portion of OTTI on securities held at April 1, 2009 that were previously considered other-than-temporarily impaired.

Available-for-sale securities in unrealized loss positions are analyzed as part of the Company s ongoing assessment of OTTI. When the Company intends to sell available-for-sale securities, the Company recognizes an impairment loss equal to the full difference between the amortized cost basis and fair value of those securities. When the Company does not intend to sell available-for-sale equity or debt securities in an unrealized loss position, potential OTTI is considered based on a variety of factors, including the length of time and extent to which the fair value has been less than cost; adverse conditions specifically related to the industry, the geographic area or financial condition of the issuer or the underlying collateral of a security; the payment structure of the security; changes to the rating of the security by a rating agency; the volatility of the fair value changes; and changes in fair value of the security after the balance sheet date. For debt securities, the Company estimates cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist and, where applicable under Emerging Issues Task Force (EITF) Issue 99-20, to determine if any adverse changes in cash flows have occurred. The Company s cash flow estimates take into account expectations of relevant market and economic data as of the end of the reporting period. As of June 30, 2009, the Company does not intend to sell the securities with an unrealized loss position in AOCL, and it is not more likely than not that the Company will be required to sell these securities before recovery of their amortized cost basis. The Company believes that the securities with an unrealized loss in AOCL are not other-than-temporarily impaired as of June 30, 2009.

Other factors considered in determining whether a loss is temporary include the length of time and the extent to which fair value has been below cost; the severity of the impairment; the cause of the impairment; the financial condition and near-term prospects of the issuer; activity in the market of the issuer which may indicate adverse credit conditions; and the forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums).

Management s assertion regarding its intent not to sell or that it is not more likely than not that the Company will be required to sell the security before its anticipated recovery considers a number of factors, including a quantitative estimate of the expected recovery period (which may extend to maturity), and management s intended strategy with respect to the identified security or portfolio. If management does have the intent to sell or believes it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the unrealized loss is charged directly to earnings in the Consolidated Statement of Operations and Comprehensive Income (Loss).

The unrealized losses on the Company s GSE CMOs were primarily caused by movements in market interest rates and spread volatility, rather than credit risk. The Company purchased these investments either at par or at a discount relative to their face amount, and the contractual cash flows of these investments are guaranteed by U.S. GSEs. Accordingly, it is expected that the securities would not be settled at a price that is less than the amortized cost of the Company s investment. Because the Company does not have the intent to sell the investments and it is not more likely than not that the Company will be required to sell the investments before anticipated recovery of fair value, which may be at maturity, the Company did not consider these investments to be other-than-temporarily impaired at June 30, 2009.

The Company s unrealized losses on corporate bonds and capital trust notes relate to investments in various financial institutions. The unrealized losses were primarily caused by market interest rate volatility and a significant widening of interest rate spreads across market sectors relating to continued illiquidity and uncertainty in the

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financial markets. Each of these securities was purchased based on an individual assessment of the financial institutions issuing such securities. This assessment included, but was not limited to, a review of credit ratings (if any), as well as an underwriting process designed to determine the financial institutions creditworthiness.

The Company reviews quarterly financial information as well as other information that is released by each financial institution to determine the continued creditworthiness of the securities issued by them. The contractual terms of these investments do not permit settling the securities at prices that are less than the amortized costs of the investments; therefore, the Company expects that these investments would not be settled at prices that are less than their amortized costs. The Company continues to monitor these investments and currently estimates that the present value of expected cash flows is not less than the amortized cost of the securities. Because the Company does not have the intent to sell the investments and it is not more likely than not that the Company will be required to sell the investments before anticipated recovery of fair value, which may be at maturity, it did not consider these investments to be other-than-temporarily impaired at June 30, 2009. It is possible that these securities will perform worse than is currently expected, which could lead to adverse changes in cash flows on these securities and potential OTTI losses in the future. Events that may occur in the future at the financial institutions that issued these securities may trigger material unrecoverable declines in fair values for the Company s investments and therefore may result in future potential OTTI losses. Such events include, but are not limited to, government intervention, deteriorating asset quality, and significantly higher loan loss provisions, net operating losses, and further illiquidity in the financial markets.

The unrealized losses on the Company s private label CMOs were primarily caused by market interest rate volatility and a significant widening of interest rate spreads across market sectors relating to the continued illiquidity and uncertainty in the financial markets, rather than to credit risk. Current characteristics of each security owned, such as delinquency and foreclosure levels, credit enhancement, and projected losses and coverage, are reviewed periodically by management. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company s investment. Because the Company does not have the intent to sell the investments and it is not more like than not that the Company will be required to sell the investments before anticipated recovery of fair value, which may be at maturity, the Company did not consider these investments to be other than temporarily impaired at June 30, 2009. It is possible that the underlying loan collateral of these securities will perform worse than is currently expected, which could lead to adverse changes in cash flows on these securities and future OTTI losses. Events that could trigger material unrecoverable declines in fair values, and therefore potential OTTI losses for these securities in the future, include, but are not limited to, deterioration of credit metrics, significantly higher levels of default, loss in value on the underlying collateral, deteriorating credit enhancement, and further illiquidity in the financial markets.

At June 30, 2009, the equity securities portfolio consisted of perpetual preferred and common stock, and mutual funds. In analyzing its investments in perpetual preferred stock for OTTI, the Company uses an impairment model that is applied to debt securities, consistent with guidance provided by the SEC, provided there has been no evidence of deterioration in the creditworthiness of the issuer. If deterioration occurs, an equity security impairment model is used. The unrealized losses on the Company s equity securities were primarily caused by market volatility and a significant widening of interest rate spreads across market sectors related to the continued illiquidity and uncertainty in the marketplace. The Company evaluated the near-term prospects of a recovery of fair value for each security in the portfolio, together with the severity and duration of impairment to date. Based on this evaluation, and the Company s ability and intent to hold these investments for a reasonable period of time sufficient to realize a near-term forecasted recovery of fair value, the Company did not consider these investments to be other-than-temporarily impaired at June 30, 2009.

Nonetheless, it is possible that these equity securities will perform worse than currently expected, which could lead to adverse changes in their fair value or the failure of the securities to fully recover in value as presently forecasted by management, causing the Company to record OTTI or other losses in future periods. Events that could trigger material declines in the fair values of these securities in the future include, but are not limited to, deterioration in the equity markets; a decline in the quality of the loan portfolios of the issuers in which the Company has invested; and the recording of higher loan loss provisions and net operating losses by such issuers. The Company considers a decline in fair value of available-for-sale equity securities to be other-than-temporary if the Company does not expect to recover the entire amortized cost basis of the security.

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The following tables summarize the carrying value and estimated fair value of held-to-maturity securities and the amortized cost and estimated fair value of available-for-sale debt securities at June 30, 2009 by contractual maturity. Mortgage-related securities held to maturity and available for sale, all of which have prepayment provisions, are distributed to a maturity category based on the end of the estimated average life of such securities. Principal and amortization prepayments are not shown in maturity categories as they occur, but are considered in the determination of estimated average life.

	Carrying Value								
(dollars in thousands)	**Mortgage-Related Securities**	**Average Yield**	**U.S. Treasury and GSE Obligations**	**Average Yield**	**State, County, and Municipal**	**Average Yield[1]**	**Other Debt Securities[2]**	**Average Yield**	**Fair Value**
Held-to-Maturity Securities:									
Due within one year	$	%	$	%	$	%	$ 14,037	9.44%	$ 13,939
Due from one to five years							32,764	6.34	31,742
Due from five to ten years			1,657,589	4.45			23,029	5.20	1,660,456
Due after ten years	2,813,348	5.17					249,006	6.92	3,049,453
Total debt securities held to maturity	$ 2,813,348	5.17%	$ 1,657,589	4.45%	$	%	$ 318,836	6.85%	$ 4,755,590

	Amortized Cost								
(dollars in thousands)	**Mortgage-Related Securities**	**Average Yield**	**U.S. Treasury and GSE Obligations**	**Average Yield**	**State, County, and Municipal**	**Average Yield[1]**	**Other Debt Securities[2]**	**Average Yield**	**Fair Value**
Available-for-Sale Securities:[3]									
Due within one year	$	%	$	%	$	%	$	%	$
Due from one to five years	2,571	5.14			495	5.51	11,056	8.00	12,828
Due from five to ten years	15,077	6.96			2,427	6.47	4,757	2.69	20,279
Due after ten years	720,649	5.27			3,607	6.67	44,083	5.24	767,372
Total debt securities available for sale	$ 738,297	5.30%	$	%	$ 6,529	6.51%	$ 59,896	5.55%	$ 800,479

(1) Not presented on a tax-equivalent basis.

(2) Includes corporate bonds and capital trust notes. Included in capital trust notes are $20.9 million and $623,000 of pooled trust preferred securities available for sale and held to maturity, respectively, all of which are due after ten years. The remaining capital trust notes consist of single-issue trust preferred securities.

(3) As equity securities have no contractual maturity, they have been excluded from this table.

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Note 4. Loans, net

The following table provides a summary of the Company s loan portfolio at the dates indicated:

(dollars in thousands)	June 30, 2009 Amount	June 30, 2009 Percent of Total	December 31, 2008 Amount	December 31, 2008 Percent of Total
Mortgage loans:				
Multi-family	$ 16,226,085	71.22%	$ 15,728,264	70.85%
Commercial real estate	4,775,287	20.96	4,553,550	20.51
Acquisition, development, and construction	727,534	3.19	778,364	3.51
1-4 family	240,451	1.05	266,307	1.20
Total mortgage loans	21,969,357	96.42	21,326,485	96.07
Net deferred loan origination fees	(6,455)		(6,940)	
Mortgage loans, net	21,962,902		21,319,545	
Other loans:				
Commercial and industrial	672,258		713,099	
Consumer	141,295		158,907	
Lease financing, net	1,033		1,433	
Total other loans	814,586	3.58	873,439	3.93
Net deferred loan origination fees	(325)		(772)	
Total other loans, net	814,261		872,667	
Less: Allowance for loan losses	98,082		94,368	
Loans, net	$ 22,679,081	100.00%	$ 22,097,844	100.00%

The following table provides a summary of activity in the allowance for loan losses at the dates indicated:

(in thousands)	At or For the Six Months Ended June 30, 2009	At or For the Year Ended December 31, 2008
Balance at beginning of period	$ 94,368	$ 92,794
Provision for loan losses	18,000	7,700
Charge-offs	(14,296)	(6,168)
Recoveries	10	42
Balance at end of period	$ 98,082	$ 94,368

As of June 30, 2009, the Company had $5.4 million of loans classified as troubled debt restructurings, as defined in SFAS No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings. There were no loans classified as troubled debt restructurings as of December 31, 2008.

Note 5. Borrowed Funds

The following table provides a summary of the Company s borrowed funds at the dates indicated:

(in thousands)	June 30, 2009	December 31, 2008
Wholesale borrowings:		
FHLB-NY advances	$ 8,430,528	$ 7,708,064
Repurchase agreements	4,225,000	4,485,000
Federal funds purchased	250,000	150,000
Total wholesale borrowings	12,905,528	12,343,064
Junior subordinated debentures	483,987	484,216
Senior debt	601,688	601,630
Preferred stock of subsidiaries	67,800	67,800
Total borrowed funds	$ 14,059,003	$ 13,496,710

At June 30, 2009, the Company had $484.0 million of outstanding junior subordinated deferrable interest debentures (junior subordinated debentures) held by nine statutory business trusts (the Trusts) that issued

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guaranteed capital securities. The capital securities qualified as Tier 1 capital of the Company at that date. The Trusts are accounted for as unconsolidated subsidiaries in accordance with FASB Interpretation No. 46R, Consolidation of Variable Interest Entities (Revised December 2003). The proceeds of each issuance were invested in a series of junior subordinated debentures of the Company. The underlying assets of each statutory business trust are the relevant debentures. The Company has fully and unconditionally guaranteed the obligations under each trust s capital securities to the extent set forth in a guarantee by the Company to each trust. The Trusts capital securities are each subject to mandatory redemption, in whole or in part, upon repayment of the debentures at their stated maturity or earlier redemption.

The following table provides a summary of the outstanding capital securities issued by each trust and the carrying amounts of the junior subordinated debentures issued by the Company to each trust as of June 30, 2009:

Issuer	Interest Rate of Capital Securities and Debentures(1)	Junior Subordinated Debenture Carrying Amount	Capital Securities Amount Outstanding	Date of Original Issue	Stated Maturity	First Optional Redemption Date
		(dollars in thousands)				
Haven Capital Trust II	10.250%	$ 23,333	$ 22,550	May 26, 1999	June 30, 2029	June 30, 2009(2)
Queens County Capital Trust I	11.045	10,309	10,000	July 26, 2000	July 19, 2030	July 19, 2010
Queens Statutory Trust I	10.600	15,464	15,000	September 7, 2000	September 7, 2030	September 7, 2010
New York Community Capital Trust V	6.000	192,020	183,515	November 4, 2002	November 1, 2051	November 4, 2007(3)
New York Community Capital Trust X	2.229	123,712	120,000	December 14, 2006	December 15, 2036	December 15, 2011
LIF Statutory Trust I	10.600	7,862	7,630	September 7, 2000	September 7, 2030	September 7, 2010
PennFed Capital Trust II	10.180	13,348	12,976	March 28, 2001	June 8, 2031	June 8, 2011
PennFed Capital Trust III	3.879	30,928	30,000	June 2, 2003	June 15, 2033	June 15, 2008(2)
New York Community Capital Trust XI	2.248	67,011	65,000	April 16, 2007	June 30, 2037	June 30, 2012
		$ 483,987	$ 466,671			

(1) Excludes the effect of purchase accounting adjustments.
(2) Callable at anytime subsequent to this date.
(3) Callable subject to certain conditions as described in the prospectus filed with the SEC on November 4, 2002.

On July 29, 2009, the Company announced the commencement of an offer to exchange shares of its common stock for any and all of the 5,498,544 outstanding units of its Bifurcated Option Note Unit SecuritiES[SM] (the BONUSES units). The BONUSES units were issued on November 4, 2002 by the Company and are listed on the New York Stock Exchange under the symbol NYB.PrU. Each unit consists of a trust preferred security issued by New York Community Capital Trust V and a warrant to purchase shares of the Company s common stock.

All holders of BONUSES units are eligible to participate in the exchange offer, the terms and conditions of which are set forth in an Offer to Exchange and a related Letter of Transmittal that were sent to current holders of the BONUSES units and filed on July 29, 2009 with the SEC on a Schedule TO. Any BONUSES unit that is not exchanged will remain outstanding. Any BONUSES unit that is validly tendered and accepted for exchange in the Exchange Offer will be retired and cancelled.

The Exchange Ratio to be used to determine the number of shares of the Company s common stock to be exchanged for each BONUSES unit will be calculated at 4:30 p.m., New York City time, on the second trading day immediately preceding the expiration date for the Exchange Offer, as such date may be extended (the Pricing Date). As more fully described in the Offer to Exchange and Letter of Transmittal, the minimum Exchange Ratio will be 2.4953 common shares for each BONUSES unit that is validly tendered and accepted, and the maximum Exchange Ratio will be 4.4953 common shares. The Exchange Ratio will be rounded to the nearest fourth decimal place.

The Exchange Offer is expected to expire at 11:59 p.m., New York City time, on August 25, 2009, unless extended by the Company, and the settlement date is expected to be three days following the expiration date.

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Note 6. Pension and Other Post-Retirement Benefits

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

	For the Three Months Ended June 30,			
	2009		2008	
(in thousands)	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
Components of net periodic expense (credit):				
Interest cost	$ 1,611	$ 228	$ 1,604	$ 234
Service cost		1		2
Expected return on plan assets	(2,576)		(3,752)	
Unrecognized past service liability	50	(62)	50	(62)
Amortization of unrecognized loss	1,746	75	49	34
Net periodic expense (credit)	$ 831	$ 242	$ (2,049)	$ 208

	For the Six Months Ended June 30,			
	2009		2008	
(in thousands)	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
Components of net periodic expense (credit):				
Interest cost	$ 3,222	$ 455	$ 3,208	$ 468
Service cost		2		4
Expected return on plan assets	(5,151)		(7,504)	
Unrecognized past service liability	100	(124)	100	(124)
Amortization of unrecognized loss	3,492	151	98	68
Net periodic expense (credit)	$ 1,663	$ 484	$ (4,098)	$ 416

As discussed in the notes to the consolidated financial statements presented in the Company s 2008 Annual Report on

Form 10-K, the Company expects to contribute to its pension and post-retirement plans in 2009.

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Note 7. Computation of Earnings (Loss) per Share [(1)]

The following table presents the Company s computation of basic and diluted earnings (loss) per share for the periods indicated:

(in thousands, except share and per share data)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net income (loss)	$ 56,448	$ (154,783)	$ 145,137	$ (82,412)
Less: Dividends paid on participating securities	(463)	(342)	(945)	(315)
Earnings (loss) applicable to common stock	$ 55,985	$ (155,125)	$ 144,192	$ (82,727)
Weighted average common shares outstanding	343,549,598	331,271,217	343,435,986	326,995,127
Basic earnings (loss) per common share	$ 0.16	$ (0.47)	$ 0.42	$ (0.25)
Earnings (loss) applicable to common stock	$ 55,985	$ (155,125)	$ 144,192	$ (82,727)
Weighted average common shares outstanding	343,549,598	331,271,217	343,435,986	326,995,127
Potential dilutive common shares[(2)]	75,745	N.A.	76,798	N.A.
Total shares for diluted earnings per share computation	343,625,343	331,271,217	343,512,784	326,995,127
Diluted earnings (loss) per common share and common share equivalents	$ 0.16	$ (0.47)	$ 0.42	$ (0.25)

(1) In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted In Share-Based Payment Transactions Are Participating Securities, which clarifies that unvested stock-based compensation awards containing non-forfeitable rights to dividends are considered participating securities and therefore are included in the two-class method for calculating earnings per share. Under the two-class method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. The Company grants restricted stock to certain employees under its stock-based compensation plans. Recipients receive cash dividends during the vesting periods of these awards (i.e., including on the unvested portion of such awards). Since these dividends are non-forfeitable, the unvested awards are considered participating securities and will have earnings allocated to them.

(2) Options to purchase 13.1 million and 13.1 million shares, respectively, of the Company s common stock that were outstanding in the three and six months ended June 30, 2009, and options to purchase 14.3 million shares of the Company s common stock that were outstanding in the three and six months ended June 30, 2008, were not included in the respective computation of diluted earnings per share because their inclusion would have had an antidilutive effect.

Note 8. Fair Value Measurement

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements, which, among other things, defines fair value; establishes a consistent framework for measuring fair value; and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received when selling an asset, or paid when transferring a liability, in an orderly transaction between market participants. Fair value is thus a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.
As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are significant unobservable inputs that reflect a company s own assumptions about the assumptions that market participants use in pricing an asset or liability.

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

The following table presents, by SFAS No. 157 valuation hierarchy, assets that were measured at fair value on a recurring basis as of June 30, 2009, and that were included in the Company s Consolidated Statement of Condition at that date:

	Fair Value Measurements at June 30, 2009 Using			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Mortgage-related Securities:				
GSE certificates	$	$ 169,899	$	$ 169,899
GSE CMOs		476,321		476,321
Private label CMOs		103,489		103,489
Total mortgage-related securities		749,709		749,709
Other Securities:				
Corporate bonds		12,341		12,341
State, county, and municipal		6,321		6,321
Capital trust notes		12,628	19,480	32,108
Preferred stock		16,796		16,796
Common stock	31,838			31,838
Total other securities	31,838	48,086	19,480	99,404
Total securities available for sale	$ 31,838	$ 797,795	$ 19,480	$ 849,113

Instruments for which unobservable inputs are significant to their fair value measurement (i.e., Level 3) include certain less liquid securities. Level 3 assets accounted for 0.06% of the Company s total assets at June 30, 2009.

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

A description of the methods and significant assumptions utilized in estimating the fair value of available-for-sale securities follows:

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

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

In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. In valuing collateralized debt obligations (CDOs) (which include pooled trust preferred securities and income notes) and certain single-issue capital trust notes, both of which are classified within Level 3, the determination of fair value may require benchmarking to similar instruments or analyzing default and recovery rates. Therefore, CDOs and certain single-issue capital trust notes are valued using a model based on the specific collateral composition and cash flow structure of the security. Key inputs to the model consist of market spread data for each credit rating, collateral type, and other relevant contractual features. In instances where quoted price information is available, that price is considered when arriving at the security s fair value.

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Each of the methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Changes in Level 3 Fair Value Measurements

The tables below include a rollforward of the balance sheet amounts for the six-month periods ended June 30, 2009 and 2008 (including the change in fair value) for financial instruments classified in Level 3 of the valuation hierarchy.

(dollars in thousands)	Fair Value January 1, 2009	Total Realized/Unrealized Gains/(Losses) Recorded in Income	Total Realized/Unrealized Gains/(Losses) Recorded in Comprehensive Income	Purchases, Issuances, and Settlements, net	Transfers in/out of Level 3	Fair Value June 30, 2009	Change in Unrealized Gains and (Losses) Related to Instruments Held at June 30, 2009
Available-for-sale debt securities:							
Capital securities	$ 14,590	$ (1,220)	$ 4,288	$ (253)	$ 2,075	$ 19,480	$ 3,744

(dollars in thousands)	Fair Value January 1, 2008	Total Realized/Unrealized Gains/(Losses) Recorded in Income	Total Realized/Unrealized Gains/(Losses) Recorded in Comprehensive Income	Purchases, Issuances, and Settlements, net	Transfers in/out of Level 3	Fair Value June 30, 2008	Change in Unrealized Gains and (Losses) Related to Instruments Held at June 30, 2008
Available-for-sale debt securities:							
Capital securities	$ 65,952	$ (37,163)	$ 8,447	$ (588)	$	$ 36,648	$ (28,716)

Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a non-recurring basis. Such instruments are subject to fair value adjustments under certain circumstances (e.g., when there is evidence of impairment). For the Company, such assets include goodwill, core deposit intangibles, other real estate owned, other long-lived assets, loans held for sale, certain impaired loans, and mortgage servicing rights, all of which are generally classified within Level 3 of the valuation hierarchy. With the exception of a $477.0 million fair value adjustment relating to primarily collateral-dependent impaired loans (which was taken into consideration in computing the required balance for the allowance for loan losses for the period ended June 30, 2009), no amounts were recorded in the Consolidated Statement of Operations and Comprehensive Income (Loss) for the six months ended June 30, 2009 due to fair value adjustments on such assets. The fair values of collateral-dependent impaired loans are determined using various valuation techniques, including consideration of appraised values and other pertinent real estate market data.

Other Fair Value Disclosures

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present-value estimates or other valuation techniques. Such fair values are significantly affected by the assumptions used, the timing of future cash flows, and the applicable discount rate.

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

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The following table summarizes the carrying values and estimated fair values of the Company s on-balance-sheet financial instruments at June 30, 2009 and December 31, 2008:

	June 30, 2009		December 31, 2008	
(in thousands)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Cash and cash equivalents	$ 162,764	$ 162,764	$ 203,216	$ 203,216
Securities held to maturity	4,789,773	4,755,590	4,890,991	4,827,801
Securities available for sale	849,113	849,113	1,010,502	1,010,502
FHLB-NY stock	439,063	439,063	400,979	400,979
Loans, net	22,679,081	22,809,306	22,097,844	22,891,568
Financial Liabilities:				
Deposits	$ 14,354,081	$ 14,415,985	$ 14,375,648	$ 14,445,003
Borrowed funds	14,059,003	15,196,231	13,496,710	15,165,647

The methods and significant assumptions used to estimate fair values for the Company s financial instruments are as follows:

Cash and Cash Equivalents

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

Securities Held to Maturity and Available for Sale

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

Federal Home Loan Bank of New York Stock

The fair value of FHLB-NY stock approximates the carrying amount, which is at cost.

Loans

The loan portfolio is segregated into various components for valuation purposes in order to group loans based on their significant financial characteristics, such as loan type (mortgages or other) and payment status (performing or non-performing). The estimated fair values of mortgage and other loans are computed by discounting the anticipated cash flows from the respective portfolios. The discount rates reflect current market rates for loans with similar terms to borrowers of similar credit quality. The estimated fair values of non-performing mortgage and other loans approximate the carrying amounts, which are at cost.

The methods used to estimate fair value are highly sensitive to the assumptions and estimates used. While management has attempted to use assumptions and estimates that best reflect the Company s loan portfolio and current market conditions, a greater degree of subjectivity is inherent in these values than in those determined in active markets. Accordingly, readers are cautioned in using this information for purposes of evaluating the financial condition and/or value of the Company in and of itself or in comparison with any other company.

Deposits

The fair values of deposit liabilities with no stated maturity (i.e., NOW and money market accounts, savings accounts, and non-interest-bearing accounts) are equal to the carrying amounts payable on demand. The fair values of certificates of deposit (CDs) represent contractual cash flows, discounted using interest rates currently offered

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on deposits with similar characteristics and remaining maturities. These estimated fair values do not include the intangible value of core deposit relationships, which comprise a significant portion of the Company s deposit base.

Borrowed Funds

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

Off-Balance-Sheet Financial Instruments

The fair values of commitments to extend credit and unadvanced lines of credit are estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the commitments and the creditworthiness of the potential borrowers. The estimated fair values of such off-balance-sheet financial instruments were not material at June 30, 2009 and December 31, 2008.

Note 9. Impact of Recent Accounting Pronouncements

In July 2009, the FASB released the FASB Accounting Standards Codification (the Codification) as the single source of authoritative nongovernmental U.S. generally accepted accounting principles. The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards documents are superseded, as described in SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a Replacement of SFAS No. 162. All other accounting literature not included in the Codification is non-authoritative.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, and No. 167, Amendments to FASB Interpretation No. 46(R). SFAS No. 166 is a revision to SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, and will require more information about transfers of financial assets, including securitization transactions, and where companies have continuing exposure to the risks related to transferred financial assets. SFAS No. 166 eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures. SFAS No. 167 is a revision to FASB Interpretation No. 46(R*),* Consolidation of Variable Interest Entities*,* and changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. These statements will be effective as of the beginning of the first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company does not expect the adoption of SFAS Nos. 166 and 167 to have a material impact on its consolidated financial condition or results of operations.

In June 2009, the FASB issued SFAS No. 165, Subsequent Events. SFAS No. 165 is intended to establish general standards of accounting for, and disclosing, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date that is, whether that date represents the date the financial statements were issued or were available to be issued.

In particular, SFAS No. 165 sets forth:

The period after the balance sheet date during which the management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements;

The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and

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The disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

In April 2009, the FASB issued three final FSPs that provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities. FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, provides guidelines for making fair value measurements more consistent with the principles presented in SFAS No. 157. FSP FAS No. 107-1 and Accounting Principles Board (APB) 28-1, Interim Disclosures about Fair Value of Financial Instruments enhance consistency in financial reporting by increasing the frequency of fair value disclosures. FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments provide additional guidance with respect to accounting for, and presenting, impairment losses on securities.

FSP FAS 157-4 addresses the determination of fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms the objective of fair value measurement as set forth in SFAS No. 157, i.e., to reflect how much an asset would be sold for in an orderly transaction (the exit price, as opposed to a distressed or forced transaction) at the date of the financial statements and under current market conditions. It specifically reaffirms the need to use judgment in ascertaining if a formerly active market has become inactive and in determining fair values when markets have become inactive.

FSP FAS 107-1 and APB 28-1 relate to fair value disclosures for financial instruments held by public companies. Prior to issuing this FSP, fair values for such instruments were disclosed only once a year. The FSP now requires quarterly disclosures that provide qualitative and quantitative information about fair value estimates for those financial instruments.

FSP FAS 115-2 and FAS 124-2, which relate to other-than-temporary impairment, are intended to bring greater consistency to the timing of impairment recognition, and to provide greater clarity to investors about the credit and non-credit components of impaired debt securities that are not intended or expected to be sold. The measure of impairment in comprehensive income remains fair value. The FSP also requires increased and more timely disclosure regarding expected cash flows, credit losses, and the aging of securities with unrealized losses. A cumulative-effect adjustment is required to be recorded at the adoption date of the FSPs with respect to certain previously recognized OTTI.

Each of the aforementioned FSPs is effective for interim and annual periods ending after June 15, 2009 and was adopted by the Company on April 1, 2009. The Company s adoption of FSP 157-4 had an immaterial effect on its fair value estimates. The effect of adopting FSP FAS 115-2 is disclosed in Note 3. The additional disclosures required by FSP FAS 107-1 and APB 28-1 are provided in Note 8.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, which clarifies that unvested stock-based compensation awards containing non-forfeitable rights to dividends are considered participating securities and therefore are included in the two-class method calculation of earnings per share. Under the two-class method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. The Company grants restricted stock to certain employees under its stock-based compensation plans. Recipients receive cash dividends during the vesting periods of these awards. Since certain of these dividends are non-forfeitable, the unvested awards are considered participating securities and will have earnings allocated to them. The adoption of FSP EITF 03-6-1 on January 1, 2009 had an immaterial effect on the Company s earnings per share for the three and six months ended June 30, 2009 and 2008.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS No. 133. SFAS No. 161 requires enhanced disclosures about derivative instruments and hedged items that are accounted for under SFAS No. 133 and related interpretations. SFAS No. 161 is effective for interim and annual financial statements for periods beginning after November 15, 2008, with early adoption permitted. The Company s adoption of SFAS No. 161 on January 1, 2009 did not have an impact on its financial statement disclosures as the Company does not currently engage in such activities.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations (revised 2007). SFAS No. 141R requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose the information necessary to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year that commences after December 15, 2008. The Company will apply SFAS No. 141R to any business combinations that may occur after the effective date, and believes that the standard could have a material impact on its accounting for such transactions.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements. SFAS No. 160 improves the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way, i.e., as equity in the consolidated financial statements. In addition, SFAS No. 160 eliminates the diversity that existed in accounting for transactions between an entity and noncontrolling interests by requiring that they be treated as equity transactions. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company s adoption of SFAS No. 160 on January 1, 2009 did not have a material impact on its financial condition or results of operations.

Note 10. Subsequent Events

In accordance with SFAS No. 165, the Company has evaluated whether any subsequent events that require recognition or disclosure in the accompanying financial statements and notes thereto have taken place through the date these financial statements were issued (August 10, 2009). The Company has determined that there are no such subsequent events, other than the Exchange Offer described in Note 5.

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NEW YORK COMMUNITY BANCORP, INC.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Forward-looking Statements and Associated Risk Factors

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

Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by use of the words anticipate, believe, estimate, expect, intend, plan, project, seek, strive, try, or future o such as will, would, should, could, may, or similar expressions. Our ability to predict results or the actual effects of our plans or strategies is inherently uncertain. Accordingly, actual results may differ materially from anticipated results.

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

- General economic conditions and trends, either nationally or in some or all of the areas in which we and our customers conduct our respective businesses;
- Conditions in the securities and real estate markets or the banking industry;
- Changes in interest rates, which may affect our net income, prepayment penalty income, and other future cash flows, or the market value of our assets, including our investment securities;
- Changes in real estate values, which could impact the quality of the assets securing the loans in our portfolio;
- Changes in the quality or composition of our loan or securities portfolios;
- Changes in competitive pressures among financial institutions or from non-financial institutions;
- Changes in our customer base or in the financial or operating performances of our customers businesses;
- Changes in the demand for our deposit, loan, and investment products and other financial services in the markets we serve;

Changes in deposit flows and wholesale borrowing facilities;

Changes in our credit ratings or in our ability to access the capital markets;

Changes in our estimates of future reserves based upon the periodic review thereof under relevant regulatory and accounting requirements;

Changes in our capital management policies, including those regarding business combinations, dividends, and share repurchases, among others;

Our ability to retain key members of management;

Changes in legislation, regulation, policies, or administrative practices, whether by judicial, governmental, or legislative action, including, but not limited to, those pertaining to banking, securities, taxation, rent regulation and housing, environmental protection, and insurance; and the ability to comply with such changes in a timely manner;

Changes in accounting principles, policies, practices, or guidelines;

Changes in the monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board of Governors;

Our timely development of new lines of business and competitive products or services in a changing environment, and the acceptance of such products or services by our customers;

Operational issues stemming from, and/or capital spending necessitated by, the potential need to adapt to industry changes in information technology systems, on which we are highly dependent;

Any interruption or breach of security resulting in failures or disruptions in customer account management, general ledger, deposit, loan, or other systems;

Any interruption in customer service due to circumstances beyond our control;

Potential exposure to unknown or contingent liabilities of companies we have acquired or target for acquisition;

The outcome of pending or threatened litigation, or of other matters before regulatory agencies, or of matters resulting from regulatory exams, whether currently existing or commencing in the future;

Environmental conditions that exist or may exist on properties owned by, leased by, or mortgaged to the Company;

War or terrorist activities; and

Other economic, competitive, governmental, regulatory, and geopolitical factors affecting our operations, pricing, and services.

In addition, it should be noted that we routinely evaluate opportunities to expand through acquisition and frequently conduct due diligence activities in connection with such opportunities. As a result, acquisition discussions and, in some cases, negotiations, may take place at any time, and acquisitions involving cash, debt, or equity securities may occur.

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

Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date of this report. Except as required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.

Reconciliations of Stockholders Equity and Tangible Stockholders Equity, Total Assets and Tangible Assets, and the Related Measures

Although tangible stockholders equity, adjusted tangible stockholders equity, tangible assets, and adjusted tangible assets are not measures that are calculated in accordance with generally accepted accounting principles (GAAP), our management uses these non-GAAP measures in its analysis of our performance. We believe that these non-GAAP measures are important indications of our ability to grow both organically and through business combinations and, with respect to tangible stockholders equity and adjusted tangible stockholders equity, our ability to pay dividends and to engage in various capital management strategies.

We calculate tangible stockholders equity by subtracting from stockholders equity the sum of our goodwill and core deposit intangibles (CDI), and calculate tangible assets by subtracting the same sum from our total assets. To calculate our ratio of tangible stockholders equity to tangible assets, we divide our tangible stockholders equity by our tangible assets, both of which include an amount for accumulated other comprehensive loss, net of tax (AOCL). AOCL consists of after-tax net unrealized losses on securities; certain other-than-temporary impairment (OTTI) losses on securities; and pension and post-retirement obligations, and is recorded in our Consolidated Statements of Condition. We also calculate our ratio of tangible stockholders equity to tangible assets excluding AOCL, as its components are impacted by changes in market conditions, including interest rates, which fluctuate. This ratio is referred to below and earlier in this report as the ratio of adjusted tangible stockholders equity to adjusted tangible assets.

Neither tangible stockholders equity, adjusted tangible stockholders equity, tangible assets, adjusted tangible assets, nor the related tangible and adjusted tangible capital measures should be considered in isolation or as a substitute for stockholders

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equity or any other capital measure prepared in accordance with GAAP. Moreover, the manner in which we calculate these non-GAAP capital measures may differ from that of other companies reporting measures of capital with similar names.

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Reconciliations of our stockholders equity, tangible stockholders equity, and adjusted tangible stockholders equity; our total assets, tangible assets, and adjusted tangible assets; and the related capital measures at June 30, 2009 and December 31, 2008 follow:

(dollars in thousands)	June 30, 2009	December 31, 2008
Total stockholders equity	$ 4,210,666	$ 4,219,246
Less: Goodwill	(2,436,401)	(2,436,401)
Core deposit intangibles	(76,617)	(87,780)
Tangible stockholders equity	$ 1,697,648	$ 1,695,065
Total assets	$ 32,860,123	$ 32,466,906
Less: Goodwill	(2,436,401)	(2,436,401)
Core deposit intangibles	(76,617)	(87,780)
Tangible assets	$ 30,347,105	$ 29,942,725
Stockholders equity to total assets	12.81%	13.00%
Tangible stockholders equity to tangible assets	5.59%	5.66%
Tangible stockholders equity	$ 1,697,648	$ 1,695,065
Add back: AOCL	76,301	87,319
Adjusted tangible stockholders equity	$ 1,773,949	$ 1,782,384
Tangible assets	$ 30,347,105	$ 29,942,725
Add back: AOCL	76,301	87,319
Adjusted tangible assets	$ 30,423,406	$ 30,030,044
Adjusted tangible stockholders equity to adjusted tangible assets	5.83%	5.94%

Critical Accounting Policies

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

We have identified the following to be critical accounting policies: the determination of the allowance for loan losses; the determination of whether an impairment of securities is other than temporary; the determination of the amount, if any, of goodwill impairment; and the valuation allowance for deferred tax assets.

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

Allowance for Loan Losses

The allowance for loan losses is increased by provisions for loan losses that are charged against earnings, and is reduced by net charge-offs and/or reversals, if any, that are credited to earnings. Our loans are held by either the Community Bank or the Commercial Bank, and a separate loan loss allowance is established for each. In addition, except as otherwise noted below, the process for establishing the allowance for loan losses is the same for each of the Community Bank and the Commercial Bank. In determining the respective allowances for loan losses, management considers the Community Bank s and the Commercial Bank s current business strategies and credit processes, including compliance with guidelines established by the respective Boards of Directors with regard to credit limitations, loan approvals, underwriting criteria, and loan workout procedures.

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Our allowances for loan losses are established based on our evaluation of the probable inherent losses in our portfolio in accordance with Statement of Financial Accounting Standards (SFAS) No. 114, Accounting by Creditors for Impairment of a Loan an amendment of Financial Accounting Standards Board (FASB) Statement Nos. 5 and 15 and SFAS No. 5, Accounting for Contingencies. The allowances for loan losses are comprised of both specific valuation allowances and general valuation allowances. Specific valuation allowances are established based on the SFAS No. 114 analyses. General valuation allowances are established by applying our loan provisioning methodology and reflect the inherent risk in loans not considered for impairment under SFAS No. 114. Our loan provisioning methodology takes into account our historical loss experience, delinquency levels and trends, and loan type, among other factors that are part of our judgment in developing quantified risk factors which result in allocations to the allowance for loan losses for each loan type within our portfolio.

Several factors are considered in this process, including the level of defaulted loans at the close of each quarter; recent trends in loan performance; historical levels of loan losses; the factors underlying such loan losses and loan defaults; projected default rates and loss severities; internal risk ratings; loan size; economic, industry, and environmental factors; and loan impairment, as defined under SFAS No. 114.

Under SFAS No. 114, a loan is classified as impaired when, based on current information and events, it is probable that we will be unable to collect both the principal and interest due under the contractual terms of the loan agreement. We apply SFAS No. 114 as necessary to certain larger multi-family; commercial real estate; acquisition, development, and construction; and commercial and industrial loans, and exclude any smaller balance homogeneous loans and any loans carried at the lower of cost or fair value. We generally measure impairment by comparing the loan s outstanding balance to the fair value of the collateral, less the estimated cost to sell, or to the present value of expected cash flows, discounted at the loan s effective interest rate.

A valuation allowance is established when the fair value of the collateral, net of estimated costs, or the present value of the expected cash flows is less than the recorded investment in the loan. If a loan is deemed to be impaired, management is required to measure the amount of the associated loss, if any. For loans that are not considered to be impaired, a different process is used, involving:

1. Periodic inspections of the loan collateral by qualified in-house property appraisers/inspectors, as applicable;
2. Regular meetings of executive management with the pertinent Board committee, during which observable trends in the local economy and/or the real estate market are discussed;
3. Assessment by the pertinent Board of Directors of the aforementioned factors when making a business judgment regarding the impact of anticipated changes of the future level of the allowance for loan losses; and
4. Analysis of the portfolio in the aggregate, as well as on an individual loan basis, taking into consideration payment history, underwriting analyses, and internal risk ratings.

In accordance with the pertinent policies, the loan loss allowances are segmented to correspond to the various types of loans in the loan portfolios. These loan categories are assessed with specific emphasis on the internal risk ratings, underlying collateral, credit underwriting, and loan type, and these factors correspond to the respective levels of quantified and inherent risk.

The assessments take into consideration loans that have been adversely rated, primarily through the valuation of the collateral supporting each loan. Adversely rated loans are loans that are either non-performing or that exhibit certain weaknesses that could jeopardize payment in accordance with the original terms. Larger loans are assigned risk ratings based upon a periodic review of the credit files, while smaller loans exceeding 90 days in arrears are assigned risk ratings based upon an aging schedule. Quantified risk factors are assigned for each risk-rating category to provide an allocation to the overall loan loss allowance.

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The remainder of each loan portfolio is then assessed, by loan type, with similar risk factors being considered, including the borrower s ability to pay and our past loan loss experience with each type of loan. These loans are also assigned quantified risk factors, which result in allocations to the allowances for loan losses for each particular loan or loan type in the portfolio.

In order to determine their overall adequacy, each of the respective loan loss allowances is reviewed quarterly by management and by the Mortgage and Real Estate Committee of the Community Bank s Board of Directors or the Credit Committee of the Board of Directors of the Commercial Bank, as applicable.

While management uses the best available information to recognize losses on loans, future additions to the respective loan loss allowances may be necessary, based on changes in economic and local market conditions beyond management s control, including declines in real estate values, and increases in vacancy rates and unemployment. In addition, the Community Bank and/or the Commercial Bank may be required to take certain charge-offs and/or recognize additions to their loan loss allowances, based on the judgment of regulatory agencies with regard to information provided to them during their examinations.

We recognize interest income on loans using the interest method over the life of the loan. Using this method, we defer certain loan origination and commitment fees and certain loan origination costs, and amortize the net fee or cost as an adjustment to the loan yield over the term of the related loan. When a loan is sold or repaid, the remaining net unamortized fee or cost is recognized in interest income.

A loan generally is classified as a non-accrual loan when it is over 90 days past due. When a loan is placed on non-accrual status, the Company ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is less than 90 days past due and/or the Company has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash.

We charge off loans, or portions of loans, in the period that such loans, or portions thereof, are deemed uncollectible. The collectability of individual loans is determined through an estimate of the fair value of the underlying collateral and/or an assessment of the financial condition of the borrower.

Investment Securities

The securities portfolio primarily consists of mortgage-related securities and, to a lesser extent, debt and equity (other) securities. Securities that are classified as available for sale are carried at their estimated fair value, with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholders equity. Securities that we have the intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost, less the non-credit portion of OTTI recorded in AOCL.

The fair values of our securities and particularly our fixed-rate securities are affected by changes in market interest rates and credit spreads. In general, as interest rates rise and/or credit spreads widen, the fair value of fixed-rate securities will decline; as interest rates fall and/or credit spreads tighten, the fair value of fixed-rate securities will increase. We conduct a periodic review and evaluation of the securities portfolio to determine if the decline in the fair value of any security below its carrying value is other than temporary. If we deem any decline in value to be other than temporary, the security is written down to its current fair value, creating a new cost basis. The portion of the loss attributable to credit factors is charged against earnings and recorded in non-interest income; the remainder of the loss is charged against other comprehensive income.

At June 30, 2009, the net unrealized losses on available-for-sale and held-to-maturity securities were $29.4 million and $34.2 million, respectively. The respective impairments were deemed to be temporary principally based on the direct relationship of the declines in fair value to the movements in interest rates, including wider credit spreads in some cases; the effect of illiquidity on the market; the estimated remaining life and the credit quality of the investments; and our ability to hold, and our intent not to sell, before anticipated full recovery of fair value, which may not be until maturity.

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Goodwill Impairment

Goodwill is presumed to have an indefinite useful life and is tested for impairment, rather than amortized, at the reporting unit level, at least once a year. The goodwill impairment analysis is a two-step test. The first step (Step 1) is used to identify potential impairment, and involves comparing each reporting unit s estimated fair value to its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value exceeds the estimated fair value, there is an indication of potential impairment and the second step (Step 2) is performed to measure the amount.

Step 2 involves calculating an implied fair value of goodwill for each reporting unit for which impairment was indicated in Step 1. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, i.e., by measuring the excess of the estimated fair value of the reporting unit, as determined in Step 1, over the aggregate estimated fair values of the individual assets, liabilities, and identifiable intangibles, as if the reporting unit was being acquired in a business combination at the impairment test date. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

According to SFAS No. 142, Goodwill and Other Intangible Assets, quoted market prices in active markets are the best evidence of fair value and are to be used as the basis for measurement, when available. Other acceptable valuation methods include present-value measurements based on multiples of earnings or revenues, or similar performance measures. Differences in the identification of reporting units and in valuation techniques could result in materially different evaluations of impairment.

For the purpose of goodwill impairment testing, management has determined that the Company has one reporting unit. We performed our annual goodwill impairment test as of January 1, 2009, and determined that the fair value of the reporting unit was in excess of its carrying value. Accordingly, as of the annual impairment test date, there was no indication of goodwill impairment.

Income Taxes

We estimate income taxes payable based on the amount we expect to owe the various taxing authorities (i.e., federal, state, and local). Income taxes represent the net estimated amount due to, or to be received from, such taxing authorities. In estimating income taxes, management assesses the relative merits and risks of the tax treatment of transactions, taking into account statutory, judicial, and regulatory guidance in the context of our tax position. In this process, management also relies on tax opinions, recent audits, and historical experience. Although we use the best available information to record income taxes, underlying estimates and assumptions can change over time as a result of unanticipated events or circumstances such as changes in tax laws and judicial guidance influencing our overall or transaction-specific tax position.

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and the carryforward of certain tax attributes such as net operating losses. A valuation allowance is maintained for deferred tax assets that we estimate are more likely than not to be unrealizable, based on available evidence at the time the estimate is made. In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, statutory tax rates, and future taxable income levels. In the event that we were to determine that we would not be able to realize all or a portion of our net deferred tax assets in the future, we would reduce such amounts through a charge to income tax expense in the period in which that determination was made. Conversely, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through a decrease in income tax expense in the period in which that determination was made.

Subsequently recognized tax benefits associated with valuation allowances recorded in a business combination would be recorded as an adjustment to goodwill.

In July 2009, new tax laws were enacted which are effective for the determination of our New York City income tax liability for calendar year 2009. In general, these laws conformed the New York City tax rules to those of New York State. Included in these new tax laws is a provision which requires the inclusion of income earned by a subsidiary taxed as a Real Estate Investment Trust (REIT) for federal tax purposes, regardless of the location in which the REIT subsidiary conducts its business or the timing of its distribution of earnings. The inclusion of such income is phased in with full inclusion of income starting in 2011.

This new tax law will likely increase our effective tax rate, beginning in the third quarter of 2009 (period of enactment). Absent any change in the manner in which we conduct our business, current income tax expense is expected to increase by approximately $2 million for each of 2009 and 2010, with a larger increase starting in 2011. We expect approximately 75% of the 2009 increase in current income tax expense to be recorded in the third quarter of this year. As a result of the new law, we expect to record an offsetting deferred tax benefit of approximately $400,000 in the third quarter of 2009.

Recent Events

Dividend Payment

On July 28, 2009, the Board of Directors declared a quarterly cash dividend of $0.25 per share, payable on August 18, 2009 to shareholders of record at the close of business on August 7, 2009.

Exchange Offer

On July 29, 2009, we announced that we had commenced an offer to exchange shares of our common stock for any and all of the 5,498,544 outstanding units of our Bifurcated Option Note Unit SecuritiES[SM] (the BONUSES units). The BONUSES units were issued on November 4, 2002 by the Company and are listed on the New York Stock Exchange under the symbol NYB.PrU. Each unit consists of a trust preferred security issued by New York Community Capital Trust V and a warrant to purchase shares of our common stock.

All holders of BONUSES units are eligible to participate in the exchange offer, the terms and conditions of which are set forth in an Offer to Exchange and a related Letter of Transmittal that were sent to current holders of the BONUSES units and filed on July 29, 2009 with the SEC on a Schedule TO. Any BONUSES unit that is not exchanged will remain outstanding. Any BONUSES unit that is validly tendered and accepted for exchange in the Exchange Offer will be retired and cancelled.

The Exchange Ratio to be used to determine the number of shares of our common stock to be exchanged for each BONUSES unit will be calculated at 4:30 p.m., New York City time, on the second trading day immediately preceding the expiration date for the Exchange Offer, as such date may be extended (the Pricing Date). As more fully described in the Offer to Exchange and Letter of Transmittal, the minimum Exchange Ratio will be 2.4953 common shares for each BONUSES unit that is validly tendered and accepted, and the maximum Exchange Ratio will be 4.4953 common shares. The Exchange Ratio will be rounded to the nearest fourth decimal place.

The Exchange Offer is expected to expire at 11:59 p.m., New York City time on August 25, 2009, unless extended by us, and the settlement date is expected to be three days following the expiration date.

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Executive Summary

With assets of $32.9 billion at June 30, 2009, we are the 24th largest bank holding company in the nation and the fifth largest headquartered in New York State. We serve both consumers and businesses through two primary subsidiaries: New York Community Bank, a thrift, with 178 locations in New York City, Long Island, Westchester County, and New Jersey; and New York Commercial Bank, with 35 locations in New York City, Westchester County, and Long Island, including 17 branches that operate under the name Atlantic Bank.

Reflecting our growth through a series of accretive business combinations, we currently operate our Community Bank franchise through five local divisions four in New York and one in New Jersey. In New York, our divisional banks are Queens County Savings Bank, with 34 branches in Queens County; Roslyn Savings Bank, with 56 branches on Long Island; Richmond County Savings Bank, with 22 branches on Staten Island; and Roosevelt Savings Bank, with eight branches in Brooklyn. We also operate two branches each in the Bronx and Westchester County directly under the name New York Community Bank. In New Jersey, we operate Garden State Community Bank, with 54 branches in Essex, Hudson, Mercer, Middlesex, Monmouth, Ocean, and Union Counties.

Second Quarter 2009 Performance Highlights

Year-over-year, our second quarter 2009 performance was favorably impacted by:

- An $87.0 million, or 66.7%, increase in net interest income to $217.6 million;
- A 125-basis point increase in our interest rate spread, to 2.89%; and
- A 112-basis point increase in our net interest margin, to 3.06%.

Among the factors contributing to these improvements were increases in the average balances of loans and interest-earning assets, and the strategic management of our funding costs in a steep yield curve environment. Reflecting the historically low level of the federal funds rate, and our replacement of higher-cost funding with lower-cost wholesale borrowings and retail deposits, our average cost of funds declined by 150 basis points to 2.76% in the second quarter of 2009. Additionally, in the second quarter of 2008, our net interest income was adversely impacted by a debt repositioning charge of $39.6 million, which increased that quarter s interest expense by a like amount, and reduced our spread and margin by 65 and 60 basis points, respectively.

The benefit of the rise in net interest income and the expansion of our spread and margin was tempered by a $12.0 million provision for loan losses, which exceeded the year-earlier level by $10.3 million. Reflecting the impact of the recession on certain of our borrowers, net charge-offs rose to $9.2 million during the quarter from $1.2 million in the year-earlier three months. The bulk of the increase was due to a charge-off of $5.2 million on an out-of-state multi-family loan.

In addition to the higher loan loss provision, our second quarter 2009 earnings were reduced by a pre-tax OTTI of $39.7 million on certain trust preferred and other debt securities, a reflection of declining market values and the unlikelihood of recovering such market value. The OTTI charge resulted in our recording a second quarter 2009 non-interest loss of $17.7 million in the quarter, and reduced our second quarter 2009 earnings by $24.2 million, or $0.07 per basic and diluted share.

Our second quarter 2009 earnings were further reduced by a pre-tax FDIC special assessment of $14.0 million, which increased our non-interest expense to $107.4 million. On an after-tax basis, the impact of the FDIC special assessment was an $8.4 million, or $0.03, reduction in our second quarter 2009 earnings and basic and diluted earnings per share.

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Reflecting the combination of these factors, and income tax expense of $24.0 million, we recorded earnings of $56.4 million in the three months ended June 30, 2009, equivalent to basic and diluted earnings per share of $0.16.

Our balance sheet at the end of June reflected the following highlights:

- Loans grew at an annualized rate of 8.7% in the current second quarter, partly reflecting loan originations of $1.0 billion;
- Loans represented $22.8 billion, or 69.3%, of total assets at the end of June;
- Securities represented $5.6 billion, or 17.2%, of total assets at the end of the quarter, representing a 4.4% decline from the balance at year-end 2008;
- Stockholders equity totaled $4.2 billion and represented 12.81% of total assets; and
- Tangible stockholders equity amounted to $1.7 billion and represented 5.59% of tangible assets; excluding AOCL, adjusted tangible stockholders equity represented 5.83% of adjusted tangible assets.

Please see the discussion and reconciliations of stockholders equity and tangible stockholders equity, total assets and tangible assets, and the related capital measures earlier in this report.

While our second quarter 2009 performance reflected an increase in non-performing loans and assets, our asset quality measures continued to compare well with those of our industry as a whole. Non-performing assets represented 1.04% of total assets at the end of the quarter, and non-performing loans represented 1.49% of total loans. By comparison, with 462 banks and thrifts reporting, the SNL Bank and Thrift Index measures were 2.72% and 3.05%, respectively, at June 30, 2009.

Reflecting six-month net charge-offs of $14.3 million and six-month loan loss provisions of $18.0 million, the allowance for loan losses rose $3.7 million from the year-end 2008 balance to $98.1 million at June 30, 2009. Our net charge-offs represented 0.06% of average loans in the current six-month period as compared to the SNL Bank and Thrift Index measure of 1.45%.

Although the level of non-performing loans increased substantially in the current second quarter, the level of loans 30 to 89 days delinquent declined during this time. We continue to carefully monitor our loan portfolio for signs of weakness. While we believe that the level of non-performing loans and assets may continue to rise in the current economic climate, we do not expect to see a corresponding increase in the level of net charge-offs, given the historical difference between our level of non-performing loans and net charge-offs, the nature of our primary lending niche, our underwriting standards, and our determination to obtain the highest possible collateral value on our loans.

The Economic Environment

The degree to which the global recession has impacted our local market is reflected in recent unemployment and housing statistics for New York State, Long Island, New York City, and New Jersey.

In June 2008, the respective unemployment rates for New York State, Long Island, and New York City were 5.1%, 4.7%, and 5.1%; in June 2009, the rates were 8.6%, 7.5%, and 9.3%, respectively. After seasonal adjustment, New York State s private sector job count decreased month-over-month by 17,700, or 0.2%, to 7,078,300 in June 2009; it has now dropped for ten consecutive months. Since the state s private sector job count peaked in August 2008, New York State has lost 235,900 private sector jobs, erasing more than half of the 400,000 jobs added during the last economic expansion from 2003 to 2008. A continued increase in unemployment could have an adverse impact on our asset quality measures, while a decline in unemployment could benefit our asset quality.

In June 2008, the respective unemployment rates for New Jersey s Essex, Hudson, and Union counties were 6.5%, 6.3%, and 5.5%; in June 2009, the rates were substantially higher, at 10.5%, 10.9%, and 9.5%, respectively. For the state as a whole, the unemployment rate rose to 9.2%

year-over-year.

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The national unemployment rate, which stood at 5.6% in June 2008, increased to 9.5% in June 2009, a rate last seen in August 1983. Since the recession began in December 2007, the number of unemployed persons has increased by 7.2 million; the unemployment rate has risen by 4.6 percentage points; and payroll employment has fallen by 6.5 million.

The real estate statistics are also revealing. Through May 2009, home prices declined 12.2% year-over-year in the New York metropolitan region and in Manhattan, the overall vacancy rate for offices reached 10.5% in the second quarter of 2009, the highest rate since the fourth quarter of 2004.

Nationally, home prices declined 17.1% through May 2009; however, the annual rate of decline improved for the fourth consecutive month in June 2009. Nonetheless, foreclosure filings were up 9.46% in the first six months of this year from the trailing six-month level, and up 14.66% from the year-earlier six-month period. In the first half of 2009, one in every 84 housing units in the nation received a foreclosure filing, and June 2009 was the fourth consecutive month that the number of housing units receiving foreclosure filings exceeded 300,000. In the second quarter of 2009, foreclosure filings increased 10.75% on a linked-quarter basis and 20.29% from the year-earlier period.

On a positive note, as home prices have fallen, new home sales have risen. According to the U.S. Commerce Department, home sales rose 11% month-over-month in June 2009.

Additionally, the Federal Reserve Beige Book Report, dated July 29, 2009, indicates that while economic activity remains weak in most districts of the nation, the pace of decline has slowed and activity in some areas has begun to stabilize.

Summary of Financial Condition at June 30, 2009

Assets totaled $32.9 billion at the end of June, and were up $393.2 million from the balance recorded at December 31, 2008.

Loans

Loans represented $22.8 billion, or 69.3%, of total assets at the close of the second quarter, up $483.8 million from the March 31, 2009 balance and $585.0 million from the balance recorded at December 31, 2008. While repayments totaled $1.1 billion in the first six months of 2009, including repayments of $527.1 million in the second quarter, these amounts were exceeded by loan originations of $1.7 billion and $1.0 billion, respectively, during the six- and three-month periods.

Multi-family Loans

Multi-family loans represented $16.2 billion, or 71.2%, of total loans at the close of the second quarter, a linked-quarter increase of $366.6 million and a six-month increase of $497.8 million, or 3.2%. Multi-family loans accounted for $553.1 million of loans produced in the current second quarter, as compared to $317.8 million and $783.0 million, respectively, in the trailing and year-earlier three months. At June 30, 2009, the average multi-family loan had a principal balance of $3.9 million, and the portfolio had an average loan-to-value ratio (LTV) of 61.1%. Values are based on appraisals that were primarily received at the time of origination. In addition, 92.8% of our multi-family loans were secured by properties in the Metro New York region at quarter-end.

Multi-family loans are typically made to long-term owners of buildings with apartments that are subject to certain rent-control and stabilization laws. The funds we lend are typically used by the borrower to make improvements to the building and the apartments therein. Upon completion of the improvements, the property owner has the opportunity to increase the rents paid by the tenants and, in doing so, creates more cash flows to borrow against in future years.

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In addition to underwriting a multi-family loan on the basis of the building s income and condition, we consider the borrower s credit history, profitability, and building management expertise. Borrowers are required to present evidence of their ability to repay the loan from the building s current rent rolls, their financial statements, and related documents. Furthermore, the origination of multi-family loans typically requires an assignment of the rents and/or leases.

Our multi-family loans typically feature a term of ten years, with a fixed rate of interest for the first five years of the loan, and an alternative rate of interest in years six through ten. The rate charged in the first five years is generally based on the five-year Constant Maturity Treasury rate (the five-year CMT) plus a spread. During years six through ten, the borrower has had the option of selecting an annually adjustable rate that is tied to the prime rate of interest, as reported in *The New York Times*, plus a spread, or a fixed rate that is tied to the five-year CMT, plus a spread. Since January 2009, for new originations, the fixed rate in years six through ten has been tied to the fixed advance rate of the Federal Home Loan Bank of New York (the FHLB-NY) plus a spread. The fixed-rate option also requires the payment of an amount equal to one percentage point of the then-outstanding loan balance. In either case, the minimum rate at repricing is equivalent to the rate in the initial five-year term.

As the rent roll increases, the typical property owner seeks to refinance the mortgage, and generally does so before the loan reprices in year six. Accordingly, the expected weighted average life of the multi-family loan portfolio was 3.7 years at June 30, 2009. While this refinancing cycle has repeated itself over the course of many decades, regardless of market interest rates and conditions, refinancing activity was constrained by economic uncertainty in the first half of 2009, as it was in 2008.

Multi-family loans that refinance within the first five years are typically subject to an established prepayment penalty schedule. Depending on the remaining term of the loan at the time of prepayment, the penalties normally range from five percentage points to one percentage point of the then-current loan balance. If a loan extends past the fifth year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of five points to one point over years six through ten.

Prepayment penalties are recorded as interest income and are therefore reflected in the average yields on our loans and assets, as well as our interest rate spread and net interest margin.

Commercial Real Estate (CRE) Loans

CRE loans accounted for $4.8 billion, or 21.0%, of total loans at the close of the second quarter, and were up $167.1 million and $221.7 million, respectively, over the three and six months ended June 30, 2009. The increase was due to organic loan production, with three-month originations totaling $231.4 million, as compared to $135.3 million and $374.2 million, respectively, in the trailing and year-earlier three months. For the six months ended June 30, 2009, CRE loan originations totaled $366.8 million, signifying a $196.6 million decrease from the year-earlier amount. At June 30, 2009, the average CRE loan had a principal balance of $2.7 million and the CRE loan portfolio had an average LTV of 54.3%. Values are based on appraisals that were primarily received at the time of origination. In addition, 92.3% of our CRE loans were secured by properties in the Metro New York region at quarter-end.

The pricing of our CRE loans is structured along the same lines as our multi-family credits, i.e., with a fixed rate of interest for the first five years of the loan that is generally tied to the five-year CMT, plus a spread. For years six through ten, the borrower generally has had the option of selecting an annually adjustable rate that is based on the prime rate of interest, or a fixed rate that is tied to the five-year CMT, plus a spread. Since January 2009, for new CRE loan originations, the fixed rate in years six through ten has been tied to the fixed advance rate of the FHLB-NY, plus a spread. The fixed-rate option also requires the payment of an amount equal to one percentage point of the then-outstanding loan balance. The minimum rate at repricing is equivalent to the rate featured in the initial five-year term.

Prepayment penalties also apply, with five percentage points of the then-current balance generally being charged on loans that refinance in the first year, scaling down to one percentage point of the then-current balance on loans that refinance in year five. Our CRE loans tend to refinance within five years of origination. Accordingly, the expected weighted average life of the portfolio was 3.4 years at June 30, 2009. If a loan extends into a sixth

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year and the borrower selects the fixed-rate option, a schedule of prepayment penalties ranging from five points to one point begins again in year six.

Acquisition, Development, and Construction (ADC) Loans

ADC loans represented $727.5 million, or 3.2%, of total loans at the end of June, a $3.2 million increase from the March 31, 2009 balance and a reduction of $50.8 million from the balance recorded at December 31, 2008.

In the interest of reducing our exposure to credit risk at a time when real estate values have been declining, we have been limiting our production of ADC loans. ADC loan originations, primarily consisting of previously committed advances, totaled $28.9 million in the current second quarter, a $7.2 million increase from the volume produced in the trailing quarter and a $67.1 million reduction from the year-earlier amount.

The ADC loans we originate are primarily used for land acquisition, development, and construction of multi-family and residential tract projects and, to a lesser extent, for the construction of owner-occupied one- to four-family homes and commercial properties. Such loans are typically originated for terms of 18 to 24 months and feature a floating rate of interest tied to the prime rate of interest, and a floor. They also generate origination fees that are recorded as interest income and amortized over the life of the loan. At June 30, 2009, 57.8% of the loans in our ADC portfolio were for land acquisition and development; the remaining 42.2% consisted of ADC loans that were provided for the construction of homes and commercial properties. In addition, 95.9% of our ADC loans were secured by properties in the Metro New York region at that date. The loans that we have originated outside our immediate market have generally been made to developers and builders with whom we have had successful lending relationships within our local marketplace.

Because ADC loans are generally considered to have a higher degree of credit risk, especially during a downturn in the credit cycle, borrowers are required to provide a personal guarantee of repayment and completion during construction. The risk of loss on an ADC loan is largely dependent upon the accuracy of the initial appraisal of the property s value upon completion of construction; the estimated cost of construction, including interest; and the estimated time to complete and/or sell or lease such property. If the appraised value proves to be inaccurate, the cost of completion is greater than expected, or the length of time to complete and/or sell or lease the collateral property is greater than anticipated, the property could have a value upon completion that is insufficient to assure full repayment of the loan.

When applicable, as a condition to closing a construction loan, it is our practice to require that residential properties be pre-sold or that borrowers secure permanent financing commitments from a recognized lender for an amount equal to, or greater than, the amount of our loan. In some cases, we ourselves may provide permanent financing. We typically require pre-leasing for loans on commercial properties.

One- to Four-Family Loans

One- to four-family loans represented $240.5 million, or 1.1%, of total loans at the close of the second quarter, down $15.9 million and $25.9 million, respectively, from the balances recorded at March 31, 2009 and December 31, 2008. The reduction in one- to four-family loans was due to repayments. In addition, while we originate one- to four-family loans as a customer service, we do not retain the loans we produce. Rather, one- to four-family loans are originated on a pass-through basis and sold without recourse, servicing released, to a third-party conduit shortly after they close.

Other Loans

Other loans represented $814.6 million, or 3.6%, of outstanding loans at the end of June, signifying three- and six-month reductions of $37.8 million and $58.9 million, respectively. Commercial and industrial (C&I) loans accounted for $672.3 million of other loans at the end of the second quarter, and were down $30.1 million and $40.8 million from the balances recorded at March 31, 2009 and December 31, 2008, respectively. C&I loan originations totaled $159.2 million in the current second quarter, down from $167.9 million and $285.9 million, respectively, in the trailing and year-earlier three months.

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A broad range of C&I loans, both collateralized and unsecured, are made available to small and mid-size businesses for working capital, business expansion, and the purchase or lease of machinery and equipment. The purpose of the loan is considered in determining its term and structure, and the pricing is generally tied to LIBOR or the prime rate of interest plus a spread.

Asset Quality

Net charge-offs totaled $9.2 million in the current second quarter, as compared to $5.1 million and $1.2 million, respectively, in the trailing and year-earlier three months. Notwithstanding the increase, the level of net charge-offs recorded in the current second quarter continued to represent a modest percentage of average loans. For the second quarter of 2009, net charge-offs represented 0.04% of average loans, as compared to 0.02% and 0.006%, respectively, in the trailing and year-earlier three-month periods. While second quarter net charge-offs were up both year-over-year and linked-quarter, $5.2 million of the increase was attributable to a single loan secured by a multi-family building, geographically distant from our primary multi-family niche in Metropolitan New York. C&I and other consumer loans accounted for $2.0 million and $256,000, respectively, of second quarter 2009 net charge-offs. There were no CRE or ADC loans charged off in the quarter, and no CRE loans have been charged off year-to-date.

Non-performing loans totaled $340.2 million at June 30, 2009, including non-accrual mortgage loans of $320.7 million and non-accrual other loans of $19.4 million. At March 31, 2009, non-accrual mortgage and other loans totaled $160.6 million and $14.7 million, respectively; the comparable amounts were $101.9 million and $11.8 million at December 31, 2008. Non-performing loans represented 1.49% of total loans at the close of the second quarter, as compared to 0.79% at March 31, 2009 and 0.51% at December 31, 2008.

Other real estate owned totaled $1.5 million at both June 30 and March 31, 2009, up $360,000 from the balance at December 31, 2008. Other real estate owned refers to properties that are acquired by foreclosure, and is recorded at the lower of the unpaid principal balance or fair value at the date of acquisition, less the estimated cost of selling the property at that time.

Reflecting the increase in non-performing loans and other real estate owned, non-performing assets rose to $341.6 million at the close of the current second quarter, from $176.8 million at March 31, 2009 and $114.8 million at December 31, 2008. The respective amounts were equivalent to 1.04%, 0.55%, and 0.35% of total assets at the corresponding dates.

In accordance with our methodology for determining the allowance for loan losses, we recorded a loan loss provision of $12.0 million in the current second quarter, as compared to $6.0 million and $1.7 million in the trailing and year-earlier three-months. Reflecting the current second quarter provision and the aforementioned net charge-offs, the allowance for loan losses rose to $98.1 million at June 30, 2009. The loan loss allowance totaled $95.3 million and $94.4 million at March 31, 2009 and December 31, 2008, respectively. The respective loan loss allowances were equivalent to 28.83%, 54.35%, and 83.00% of non-performing loans and to 0.43% of total loans for all three periods.

The manner in which the allowance for loan losses is established and the assumptions made in that process are considered critical to our financial condition and results of operations. Such assumptions are based on judgments that are difficult, complex, and subjective, regarding various matters of inherent uncertainty. Accordingly, the policies that govern management s assessment of the allowance for loan losses are considered Critical Accounting Policies and are discussed under that heading earlier in this report.

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The following table presents information regarding our consolidated allowance for loan losses and non-performing assets at June 30, 2009 and December 31, 2008:

(dollars in thousands)	At or For the Six Months Ended June 30, 2009	At or For the Year Ended December 31, 2008
Allowance for Loan Losses:		
Balance at beginning of period	$ 94,368	$ 92,794
Provision for loan losses	18,000	7,700
Charge-offs:		
Multi-family	(7,237)	(175)
Commercial real estate		(16)
Acquisition, development, and construction	(3,199)	(2,517)
1-4 family	(203)	
Other loans	(3,657)	(3,460)
Total charge-offs	(14,296)	(6,168)
Recoveries	10	42
Balance at end of period	$ 98,082	$ 94,368
Non-performing Assets:		
Non-accrual mortgage loans:		
Multi-family	$ 159,280	$ 53,153
Commercial real estate	67,655	12,785
Acquisition, development, and construction	79,577	24,839
1-4 family	14,209	11,155
Total non-accrual mortgage loans [1]	320,721	101,932
Other non-accrual loans	19,434	11,765
Total non-performing loans	340,155	113,697
Other real estate owned	1,467	1,107
Total non-performing assets	$ 341,622	$ 114,804
Ratios:		
Non-performing loans to total loans	1.49%	0.51%
Non-performing assets to total assets	1.04	0.35
Allowance for loan losses to non-performing loans	28.83	83.00
Allowance for loan losses to total loans	0.43	0.43
Net charge-offs to average loans	0.06[2]	0.03

(1) The June 30, 2009 amount includes troubled debt restructurings of $5.4 million. There were no troubled debt restructurings at December 31, 2008.

(2) Presented on a non-annualized basis.

Historically, our level of charge-offs has been relatively low in adverse credit cycles, even when the volume of non-performing loans has increased. This distinction primarily has been due to (1) the nature of our primary lending niche, i.e., multi-family loans collateralized by non-luxury residential apartment buildings in the New York Metropolitan region having a preponderance of apartments with below-market rents; and (2) our conservative underwriting practices that require, among other things, low LTVs. In view of these factors, we believe that a significant increase in non-performing loans will not necessarily result in a comparable increase in net charge-offs and, accordingly, will not necessarily require a significant increase in our loan loss allowance. For example, while non-performing loans represented 1.49% of total loans at the end of the second quarter, the ratio of net charge-offs to average loans in the quarter remained relatively low at 0.04%.

At June 30, 2009, approximately 75% of the multi-family loan portfolio was secured by properties in New York City, with Manhattan accounting for approximately 32% of the New York City portfolio. In New York City, the amount of rent that tenants may be charged on the apartments in certain buildings is restricted under certain rent-control or rent-stabilization laws. As a result, the average rents that tenants pay in such apartments are generally below current market rates. Buildings with a preponderance of such rent-regulated apartments are, therefore, less likely to experience vacancies in times of economic adversity.

The repayment of loans secured by commercial real estate is often dependent on the successful operation and management of the underlying properties. To minimize our credit risk, we originate CRE loans in adherence with conservative underwriting standards, and require that such loans qualify on the basis of the property s current income stream and debt service coverage ratio. The approval of a loan also depends on the borrower s credit history, profitability, and expertise in property management, and generally requires a debt service coverage ratio of 130% and a maximum LTV of 65%. In addition, the origination of CRE loans typically requires an assignment of the rents and/or leases.

As noted in Critical Accounting Policies earlier in this discussion, our loan loss allowance is determined and validated by analyses performed in accordance with SFAS No. 114 and SFAS No. 5. Accordingly, despite the rise in non-performing loans in the first six months of this year and last, our SFAS No. 114 analyses indicated only limited impairment. This was primarily due to the strength of the underlying collateral for our loans and the collateral structure upon which our loans are based. Low LTVs provide a greater likelihood of full recovery and reduce the possibility of incurring a severe loss. In many cases, low LTVs result in fewer loans with walk-away potential ; although borrowers may default on loan payments, they have a greater incentive to protect their equity in the collateral property and to return the loan to performing status.

Our CRE lending practices provide the basis for a well-collateralized loan portfolio. As a result, an increase in CRE originations would not necessarily result in a corresponding increase in our loan loss allowance. In the twelve months ended December 31, 2008, the percentage of CRE loans to total loans increased by a modest 171 basis points to 20.5%. At June 30, 2009, the percentage was nominally higher, at 21.0%. In addition, we had no CRE loan charge-offs in the first six months of 2009 and only $16,000 of CRE loan charge-offs in the twelve months ended December 31, 2008. We believe this favorable loan loss experience reflects our historical practice of underwriting CRE loans in accordance with similar standards to those that we follow in underwriting our multi-family loans, as described above. Importantly, our allowance for loan losses at June 30, 2009 represented 10.6 times the level of charge-offs we recorded in the three months ended at that date.

In the first six months of 2009, we continued to de-emphasize the production of ADC, one- to four-family, and other loans in order to mitigate credit risk in the loan portfolio. At June 30, 2009, ADC, one- to four-family, and other loans represented 3.2%, 1.1%, and 3.6%, respectively of loans outstanding, as compared to 3.5%, 1.2%, and 3.9%, respectively, at December 31, 2008. In addition, at June 30, 2009, 10.9%, 5.9%, and 2.4% of ADC, one- to four-family, and other loans were non-performing, respectively. Although ADC, one- to four-family, and other loans each represented a smaller percentage of loans outstanding, the level of the loan loss allowance for such loans increased at the end of the second quarter, reflecting our ongoing assessment of the risk inherent in these loan types.

As a result of these factors, an increase in our ratio of non-performing loans to total loans would not necessarily result in a comparable increase in our allowance for loan losses or the provision for loan losses recorded in any given period. The allowance for loans losses is determined in accordance with the methodology described earlier in this report under Critical Accounting Policies.

Securities

Securities represented $5.6 billion, or 17.2%, of total assets at June 30, 2009, and were down $115.6 million and $262.6 million, respectively, from the balances recorded at March 31, 2009 and December 31, 2008.

Available-for-sale securities represented $849.1 million, or 15.1%, of total securities at the close of the second quarter, and were down $121.7 million and $161.4 million, respectively, over the three- and six-month periods. Held-to-maturity securities accounted for the remaining $4.8 billion of total securities at the close of the second quarter, up $6.1 million on a linked-quarter basis and down $101.2 million from the year-end 2008 amount. In view of the volatility and uncertainty in the financial markets, we have been limiting our securities investments to government-sponsored enterprise (GSE) securities for several quarters. Accordingly, approximately 90% of the securities portfolio consisted of GSE securities at June 30, 2009.

At the end of the quarter, mortgage-related securities represented $749.7 million, or 88.3%, of available-for-sale securities and $2.8 billion, or 58.7%, of securities held to maturity. Other securities accounted for $99.4 million of available-for-sale securities and for $2.0 billion of held-to-maturity securities at the same date. At June 30, 2009, the respective fair values of mortgage-related securities and other securities held to maturity were $2.9 billion and $1.9 billion, representing 102.3% and 95.0% of their respective carrying values.

The estimated weighted average life of the available-for-sale securities portfolio was 3.9 years at the close of the current second quarter, as compared to 5.1 years at March 31, 2009 and 5.6 years at December 31, 2008. The estimated weighted average life of available-for-sale mortgage-related securities was 3.0 years at the close of the current second quarter, as compared to 4.1 years and 5.0 years, respectively, at the earlier dates.

Sources of Funds

On a stand-alone basis, the Company has four primary funding sources for the payment of dividends, share repurchases, and other corporate uses: dividends paid to the Company by the Banks; capital raised through the issuance of stock; funding raised through the issuance of debt instruments; and repayments of, and income from, investment securities owned by the Company.

On a consolidated basis, our funding primarily stems from the cash flows generated through the repayment of loans and securities; the cash flows generated through the sale of securities; deposits that are gathered through our branch network or acquired in business combinations, as well as brokered deposits; and the use of borrowed funds, particularly in the form of wholesale borrowings. Our primary sources of wholesale borrowings are FHLB-NY advances and repurchase agreements, and repurchase agreements with Wall Street brokerage firms.

Depending on the availability and attractiveness of wholesale funding sources, we have typically refrained from pricing our retail deposits at the higher end of the market in order to contain our funding costs. While we have the capacity to increase deposits through our extensive branch network, we often utilize wholesale funds, including brokered deposits, when the interest rates on such funds are more attractively priced.

Deposits totaled $14.4 billion at the close of the current second quarter, signifying a three-month increase of $101.8 million and a six-month decrease of $21.6 million. Certificates of deposit (CDs) totaled $6.0 billion at the end of June and declined by $731.9 million and $750.3 million, respectively, from the balances recorded at March 31, 2009 and December 31, 2008. Included in the June 30, 2009 amount were brokered CDs of $761.5 million, signifying a three-month decrease of $553.2 million and a six-month decrease of $837.8 million.

Core deposits (defined as all deposits other than CDs) represented $8.3 billion, or 57.9%, of the June 30, 2009 total and were up $833.7 million and $728.8 million, respectively, from the balances at March 31, 2009 and December 31, 2008. The three-month increase was primarily due to an $809.1 million rise in NOW and money market accounts to $4.4 billion, including a $428.4 million increase in brokered money market accounts to $1.8 billion. In addition, savings accounts rose $122.4 million to $2.8 billion during this time. These increases were offset by a $97.8 million decline in non-interest-bearing accounts to $1.1 billion.

The six-month increase in core deposits reflects a $605.5 million rise in NOW and money market accounts, including a $243.3 million increase in brokered money market accounts, and a $124.6 million increase in savings accounts. These increases were tempered by a $1.3 million decline in non-interest-bearing accounts.

At June 30, 2009, borrowed funds totaled $14.1 billion, representing a three-month increase of $352.5 million and an increase of $562.3 million over the six-month period. Wholesale borrowings accounted for $12.9 billion of the June 30, 2009 total, and were up $352.6 million and $562.5 million, respectively, from the March 31, 2009 and December 31, 2008 amounts. FHLB-NY advances and repurchase agreements accounted for $12.7 billion of total wholesale borrowings at the end of the current second quarter, as compared to $12.3 billion and $12.2 billion, respectively, at the earlier dates.

Junior subordinated debentures and other borrowings totaled $484.0 million and $669.5 million, respectively, at the close of the current second quarter, comparable to the balances at March 31, 2009 and December 31, 2008.

Loan repayments generated cash flows of $527.1 million in the current second quarter, bringing the six-month total to $1.1 billion. Securities generated cash flows of $1.1 billion in the current second quarter, increasing the six-month total to $2.1 billion. The cash flows from each of these sources were primarily invested in loan production and, to a lesser extent, in GSE securities.

Asset and Liability Management and the Management of Interest Rate Risk

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

Market Risk

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

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

To manage our interest rate risk in the second quarter, we continued to pursue certain core components of our business model: (1) We placed an emphasis on the origination and retention of intermediate-term assets, primarily in the form of multi-family and CRE loans; (2) We utilized the cash flows from loan and securities repayments to fund our loan production, as well as our more limited investments in GSE securities; (3) We capitalized on the low level of the federal funds rate to reduce our retail funding costs; and (4) We utilized wholesale funding sources, most notably FHLB-NY advances and brokered deposits, to support our loan production when such funding presented an attractively priced alternative or supplement to retail funds.

Interest Rate Sensitivity Analysis

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

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

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

At June 30, 2009, our one-year gap was a negative 3.33%, as compared to a negative 0.37% at March 31, 2009 and a positive 0.16% at December 31, 2008.

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at June 30, 2009 which, based on certain assumptions stemming from our historical experience, are expected to reprice or mature in each of the future time periods shown. Except as stated below, the amounts of assets and liabilities shown as repricing or maturing during a particular time period were determined in accorda