BIO RAD LABORATORIES INC
Form 10-Q
November 07, 2014

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2014
or

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

For the transition period from______________to __________

Commission file number 1-7928

BIO-RAD LABORATORIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-1381833
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1000 Alfred Nobel Drive, Hercules, California	94547
(Address of principal executive offices)	(Zip Code)

(510) 724-7000
(Registrant's telephone number, including area code)
No Change
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o
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 o
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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x		Accelerated filer	o
Non-accelerated filer	o	(Do not check if smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Title of Class	Shares Outstanding at October 28, 2014
Class A Common Stock, Par Value $0.0001 per share	23,862,625
Class B Common Stock, Par Value $0.0001 per share	5,097,303

BIO-RAD LABORATORIES, INC.

FORM 10-Q SEPTEMBER 30, 2014

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements
BIO-RAD LABORATORIES, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS:		
Cash and cash equivalents	$424,593	$331,551
Short-term investments	277,985	277,369
Accounts receivable, net	354,401	422,660
Inventories:		
Raw materials	119,667	105,708
Work in process	135,524	129,894
Finished goods	260,856	280,643
Total inventories	516,047	516,245
Prepaid expenses, taxes and other current assets	191,419	209,654
Total current assets	1,764,445	1,757,479
Property, plant and equipment, at cost	1,088,124	1,059,828
Less: accumulated depreciation and amortization	(667,227)	(645,427)
Property, plant and equipment, net	420,897	414,401
Goodwill, net	513,454	517,770
Purchased intangibles, net	273,527	266,188
Other investments	364,129	377,870
Other assets	49,572	55,082
Total assets	$3,386,024	$3,388,790
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable	$126,640	$148,510
Accrued payroll and employee benefits	148,283	130,658
Notes payable and current maturities of long-term debt	1,471	1,786
Income and other taxes payable	24,399	33,555
Accrued legal settlements	49,450	30,000
Other current liabilities	153,540	142,963
Total current liabilities	503,783	487,472
Long-term debt, net of current maturities	435,739	435,615
Other long-term liabilities	269,772	278,981
Total liabilities	1,209,294	1,202,068
Stockholders' equity:		
Class A common stock, shares issued 23,862,747 and 23,680,749 at 2014 and 2013, respectively; shares outstanding 23,862,625 and 23,680,627 at 2014 and 2013, respectively	2	2
Class B common stock, shares issued 5,098,220 and 5,096,780 at 2014 and 2013, respectively; shares outstanding 5,097,303 and 5,095,863 at 2014 and 2013, respectively	1	1
Additional paid-in capital	259,865	239,986
Class A treasury stock at cost, 122 shares at 2014 and 2013	(12)	(12)
Class B treasury stock at cost, 917 shares at 2014 and 2013	(89)	(89)

Retained earnings	1,655,925	1,606,117
Accumulated other comprehensive income	261,038	340,717
Total stockholders’ equity	2,176,730	2,186,722
Total liabilities and stockholders’ equity	$3,386,024	$3,388,790

The accompanying notes are an integral part of these condensed consolidated financial statements.

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BIO-RAD LABORATORIES, INC.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,
	2014	2013	2014
Net sales	$530,644	$505,066	$1,576,820
Cost of goods sold	242,068	220,850	715,713
Gross profit	288,576	284,216	861,107
Selling, general and administrative expense	202,550	202,238	600,663
Research and development expense	52,786	52,920	161,046
Income from operations	33,240	29,058	99,398
Interest expense	7,710	31,611	17,131
Foreign currency exchange losses, net	3,667	3,330	6,118
Other (income) expense, net	(613)	(667)	(9,662)

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQ

(in thousands, except share data)

(unaudited)

	Nine M Septen
Common Stock (Par Value: $0.01):	
Balance at beginning of year	
Shares issued in stock offering (17,871,000)	
Shares issued for exercise of stock options (1,410,458)	
Shares issued for restricted stock awards (1,091,250)	
Balance at end of period	
Paid-in Capital in Excess of Par:	
Balance at beginning of year	
Allocation of ESOP stock	
Restricted stock activity	
Exercise of stock options	
Tax effect of stock plans	
Common shares issued in stock offering	
Balance at end of period	
Retained Earnings:	
Balance at beginning of year	
Net loss	
Dividends paid on common stock ($0.75 per share)	
Effect of adopting Emerging Issues Task Force Issue No. 06-4	
Effect of accounting change regarding pension plan measurement date pursuant to Financial Accounting Standards Board Statement No. 158	
Balance at end of period	
Treasury Stock:	
Balance at beginning of year	
Purchase of common stock (114,148 shares)	
Exercise of stock options (114,148 shares)	
Balance at end of period	
Unallocated Common Stock Held by ESOP:	
Balance at beginning of year	
Earned portion of ESOP	
Balance at end of period	
Common Stock Held by SERP:	

Balance at beginning of year

Balance at end of period

Accumulated Other Comprehensive Loss, Net of Tax:

Balance at beginning of year

Change in net unrealized loss on securities available for sale, net of tax of $40,224

Less: Reclassification adjustment for net gain on sale of securities and loss on other-than-temporary impairment of securities, net of tax of $(37,040)

Amortization of net unrealized loss on securities transferred from available for sale to held to maturity, net of tax of $(996)

Change in pension and post-retirement obligations, net of tax of $(131)

Balance at end of period

Total stockholders equity at end of period

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)

	Nine Mon Septem 2008
Cash Flows from Operating Activities:	
Net (loss) income	$ (24,348)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:	
Provision for loan losses	2,100
Depreciation and amortization	14,794
Accretion of discounts, net	(6,172)
Net change in net deferred loan origination costs and fees	4,307
Amortization of core deposit intangibles	17,610
Net gain on sale of securities	(568)
Gain on sale of bank-owned property	
Net gain on sale of loans	(236)
Stock plan-related compensation	10,444
Loss on other-than-temporary impairment of securities	93,755
Changes in assets and liabilities:	
(Increase) decrease in deferred tax asset, net	(30,471)
(Increase) decrease in other assets	(102,080)
Increase in official checks outstanding	10,270
(Decrease) increase in other liabilities	(26,768)
Origination of loans held for sale	(36,675)
Proceeds from sale of loans originated for sale	35,559
Net cash (used in) provided by operating activities	(38,479)
Cash Flows from Investing Activities:	
Proceeds from repayment of securities held to maturity	1,602,816
Proceeds from repayment of securities available for sale	169,067
Proceeds from sale of securities available for sale	11,438
Purchase of securities held to maturity	(2,140,804)
Purchase of securities available for sale	(12,320)
Net (purchase) redemption of FHLB-NY stock	(14,679)
Net proceeds from sale of bank-owned property	
Net (increase) decrease in loans	(1,200,576)
Purchase of loans	(45,500)
Proceeds from sale of loans	25,035
Purchase of premises and equipment, net	(9,706)
Net cash acquired in acquisitions	
Net cash (used in) provided by investing activities	(1,615,229)
Cash Flows from Financing Activities:	
Net increase (decrease) in deposits	1,029,264
Net increase in short-term borrowings	1,320,000

Net decrease in long-term borrowings	(916,186)
Net increase in mortgagors escrow	53,420
Tax effect of stock plans	3,645
Proceeds from issuance of common stock	339,152
Cash dividends paid on common stock	(247,706)
Treasury stock purchases	(2,187)
Net cash received from stock option exercises	14,993
Cash in lieu of fractional shares	
Net cash provided by (used in) financing activities	1,594,395
Net (decrease) increase in cash and cash equivalents	(59,313)
Cash and cash equivalents at beginning of period	335,743
Cash and cash equivalents at end of period	$ 276,430
Supplemental information:	
Cash paid for:	
Interest	$ 739,427
Income taxes	14,566
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	205

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEME

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of New Community Bancorp, Inc. and subsidiaries (the Company), including its two principal ba subsidiaries, New York Community Bank (the Community Bank) and New York Comme Commercial Bank). The unaudited consolidated financial statements reflect all normal re adjustments that, in the opinion of management, are necessary to present a fair statement of t the periods presented. There are no other adjustments reflected in the accompanying consoli financial statements. The results of operations for the three and nine months ended Septembe are not necessarily indicative of the results of operations that may be expected for all of 200

Certain information and note disclosures normally included in financial statements prepared accordance with U.S. generally accepted accounting principles (GAAP) have been conde 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 o in which the Company has a controlling financial interest. All inter-company balances and t have been eliminated. These unaudited consolidated financial statements should be read in c with the audited consolidated financial statements and notes thereto included in the Compan Annual Report on Form 10-K.

Note 2. Stock-based Compensation

At September 30, 2008, the Company had 7,139,259 shares available for grant as options, re stock, or other forms of related rights under the New York Community Bancorp, Inc. 2006 S Incentive Plan (the 2006 Stock Incentive Plan). Under the 2006 Stock Incentive Plan, the granted 1,136,400 shares of restricted stock in the nine months ended September 30, 2008, w average fair value of $16.00 per share on the date of grant and a vesting period of five years. nine-month amount includes 20,000 shares that were granted in the third quarter and had an value of $15.98 per share on the date of grant. Compensation and benefits expense related to stock grants is recognized on a straight-line basis over the vesting period, and totaled $2.1 m $1.3 million, respectively, in the three months ended September 30, 2008 and 2007, and $5. $2.4 million, respectively, in the nine months ended at those dates.

A summary of activity with regard to restricted stock awards in the nine months ended Sept 2008 is presented in the following table:

	For the Nine Months End September 30, 20	Wei
	Number of Shares	
Unvested at January 1, 2008	757,991	
Granted	1,136,400	
Vested	(277,200)	
Forfeited	(49,150)	
Unvested at September 30, 2008	1,568,041	

As of September 30, 2008, unrecognized compensation cost relating to unvested restricted st
$21.5 million. This amount will be recognized over a remaining weighted average period of

In addition, the Company had ten stock option plans at September 30, 2008: the 1993 and 19
York Community Bancorp, Inc. Stock Option Plans; the 1993 and 1996 Haven Bancorp, Inc
Option Plans; the 1998 Richmond County Financial Corp. Stock Compensation Plan; the Ro
Bancorp, Inc. 1997 and 2001 Stock-based Incentive Plans; the 1998 Long Island Financial

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Corp. Stock Option Plan; and the 2003 and 2004 Synergy Financial Group, Inc. Stock Optio
ten plans collectively referred to as the Stock Option Plans). All stock options granted un
Option Plans expire ten years from the date of grant.

In connection with its adoption of Statement of Financial Accounting Standards (SFAS) N
Share-based Payments, on January 1, 2006, and using the modified prospective approach,
recognizes compensation and benefits expense related to share-based payments at fair value
date, and recognizes such expense in the financial statements over the vesting period during
employee provides service in exchange for the award. However, as there were no unvested o
time during the three and nine months ended September 30, 2008 or the twelve months ende
December 31, 2007, the Company did not record any compensation and benefits expense rel
options during these periods.

At the present time, the Company issues new shares of common stock at market value to sati
exercise of stock options. On occasion, the Company will utilize common stock held in Trea
satisfy the exercise of options, in which case the difference between the average cost of Trea
and the exercise price is recorded as an adjustment to retained earnings or paid-in capital on
exercise. At September 30, 2008, there were 13,740,575 stock options outstanding. The num
available for future issuance under the Stock Option Plans was 146,312 at September 30, 20

The status of the Company s Stock Option Plans at September 30, 2008 and the changes tha
during the nine months ended at that date are summarized in the following table:

	For the Nine Months En September 30, 2	
	Number of Stock Options	Wei Ex
Stock options outstanding and exercisable at January 1, 2008	15,763,696	
Exercised	(1,917,980)	
Forfeited	(105,141)	
Stock options outstanding and exercisable at September 30, 2008	13,740,575	

Total stock options outstanding and exercisable at September 30, 2008 had a weighted avera
contractual life of 3.43 years, a weighted average exercise price of $15.49 per share, and an a
intrinsic value of $18.2 million. The intrinsic values of options exercised during the nine mo
September 30, 2008 and 2007 were $14.0 million and $7.8 million, respectively.

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Note 3. Securities

The following table summarizes the amortized cost and estimated fair market values of the C
held-to-maturity securities at the dates indicated:

	September 30, 2008		Decemb
(in thousands)	Amortized Cost	Fair Market Value	Amortized Cost
Mortgage-related securities:			
GSE [(1)] certificates	$ 299,165	$ 303,038	$ 250,510
GSE CMOs [(2)]	2,901,561	2,854,935	2,222,355
Other mortgage-related securities	6,504	6,504	6,618
Total mortgage-related securities	$3,207,230	$3,164,477	$2,479,483
Other securities:			
GSE debentures	$1,389,478	$1,402,425	$1,530,414
Corporate bonds	156,791	136,848	165,992
Capital trust notes	220,367	178,753	186,756
Total other securities	$1,766,636	$1,718,026	$1,883,162
Total securities held to maturity	$4,973,866	$4,882,503	$4,362,645

(1) Government-sponsored enterprises
(2) Collateralized mortgage obligations

The following table summarizes the amortized cost and estimated fair market values of the C
available-for-sale securities at the dates indicated:

	September 30, 2008		Decemb
(in thousands)	Amortized Cost	Fair Market Value	Amortized Cost
Mortgage-related securities:			
GSE certificates	$ 186,350	$ 188,397	$ 217,855
GSE CMOs	536,291	535,548	599,936
Private label CMOs	142,395	134,066	155,213
Total mortgage-related securities	$ 865,036	$858,011	$ 973,004
Other securities:			
GSE debentures	$ 98,273	$ 104,142	$ 178,389
U.S. Treasury obligations	1,100	1,105	1,098
Corporate bonds	44,812	37,120	55,818
State, county, and municipal	6,528	6,335	6,526
Capital trust notes	40,902	41,996	71,149
Preferred stock	31,400	22,315	59,900
Other equity securities	48,000	42,205	48,537

Total other securities	$ 271,015	$ 255,218	$ 421,417
Total securities available for sale	$1,136,051	$1,113,229	$1,394,421

In preparing the financial statements for the current third quarter, the Company determined t
$44.2 million loss on the other-than-temporary impairment (OTTI) of certain securities. T
represented the excess of amortized cost over fair value at September 30, 2008. Managemen
recognize this OTTI was based on the significant decline in the market value of these securit
unlikelihood of recovering the unrealized losses within a reasonable period of time. Included
million loss were $13.0 million of Lehman Brothers Holdings, Inc. (Lehman Brothers) pe
preferred stock; $22.0 million of Lehman Brothers corporate bonds; $3.7 million of Freddie
preferred stock; $3.8 million of capital trust notes, including income notes; and $1.7 million
equity securities. At September 30, 2008, the Lehman Brothers corporate bonds had a remai
value of $3.0 million and the other equity securities had a remaining market value of $2.0 mi
unrealized mark-to-market loss on the other-than-temporarily impaired securities had previo
reflected as a reduction to stockholders equity through accumulated other comprehensive lo

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The Company also determined to record a loss on the OTTI of certain securities in preparing statements for the second quarter of 2008. The second quarter OTTI loss totaled $49.6 millio represented the excess of amortized cost over fair value at June 30, 2008. As in the third qua year, management s decision to recognize this OTTI was based on the significant decline in value of these securities, and the unlikelihood of recovering the unrealized loss within a reas of time.

It is currently management s expectation that the remaining unrealized losses on securities a September 30, 2008 will be recovered within a reasonable period of time through a typical in cycle; that the Company has the intent and ability to retain these securities until their market recovers; and that the debt securities will be repaid in accordance with their terms.

Note 4. Loans, net

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

	September 30, 2008		Decembe
(dollars in thousands)	Amount	Percent of Total	Amount
Mortgage loans:			
Multi-family	$15,181,879	70.55%	$14,052,29
Commercial real estate	4,260,784	19.80	3,828,33
Construction	846,792	3.93	1,138,85
1-4 family	270,188	1.26	380,82
Total mortgage loans	20,559,643	95.54	19,400,30
Net deferred loan origination fees	(1,578)		(1,51
Unearned discount	(4,275)		
Mortgage loans, net	20,553,790		19,398,79
Other loans:			
Commercial and industrial	786,101		705,81
Consumer	170,992		255,05
Leases, net of unearned income	1,644		4,34
Total other loans	958,737	4.46	965,20
Net deferred loan origination fees	(718)		(75
Total other loans, net	958,019		964,45
Less: Allowance for loan losses	92,129		92,79
Loans, net	$21,419,680	100.00%	$20,270,45

During the three months ended March 31, 2008, the Company securitized $71.3 million of th four-family loans that had been acquired in the acquisition of Synergy Financial Group, Inc. the fourth quarter of 2007, in accordance with SFAS No. 140, Accounting for Transfers ar Financial Assets and Extinguishments of Liabilities. The resultant securities were recorded retained in the held-to-maturity securities portfolio. In connection with the securitization, the also recorded a $502,000 mortgage servicing right asset which is being amortized over a per years.

The following table provides a summary of activity in the allowance for loan losses at the da

(dollars in thousands)	At or For the Nine Months Ended September 30, 2008	At Ye Decem
Balance at beginning of period	$92,794	
Provision for loan losses	2,100	
Allowance acquired in business combinations		
Charge-offs	(2,801)	
Recoveries	36	
Balance at end of period	$92,129	

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Note 5. Borrowed Funds

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

(in thousands)	September 30, 2008	Dece
FHLB-NY advances	$ 7,940,182	
Repurchase agreements	4,710,000	
Junior subordinated debentures	484,304	
Senior debt	75,000	
Preferred stock of subsidiaries	110,000	
Total borrowed funds	$13,319,486	

In the second quarter of 2008, the Company recorded a pre-tax charge of $325.0 million (the repositioning charge) for the prepayment of $4.0 billion of higher-cost wholesale and other that were replaced with $3.8 billion of lower-cost wholesale borrowings. (Wholesale borrow of Federal Home Loan Bank of New York (FHLB-NY) advances, repurchase agreements funds purchased.) In accordance with Emerging Issues Task Force (EITF) Issue No. 96-1 Accounting for a Modification or Exchange of Debt Instruments, charges of $39.6 million t incurred in connection with the prepayment and replacement of wholesale borrowings transa same counterparty were amortized over the term of the new borrowings and recorded in inte In accordance with SFAS No. 140, charges of $285.4 million that were incurred in connecti prepayment of wholesale borrowings that were replaced by funds obtained through different counterparties were immediately recorded in non-interest expense.

In the second quarter of 2008, Roslyn Real Estate Asset Corp. (RREA), a wholly-owned r investment trust (REIT) of the Company repurchased $11.5 million of its previously issue Non-Cumulative Exchangeable Fixed-Rate Preferred Stock, and $32.5 million of its previou RREA Series D Non-Cumulative Exchangeable Floating-Rate Preferred Stock. As a result, t recorded a pre-tax gain of $1.4 million in the second quarter of 2008 which modestly temper of the aforementioned $325.0 million debt repositioning charge.

In the first quarter of 2008, Richmond County Capital Corporation, a wholly-owned REIT of Company, repurchased $8.0 million of its previously issued Series B Non-Cumulative Excha Fixed-Rate Preferred Stock. As a result, the Company recorded a pre-tax gain of $926,000 in income for the three months ended March 31, 2008.

At September 30, 2008, the Company had $484.3 million of outstanding junior subordinated interest debentures (junior subordinated debentures) held by nine statutory business trusts issued guaranteed capital securities. The capital securities qualified as Tier 1 capital of the C that date. The Trusts are accounted for as unconsolidated subsidiaries in accordance with Fin Accounting Standards Board (FASB) Interpretation No. 46, Consolidation of Variable I The proceeds of each issuance are invested in a series of junior subordinated debentures of th The underlying asset of each statutory business trust is the relevant debenture. The Company and unconditionally guaranteed the obligations under each trust s capital securities to the ex in a guarantee by the Company to each trust. The Trusts capital securities are each subject t redemption, in whole or in part, upon repayment of the debentures at their stated maturity or redemption.

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The following table provides a summary of the outstanding capital securities issued by each
carrying amounts of the junior subordinated debentures issued by the Company to each trust
September 30, 2008:

Issuer	Interest Rate of Capital Securities and Debentures (1)	Junior Subordinated Debenture Carrying Amount	Capital Securities Amount Outstanding	Date of Original Issue	Stated Maturity
		(dollars in thousands)			
Haven Capital Trust II	10.250%	$ 23,333	$ 22,550	May 26, 1999	June 30, 2029
Queens County Capital Trust I	11.045	10,309	10,000	July 26, 2000	July 19, 2030
Queens Statutory Trust I	10.600	15,464	15,000	September 7, 2000	September 7, 203
New York Community Capital Trust V	6.000	191,854	183,349	November 4, 2002	November 1, 205
New York Community Capital Trust X	4.419	123,712	120,000	December 14, 2006	December 15, 20
LIF Statutory Trust I	10.600	7,996	7,764	September 7, 2000	September 7, 203
PennFed Capital Trust II	10.180	13,697	13,325	March 28, 2001	June 8, 2031
PennFed Capital Trust III	6.069	30,928	30,000	June 2, 2003	June 15, 2033
New York Community Capital Trust XI	5.412	67,011	65,000	April 16, 2007	June 30, 2037
		$484,304	$466,988		

(1) Excludes the effect of purchase accounting adjustments.
(2) Callable subject to certain conditions as described in the prospectus filed with the SEC c
November 4, 2004.

Note 6. Pension and Other Post-retirement Benefits

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

	For the Three Months Ended Septembe			
	2008		20	
(in thousands)	Pension Benefits	Post-retirement Benefits	Pension Benefits	P
Components of net periodic (credit) expense:				
Interest cost	$ 1,604	$234	$1,585	
Service cost		2		
Expected return on plan assets	(3,752)		(2,581)	
Unrecognized past service liability	50	(62)	51	
Amortization of unrecognized loss	49	34	253	
Net periodic (credit) expense	$(2,049)	$208	$ (692)	

	For the Nine Months Ended Septembe			
	2008		20	
(in thousands)	Pension Benefits	Post-retirement Benefits	Pension Benefits	P
Components of net periodic (credit) expense:				
Interest cost	$ 4,811	$702	$ 4,755	
Service cost		6		
Expected return on plan assets	(11,257)		(7,743)	
Unrecognized past service liability	152	(186)	153	
Amortization of unrecognized loss	147	102	758	
Net periodic (credit) expense	$(6,147)	$624	$(2,077)	

In accordance with SFAS No. 158, Employer s Accounting for Defined Benefit Pension a
Post-retirement Plans an amendment of FASB Statement Nos. 87, 88, 106, and 132(R),
recorded an addition to its retained earnings during the first quarter of 2008 to reflect a chang
measurement date for plan assets and benefit obligations from October 1st to December 31st

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As discussed in the notes to the consolidated financial statements presented in the Company
Annual Report on Form 10-K, the Company expects to contribute $1.8 million to its post-ret
in 2008.

Note 7. Computation of Earnings (Loss) per Share

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

	Three Months Ended September 30,				Nine Months September	
(in thousands, except share and per share data)		2008		2007		2008
Net income (loss)	$	58,064	$	110,909	$	(24,348)
Weighted average common shares outstanding		341,971,926		312,077,886		332,023,835
Basic earnings (loss) per common share	$	0.17	$	0.36	$	(0.07)
Weighted average common shares outstanding		341,971,926		312,077,886		332,023,835
Additional dilutive shares using the average market value for the period when utilizing the treasury stock method		854,742		1,519,299		N.A.(1)
Total shares for diluted earnings per share computation		342,826,668		313,597,185		332,023,835
Diluted earnings (loss) per common share and common share equivalents	$	0.17	$	0.35	$	(0.07)

(1) Options to purchase 13.7 million shares of the Company s common stock that were outs
September 30, 2008 were
not included in the computation of diluted earnings per share for the nine-month period beca
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, wh
other things, defines fair value; establishes a consistent framework for measuring fair value;
disclosure for each major asset and liability category measured at fair value on either a recur
nonrecurring basis. SFAS No. 157 clarifies that fair value is an exit price, representing th
would be received when selling an asset, or paid when transferring a liability, in an orderly t
between market participants. Fair value is thus a market-based measurement that should be d
based on assumptions that market participants would use in pricing an asset or liability. As a
considering such assumptions, SFAS No. 157 establishes a three-tier fair value hierarchy, wh
prioritizes the inputs used in measuring fair value as follows:

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

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

Level 3 Inputs to the valuation methodology are significant unobservable inputs that re
company s own assumptions about the assumptions that market participants use in prici
liability.

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

The following table presents, by SFAS No. 157 valuation hierarchy, assets that are measure
on a recurring basis as of September 30, 2008, and that were included in the Company s Co
Statement of Condition at that date:

	Fair Value Measurements at September 30, 2008 Using			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	To
Securities available for sale	$43,310	$1,033,478	$36,441	

Instruments for which unobservable inputs are significant to their fair value measurement (i.
include certain less liquid securities. Level 3 assets accounted for 0.11% of the Company s
September 30, 2008.

The Company reviews and updates the fair value hierarchy classifications on a quarterly bas
from one quarter to the next that are related to the observability of inputs to a fair value mea
result in a reclassification from one hierarchy level to another.

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

Where quoted prices are available in an active market, securities are classified within Level
valuation hierarchy. Level 1 securities include highly liquid government securities and excha
securities.

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

In certain cases where there is limited activity or less transparency around inputs to the valu
securities are classified within Level 3 of the valuation hierarchy. In valuing collateralized d
obligations (CDOs), which include pooled trust preferred securities and income notes, the
of fair value may require benchmarking to similar instruments or analyzing default and reco
Therefore, CDOs are valued using market-standard models to model the specific collateral c
and cash flow structure. Key inputs to the model consist of market spread data for each credi
collateral type, and other relevant contractual features. In instances where quoted price infor
available, that price is considered when arriving at the security s fair value. CDOs are classi
level 3.

The methods described above may produce a fair value calculation that may not be indicativ
realizable value or reflective of future fair values. Furthermore, while the Company believes
methods are appropriate and consistent with those of other market participants, the use of dif
methodologies or assumptions to determine the fair value of certain financial instruments co
different estimate of fair value at the reporting date.

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Changes in Level 3 Fair Value Measurements

The following table presents information for recurring assets classified by the Company with
the valuation hierarchy for the three and nine months ended September 30, 2008:

	Available-for-sale Securit	
(in thousands)	Three Months Ended September 30, 2008	Nine M Septen
Beginning balance	$36,648	
Change in unrealized losses included in other comprehensive income	3,568	
Other-than-temporary impairment loss	(3,775)	
Principal amortization		
Ending balance	$36,441	

Assets Measured at Fair Value on a Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. Such instruments are subje
value adjustments under certain circumstances (e.g., when there is evidence of impairment).
Company, such assets include goodwill, core deposit intangibles, other real estate owned, ot
assets, loans held for sale, certain impaired loans, and mortgage servicing rights, all of which
generally classified within Level 3 of the valuation hierarchy. In the first nine months of 200
amounts were recorded in the Consolidated Statements of Operations and Comprehensive In
fair value adjustments on such assets.

Note 9. Issuance of Common Stock

On May 23, 2008, the Company issued 17,871,000 shares of common stock in an offering th
gross proceeds of $345.8 million and net proceeds (i.e., after expenses) of $339.2 million. O
amount, $199.2 million served to offset the after-tax impact on stockholders equity of prep
billion of wholesale and other borrowings in the second quarter of 2008, and the remaining p
used for general corporate purposes.

Note 10. Impact of Accounting Pronouncements

In October 2008, the FASB issued FASB Staff Position No. 157-3, Determining the Fair V
Financial Asset When the Market for That Asset Is Not Active (FSP FAS 157-3), with an
effective date, including prior periods for which financial statements have not been issued. F
157-3 amends SFAS No. 157 to clarify the application of fair value in inactive markets and
use of management s internal assumptions about future cash flows with appropriately risk-a
discount rates when relevant observable market data does not exist. The objective of SFAS N
not changed and continues to be the determination of the price that would be received in an o
transaction that is not a forced liquidation or distressed sale at the measurement date. FSP FA
effective for the Company s fair value measurements as of September 30, 2008 and did not
effect on the Company s financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments
Activities an amendment of SFAS No. 133. SFAS No. 161 requires enhanced disclosures
derivative instruments and hedged items that are accounted for under SFAS No. 133 and rel
interpretations. SFAS No. 161 will be effective for interim and annual financial statements f
beginning after November 15, 2008, with early adoption permitted. SFAS No. 161 is not ex
have an impact on the Company s financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations (revised 20
No. 141R improves reporting by creating greater consistency in the accounting and financia
business combinations, resulting in more complete, comparable, and relevant information fo
and other users of financial statements. To achieve this goal, the new standard requires the a
entity in a business combination to recognize all (and only) the assets acquired and liabilities
the transaction; establishes the acquisition-date fair value as the measurement objective for a
acquired and liabilities assumed; and requires the

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acquirer to disclose the information necessary to evaluate and understand the nature and fina
of the business combination. SFAS No. 141R applies prospectively to business combination
the acquisition date is on or after the beginning of the first fiscal year that commences after I
2008. The Company is still evaluating the provisions of SFAS No. 141R, but believes that it
could materially impact its accounting for any acquisitions it might complete in 2009 and be

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolida
Statements. SFAS No. 160 improves the relevance, comparability, and transparency of fin
information provided to investors by requiring all entities to report noncontrolling (minority)
subsidiaries in the same way, i.e., as equity in the consolidated financial statements. In additi
No. 160 eliminates the diversity that currently exists in accounting for transactions between
noncontrolling interests by requiring that they be treated as equity transactions. SFAS No. 1
effective for fiscal years beginning after December 15, 2008 and is not expected to have a m
on the Company s financial condition or results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial As
Financial Liabilities including an amendment of FASB Statement No. 115. SFAS No. 15
companies with the option of electing fair value as an alternative measurement for most finan
and liabilities. It also establishes presentation and disclosure requirements designed to facilit
comparisons between companies that choose different measurement attributes for similar typ
and liabilities. SFAS No. 159 requires companies to provide additional information that will
investors and other users of financial statements to more easily understand the effect of a co
choice to use fair value on its earnings. It also requires entities to display the fair value of tho
liabilities for which the company has chosen to use fair value on the face of the balance shee
SFAS No. 159, fair value is used for both the initial and subsequent measurement of the des
assets and/or liabilities, with the changes in value recognized in earnings. SFAS No. 159 is
fiscal years beginning after November 15, 2007. The Company adopted SFAS No. 159 on J
2008, but did not elect the fair value option for any eligible financial assets or liabilities thro
September 30, 2008.

In 2006, the EITF of the FASB reached final consensus on accounting for life insurance in Is
No. 06-4, Accounting for Deferred Compensation and Post-retirement Benefit Aspects of
Split-Dollar Life Insurance Arrangements (EITF Issue No. 06-4). EITF Issue No. 06-4
employer, entering into an endorsement split-dollar life insurance arrangement that provides
with a post-retirement benefit, has not effectively settled the obligation by purchasing the lif
Therefore, a liability for the future benefits should be recognized in accordance with SFAS N
Employers Accounting for Post-retirement Benefits Other than Pensions, or Accounting
(APB) Opinion No. 12, Omnibus Opinion 1967. The consensus on EITF Issue No.
fiscal years beginning after December 15, 2007 with the effect of adoption recognized as a c
accounting principle either through a cumulative-effect adjustment to retained earnings as of
beginning of the year of adoption, or through retrospective application to all prior periods. In
with the Company s adoption of EITF Issue No. 06-4 on January 1, 2008, the Company rec
million cumulative-effect reduction to retained earnings in recognition of the associated post
benefit obligations. During the second quarter of 2008, the Company recorded a partial curta
obligation, which had an immaterial impact on its consolidated financial statements.

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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 Company are used to refer to New York Community Bancorp, Inc. and our consolidated s including New York Community Bank and New York Commercial Bank (the Community Ba 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 Inc. and our authorized officers, may contain certain forward-looking statements regarding o prospective performance and strategies within the meaning of Section 27A of the Securities as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We inten forward-looking statements to be covered by the safe harbor provisions for forward-looking contained in the Private Securities Litigation Reform Act of 1995, and are including this stat purposes of said safe harbor provisions.

Forward-looking statements, which are based on certain assumptions and describe future pla and expectations of the Company, are generally identified by use of the words anticipate, estimate, expect, intend, plan, project, seek, strive, try, or future or c should, could, may, or similar expressions. Our ability to predict results or the actua or strategies is inherently uncertain. Accordingly, actual results may differ materially from a results.

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

General economic conditions and trends, either nationally or in some or all of the areas i and our customers conduct our respective businesses;

Conditions in the securities markets or the banking industry;

Changes in interest rates, which may affect our net income, prepayment penalty income, future cash flows, or the market value of our assets;

Changes in deposit flows and wholesale borrowing facilities;

Changes in the demand for deposit, loan, and investment products and other financial se markets we serve;

Changes in our credit ratings;

Changes in the financial or operating performance of our customers businesses;

Changes in real estate values, which could impact the quality of the assets securing the l
portfolio;

Changes in the quality or composition of our loan or investment portfolios;

Changes in competitive pressures among financial institutions or from non-financial inst

Changes in our customer base;

Our ability to successfully integrate any assets, liabilities, customers, systems, and mana
personnel into our operations, and our ability to realize related cost savings within expec
frames;

Potential exposure to unknown or contingent liabilities of companies we target for acqui

Our ability to retain key members of management;

Our timely development of new lines of business and competitive products or services i
changing environment, and the acceptance of such products or services by our customer

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

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

The outcome of pending or threatened litigation, or of other matters before regulatory ag
matters resulting from regulatory exams, whether currently existing or commencing in t

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

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- Changes in estimates of future reserve requirements based upon the periodic review ther relevant regulatory and accounting requirements;
- Changes in legislation, regulation, and policies, including, but not limited to, those perta banking, securities, tax, environmental protection, and insurance, and the ability to comp changes in a timely manner;
- Changes in accounting principles, policies, practices, or guidelines;
- Operational issues stemming from, and/or capital spending necessitated by, the potential adapt to industry changes in information technology systems, on which we are highly de
- The ability to keep pace with, and implement on a timely basis, technological changes;
- Changes in the monetary, fiscal, and other policies of the U.S. Government, including po U.S. Treasury, the Federal Reserve Board, and the FDIC;
- War or terrorist activities; and
- Other economic, competitive, governmental, regulatory, and geopolitical factors affectin operations, pricing, and services.

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

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

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

Reconciliations of Stockholders Equity, Tangible Stockholders Equity, and Adjusted Stockholders Equity; Total Assets, Tangible Assets, and Adjusted Tangible Assets; an Capital Measures

Although tangible stockholders equity, adjusted tangible stockholders equity, tangible ass tangible assets are not measures that are calculated in accordance with U.S. generally accept principles (GAAP), management uses these non-GAAP measures in its analysis of our pe believe that these non-GAAP measures are important indications of our ability to grow both and through business combinations and, with respect to tangible stockholders equity and ad stockholders equity, our ability to pay dividends and to engage in various capital managem

We calculate tangible stockholders equity by subtracting from stockholders equity the sur goodwill and core deposit intangibles (CDI), and calculate tangible assets by subtracting t

from our total assets. To calculate our ratio of tangible stockholders equity to tangible asset
our tangible stockholders equity by our tangible assets, both of which include after-tax net
losses on securities. We also calculate our ratio of tangible stockholders equity to tangible a
excluding our after-tax net unrealized losses on securities, as such losses are impacted by cha
market interest rates and therefore tend to change from day to day. This ratio is referred to in
as the ratio of adjusted tangible stockholders equity to adjusted tangible assets.

Neither tangible stockholders equity, adjusted tangible stockholders equity, tangible asset
tangible assets, nor the related tangible capital measures should be considered in isolation or
substitute for stockholders equity or any other capital measure prepared in accordance with
Moreover, the manner in which we calculate these non-GAAP capital measures may differ fr
other companies reporting measures of capital with similar names.

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Reconciliations of our stockholders equity, tangible stockholders equity, and adjusted tan
stockholders equity; our total assets, tangible assets, and adjusted tangible assets; and the re
measures at September 30, 2008 and December 31, 2007 follow:

(dollars in thousands)	September 30, 2008	Decem
Total stockholders equity	$ 4,263,231	$
Less: Goodwill	(2,436,060)	
Core deposit intangibles	(93,513)	
Tangible stockholders equity	$ 1,733,658	$
Total assets	$32,139,500	$
Less: Goodwill	(2,436,060)	
Core deposit intangibles	(93,513)	
Tangible assets	$29,609,927	$
Stockholders equity to total assets	13.26%	
Tangible stockholders equity to tangible assets	5.85%	
Tangible stockholders equity	$ 1,733,658	$
Add back: After-tax net unrealized losses on securities	19,232	
Adjusted tangible stockholders equity	$ 1,752,890	$
Tangible assets	$29,609,927	$
Add back: After-tax net unrealized losses on securities	19,232	
Adjusted tangible assets	$29,629,159	$
Adjusted tangible stockholders equity to adjusted tangible assets	5.92%	

Critical Accounting Policies

We have identified the accounting policies below as being critical to understanding our finan
condition and results of operations. Certain accounting policies are considered to be importa
portrayal of our financial condition, since they require management to make complex or subj
judgments, some of which may relate to matters that are inherently uncertain. The inherent s
our consolidated financial statements to these critical accounting policies, and the judgments
and assumptions used therein, could have a material impact on our financial condition or res
operations.

The judgments used by management in applying the critical accounting policies discussed be
affected by a further and prolonged deterioration in the economic environment, which may r
changes to future financial results. Specifically, subsequent evaluations of the loan portfolio,
the factors then prevailing, may result in significant changes in the allowance for loan losses
periods, and the inability to collect on outstanding loans could result in increased loan losses
the valuation of certain securities in our investment portfolio could be negatively impacted b
or dislocation in marketplaces resulting in significantly depressed market prices, thus leading
impairments.

Allowance for Loan Losses

The allowance for loan losses is increased by the provisions for loan losses charged to operat
reduced by net charge-offs or reversals. A separate loan loss allowance is established for eac
Community Bank and the Commercial Bank and, except as otherwise noted below, the proce
establishing the allowance for loan losses is the same for each.

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Management establishes the allowances for loan losses through an assessment of probable lo
of the respective loan portfolios. Several factors are considered in this process, including the
defaulted loans at the close of each quarter; recent trends in loan performance; historical leve
losses; the factors underlying such loan defaults and loan losses; projected default rates and l
severities; internal risk ratings; loan size; economic, industry, and environmental factors; and
impairment, as defined under Statement of Financial Accounting Standards (SFAS) No.
by Creditors for Impairment of a Loan, as amended by SFAS No. 118, Accounting by Cr
Impairment of a Loan/Income Recognition and Disclosures.

Under SFAS Nos. 114 and 118, a loan is classified as impaired when, based on current in
events, it is probable that we will be unable to collect both the principal and interest due und
contractual terms of the loan agreement. We apply SFAS Nos. 114 and 118 as necessary to
multi-family, commercial real estate, construction, and commercial and industrial loans, and
smaller balance homogenous loans and loans carried at the lower of cost or fair value. We m
impairment of collateral-dependent loans based on the fair value of the collateral, less the est
to sell. For loans that are not collateral-dependent, impairment is measured by using the pres
expected cash flows, discounted at the loan s effective interest rate.

A loan loss allowance is established when the fair value of collateral or the present value of t
cash flows is less than the recorded investment in the loan.

In addition, the process of determining the appropriate level for the Banks loan loss allowa
but is not limited to:

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, du observable trends in the local economy and/or the real estate market are discussed;

3. Full assessment by the pertinent Board of Directors of the aforementioned factors w judgment regarding the allowance for loan losses; and

4. Analysis of the portfolio in the aggregate, as well as on an individual loan basis, tak consideration payment history, underwriting analyses, and internal risk ratings.

In establishing the loan loss allowances, management also considers the Banks current busi
and credit processes, including compliance with conservative guidelines established by the r
Boards of Directors with regard to credit limitations, loan approvals, underwriting criteria, an
workout procedures.

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

The assessments take into consideration loans that have been adversely rated, primarily thro
valuation of the collateral supporting each loan. Adversely rated loans are loans that are e
non-performing or that exhibit certain weaknesses that could jeopardize payment in accordan
original terms. Larger loans are assigned risk ratings based upon a routine review of the cred
smaller loans exceeding 90 days in arrears are assigned risk ratings based upon an aging sch

Quantified risk factors are assigned for each risk-rating category to provide an allocation to t
loan loss allowance.

The remainder of each loan portfolio is then assessed, by loan type, with similar risk factors
considered, including the borrower s ability to pay and our past loan loss experience with ea
loan. These loans are also assigned quantified risk factors, which result in allocations to the a
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 re
quarterly by management and by the Mortgage and Real Estate Committee of the Communit
Board of Directors or the Credit Committee of the Board of Directors of the Commercial Ba
applicable.

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While management uses available information to recognize losses on loans, future additions
respective loan loss allowances may be necessary, based on changes in economic and local r
conditions beyond management s control. In addition, the Community Bank and/or the Com
may be required to take certain charge-offs and/or recognize additions to their loan loss allov
on the judgment of regulatory agencies with regard to information provided to them during t
examinations.

A loan generally is classified as a non-accrual loan when it is 90 days past due. When a lo
non-accrual status, we cease the accrual of interest owed, and previously accrued interest is c
against interest income. A loan is generally returned to accrual status when the loan is less th
past due and/or we have reasonable assurance that the loan will be fully collectible. Interest i
non-accrual loans is recorded when received in cash.

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

Investment Securities

The securities portfolio consists of mortgage-related securities, and debt and equity (other
Securities that are classified as available for sale are carried at their estimated fair value, v
unrealized gains and losses, net of taxes, reported as accumulated other comprehensive incor
stockholders equity. Securities that we have the positive intent and ability to hold to maturi
classified as held to maturity and are carried at amortized cost.

The market values of our securities, particularly our fixed-rate securities, are affected by cha
market interest rates and spreads. In general, as interest rates rise, the market value of fixed-r
will decline; as interest rates fall, the market value of fixed-rate securities will increase. We c
periodic review and evaluation of the securities portfolio to determine if the decline in the fa
any security below its carrying value is other than temporary. If we deem any decline in valu
than temporary, the security is written down to a new cost basis and the resultant loss is char
earnings and recorded in non-interest income.

At September 30, 2008, the total unrealized losses on available-for-sale and held-to-maturity
were $22.8 million and $91.4 million, respectively. This impairment was deemed temporary
direct relationship of the decline in fair value to movements in interest rates; the estimated re
and high credit quality of the investments; and our ability and intent to hold these investmen
is a full recovery of the unrealized loss, which may not be until maturity.

In preparing the financial statements for the third quarter of 2008, we determined to record a
million charge for the other-than-temporary impairment (OTTI) of certain securities, inclu
million relating to our investment in Lehman Brothers Holdings, Inc. (Lehman Brothers)
and perpetual preferred stock. Also included in the third quarter charge was $3.7 million rela
investment in Freddie Mac perpetual preferred stock; $3.8 million relating to certain pooled
securities; and $1.7 million relating to certain other equity securities.

Management s decision to recognize the third quarter 2008 OTTI was based on the significa
the market value of these securities, and the unlikelihood of recovering the unrealized losses
reasonable period of time. To the extent that continued changes in interest rates, credit move
other factors that influence the fair value of investments occur, we may be required to record
charges for the OTTI of securities in future periods.

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Goodwill Impairment

Goodwill is presumed to have an indefinite useful life and is tested for impairment, rather th at the reporting unit level at least once a year. Impairment exists when the carrying amount c exceeds its implied fair value. If the fair value of a reporting unit exceeds its carrying amoun of testing, the goodwill of the reporting unit is not considered impaired. According to SFAS Goodwill and Other Intangible Assets, quoted market prices in active markets are the best value and are to be used as the basis for measurement, when available. Other acceptable valu methods include present-value measurements based on multiples of earnings or revenues, or performance measures. Differences in the identification of reporting units and in valuation te could result in materially different evaluations of impairment.

For the purpose of goodwill impairment testing, we have identified one reporting unit. We p annual goodwill impairment test as of January 1, 2008, and determined that the fair value of unit was in excess of its carrying value, using the quoted market price of our common stock impairment testing date as the basis for determining fair value. As of the annual impairment there was no indication of goodwill impairment. No events have occurred and no circumstan changed since our annual impairment test date that would trigger the need for an interim test impairment.

Income Taxes

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

We recognize deferred tax assets and liabilities for the future tax consequences attributable t between the financial statement carrying amounts of existing assets and liabilities and their r bases, and the carryforward of certain tax attributes such as net operating losses. A valuation maintained for deferred tax assets that we estimate are more likely than not to be unrealizabl available evidence at the time the estimate is made. In assessing the need for a valuation allo estimate future taxable income, considering the feasibility of tax planning strategies and the of tax loss carryforwards. Valuation allowances related to deferred tax assets can be affected to tax laws, statutory tax rates, and future taxable income levels. In the event that we were to that we would not be able to realize all or a portion of our net deferred tax assets in the futur reduce such amounts through a charge to income in the period in which that determination w Conversely, if we were to determine that we would be able to realize our deferred tax assets in excess of the net carrying amounts, we would decrease the recorded valuation allowance t increase to income in the period in which that determination was made. Subsequently recogr benefits associated with valuation allowances recorded in a business combination would be r an adjustment to goodwill.

On April 23, 2008, new tax laws were enacted by New York State that are effective for caler 2008. Included in these tax laws is a provision that requires the inclusion of income earned b subsidiary taxed as a real estate investment trust (REIT) for federal tax purposes, regardle location where the REIT subsidiary conducts its business or the timing of its distribution of e full inclusion of such income is phased in over a four-year period. While this new provision small deferred tax benefit being reflected in our second quarter 2008 earnings, it is not expec material impact on our current income tax expense for calendar year 2008. However, the nev will cause our overall effective tax rate to increase, beginning in 2009.

Recent Events

Dividend Payment

On October 28, 2008, the Board of Directors declared a quarterly cash dividend of $0.25 per
payable on November 18, 2008 to shareholders of record at the close of business on Novemb

Executive Summary

With assets of $32.1 billion at the close of the current third quarter, New York Community B
is a leading financial institution in the Metro New York/New Jersey region and the fifth larg
traded bank holding company headquartered in New York State.

We serve the region s consumers and businesses through two primary subsidiaries: New Yo
Bank, a New York State-chartered savings bank with 178 locations in New York City, Long
Westchester County, and New Jersey; and New York Commercial Bank, a New York State-c
commercial bank with 38 locations in New York City, Westchester County, and Long Island

Our Franchise

Reflecting our growth through a series of accretive business combinations, we currently oper
Community Bank franchise through six local divisions.

In New York, we have four divisional banks: Queens County Savings Bank, with 33 branche
County; Roslyn Savings Bank, with 57 branches on Long Island; Richmond County Savings
22 branches on Staten Island; and Roosevelt Savings Bank, with eight branches in Brooklyn.
have two branches each in the Bronx and Westchester County that operate directly under the
Community Bank name.

In New Jersey, we currently have two divisional banks: Garden State Community Bank, with
in Essex, Hudson, Mercer, Middlesex, Monmouth, Ocean, and Union counties, and Synergy
19 branches in the counties of Middlesex, Monmouth, and Union. The Synergy Bank branch
currently slated to commence operations under the Garden State Community Bank name in N

Of the 38 branches that constitute our Commercial Bank franchise, 19 operate under the nam
Bank.

Our Business Model

The key components of our business model are the production of multi-family mortgage loan
buildings in New York City that are predominantly rent-regulated; the maintenance of under
standards that have supported a consistent record of asset quality; operating the Company in
cost-efficient manner; engaging in earnings- and capital-accretive merger transactions; and re
our post-merger balance sheet to enhance our earnings potential and preserve our asset qualit

Third Quarter 2008 Performance Highlights

In a quarter marked by unprecedented turmoil in the financial industry and markets, we belie
adherence to our business model continued to serve us well. Although our earnings were red
non-cash

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pre-tax charge of $44.2 million for the OTTI of certain securities, our third quarter performa
otherwise highlighted by the expansion of our net interest margin and an increase in net inte
as we grew our loan portfolio and reduced our funding costs. Our performance was also nota
quality of our assets, particularly as it compared to that of our industry peers in a declining e
addition, our operating expenses declined on a linked-quarter basis, which also contributed t
profitability.

Included in the OTTI charge was $35.0 million relating to our investment in Lehman Brothe
filed for bankruptcy on September 16, 2008. Of that amount, $13.0 million related to our inv
perpetual preferred stock of Lehman Brothers, and $22.0 million related to our investment in
Brothers corporate bonds.

The OTTI charge reduced our third quarter 2008 net income by $26.7 million after taxes and
earnings per share by $0.08. Reflecting the impact of this charge, our net income totaled $58
the current third quarter, equivalent to $0.17 per diluted share.

Increased Loan Production at Higher Spreads. Our loan portfolio grew at an annualized rate
the current third quarter, as loans outstanding rose to $21.5 billion at the end of September fr
billion at the end of June. In the first nine months of the year, loan originations totaled $4.4 b
signifying a $980.7 million, or 28.9%, increase from the year-earlier amount. Third quarter o
accounted for $1.4 billion of our nine-month loan production, and exceeded the year-earlier
volume by $260.8 million, or 22.0%. The increase in loan production is partly due to the exit
conduit lenders from our market since August 2007, and to the acquisition of certain compet
multi-family niche. In addition, certain of our competitors have been distracted by the turmo
financial markets, further enhancing our ability to grow our loan portfolio.

In addition to resulting in an increase in loan production, the changes in our market have resu
increase in the spreads on our multi-family and commercial real estate loans. In the third qua
the average yield on our multi-family and commercial real estate loans was 275 basis points
average five-year Constant Maturity Treasury rate (the five-year CMT). In recent weeks,
spread between the yield on such loans and the five-year CMT has continued to increase.

Asset Quality. Notwithstanding the deterioration of the economy over the course of the quart
quality of our assets held up comparatively well. Although non-performing loans rose $29.3
$61.4 million in the three months ended September 30, 2008, the volume of loans 30 to 89 d
declined by $41.4 million to $51.4 million during this period. In addition, non-performing as
represented 0.19% of total assets at the end of September while non-performing loans repres
of total loans. Furthermore, our third quarter 2008 net charge-offs continued to be modest an
million, represented 0.005% of average loans in the three months ended September 30, 2008

In accordance with our methodology for determining the allowance for loan losses, we incre
loss allowance by $400,000 during the quarter, to $92.1 million, representing 150.1% of non
loans, at quarter-end.

Net Interest Margin. Partly reflecting the benefit of the debt repositioning strategy we imple
second quarter, our margin rose 27 basis points in the third quarter of 2008 from the measure
the year-earlier three months. The year-over-year expansion was also due to an 84-basis poi
our cost of interest-bearing deposits, as we capitalized on the 275-basis point reduction in th
funds rate. Furthermore, the growth of our loan portfolio contributed to an increase in averag
interest-earning assets, which resulted in our recording an increase in interest income during
time as our interest expense declined. The expansion of our margin was partly offset by a de
prepayment penalty income, as property owners refrained from refinancing during a time of
market volatility.

The same factors that contributed to the growth of our net interest margin contributed to an i
interest income, our primary earnings source. Net interest income rose $51.3 million to $181
over the course of the quarter and $27.0 million year-over-year. The linked-quarter increase

the impact on our second quarter net interest income of a $39.6 million debt repositioning ch
recorded in interest expense.

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Efficiency. Partly reflecting our ongoing focus on cost containment, our operating expenses d
$3.9 million to $78.6 million over the three months ended September 30, 2008.

Capital Strength. Our capital measures continued to reflect the benefit of our common stock
the second quarter, as tangible stockholders equity totaled $1.7 billion, representing 5.85%
assets at September 30, 2008. In addition, the Community Bank and the Commercial Bank c
exceed the requirements for classification as well capitalized institutions, with leverage capit
7.49% and 11.20%, Tier I capital ratios of 11.17% and 14.69%, and total risk-based capital r
11.64% and 15.07%, respectively.

The Economic Environment

The third quarter of 2008 was a time of unprecedented turmoil, as the subprime mortgage cri
began in the year-earlier third quarter segued into an economic crisis of global proportions, r
the failure of some of the world s leading financial institutions and a level of government in
seen in many years.

The impact on our local economy is evident in a number of recent statistics regarding unemp
real estate values. For example, in September 2007, the respective unemployment rates for N
State, Long Island, and New York City were 4.5%, 3.9%, and 5.0%, respectively. One year l
respective rates for these regions rose to 5.6%, 5.2%, and 5.7%. In New Jersey, the respectiv
unemployment rates for Essex, Hudson, and Union counties, where most of our New Jersey-
branches are located, were 5.3%, 5.0%, and 4.3% in September 2007; in September 2008, th
6.9%, 6.8%, and 5.9%, respectively. For the State of New Jersey, the unemployment rate ros
in September 2007 to 5.6% in September 2008.

In addition, home prices fell 6.9% year-over-year through August 2008 in the New York me
region, while the vacancy rate for commercial real estate in Manhattan rose to a two-year hig
September 30, 2008. On a more positive note, New York City had the lowest apartment vaca
rate 2.0% in the nation at the end of September, followed by Long Island at 2.8% and centr
at 2.9%.

While we have not been immune to the impact of the decline in the financial and housing ma
believe that the composition of our loan portfolio, the nature of our multi-family lending nicl
conservative underwriting standards have contributed to the quality of our loan portfolio to d
further reduce our exposure to credit risk, we remain actively engaged in monitoring the qua
assets, and have limited our production of construction loans. We continue to deploy most of
flows into multi-family loans on buildings with a preponderance of rent-regulated apartment
loans have historically been our best performing assets, and to sell the one- to four-family lo
originate to a third-party conduit shortly after they close. In addition, while we have always l
conservative in our underwriting, we have generally reduced the loan-to-value ratios on new
commercial real estate loans.

Recent Developments

To promote stability and encourage lending in the wake of the crises in the banking industry
markets, the U.S. Treasury has developed and implemented a number of programs in recent

First among these was the Emergency Economic Stabilization Act of 2008 (the EESA), w
into law on October 3, 2008. The EESA authorized the U.S. Treasury to purchase up to $700
mortgage loans, mortgage-backed securities, and certain other financial instruments from fin
institutions for the purpose of stabilizing and providing liquidity to the U.S. financial market

We do not expect to sell any of our assets to the U.S. Treasury under EESA as we have not c
subprime mortgage loans or invested in any securities backed by subprime mortgage loans.

On October 14, 2008, the U.S. Treasury announced that it would purchase equity stakes in a
banks and thrifts. Under the Capital Purchase Program of the Troubled Assets Relief Progra
$250 billion of the $700 billion authorized by the EESA will be made available by the U.S.
variety of U.S. financial institutions in exchange for preferred stock. In connection with its p
preferred stock, the U.S.

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Treasury will receive warrants to purchase common stock with an aggregate market price eq
the preferred investment. Financial institutions that take part in the TARP Capital Purchase P
be required to adopt the U.S. Treasury s standards for executive compensation and corporat
for the period during which the U.S. Treasury holds the equity issued under the TARP Capit
Program. The U.S. Treasury also announced that nine major financial institutions had alread
participate in the TARP Capital Purchase Program, and numerous other financial institutions
subsequently agreed to take part.

On October 14, 2008, the FDIC announced the establishment of the Temporary Liquidity Gu
Program, which was designed to strengthen confidence and encourage liquidity in the bankin
guaranteeing the (1) newly issued senior unsecured debt and (2) non-interest-bearing transac
of participating institutions. All eligible entities will be covered under the program unless th
one or both of these components by December 5, 2008 (an extension from the original opt-o
November 12, 2008). Following that deadline, institutions that have opted out of either or bo
components cannot then opt in. Similarly, institutions that have opted in by the December 5t
may not then opt out. The Temporary Liquidity Guarantee Program will be in effect through
December 31, 2009.

As of this date, we have not applied to the U.S. Treasury to receive equity capital through th
Capital Purchase Program nor have we applied to the FDIC to opt in or out of the Temporary
Guarantee Program. However, as the details and ramifications of these, and any other plans t
introduced, are clarified, we will continue to review them in order to determine whether or n
take part.

Summary of Financial Condition at September 30, 2008

We recorded total assets of $32.1 billion at the end of September, signifying a three-month i
$1.1 billion and a $1.6 billion increase from the balance recorded at December 31, 2007.

Loans

Loans represented $21.5 billion, or 66.9%, of total assets at the close of the current third qua
signifying a three-month increase of $586.5 million and a nine-month increase of $1.1 billio
The increases were driven by organic loan production, with nine-month originations rising $
year-over-year to $4.4 billion, including $1.4 billion in the three months ended September 3
volume of loans produced during the three- and nine-month periods exceeded repayments of
million and $3.3 billion, respectively.

Multi-family Loans

Multi-family loans accounted for $2.3 billion of year-to-date loan production, up $630.3 mil
36.7%, from the year-earlier amount. Third quarter 2008 originations represented $855.4 mi
year-to-date production, and were up $174.6 million, or 25.6%, year-over-year. The increase
production was indicative of the dramatic changes that have occurred in the market since the
of 2007. With the exit of the conduits from our market and other competitors having been ac
are increasing our loan production and originating loans at higher spreads.

Multi-family loans represented $15.2 billion, or 70.6%, of total loans at the close of the curr
quarter, and were up $454.7 million from the June 30, 2008 balance and $1.1 billion from th
recorded at year-end 2007. At September 30, 2008, the average multi-family loan had a prin
of $3.8 million, and the portfolio had an average loan-to-value ratio (LTV) of 62.4% at th

We generally make multi-family loans to long-term owners of rent-regulated buildings in Ne
who typically utilize the funds they borrow to make improvements to the buildings and the a
therein. The loans in our portfolio generally feature a term of ten years, with a fixed rate of i
first five years of the mortgage, and an alternative rate of interest in years six through ten. Th

charged in the first five years is generally based on the five-year CMT plus a spread.

During years six through ten, the borrower has the option of selecting an annually adjustable
275 basis points above the prime rate of interest, or a fixed rate that is 300 basis points above
five-year CMT at the time of repricing. The latter option also requires the payment of a fee e
percentage point of the then-outstanding loan amount. The minimum rate at repricing is equa
in the initial five-year term.

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As improvements are made to the collateral property, State and City rent regulations permit a
the rents on the improved apartments, thus creating more cash flows for the owner to borrow
the rent roll increases, the property owner has historically opted to refinance the loan, even i
interest rate environment. This cycle has repeated itself over the course of many decades, wi
values increasing and borrowers typically refinancing before the loan reaches its sixth year.
the expected weighted average life of the multi-family loan portfolio was 3.6 years at Septen
2008.

Multi-family loans that refinance within the first five years are subject to an established prep
penalty schedule. Depending on the remaining term of the loan at the time of prepayment, th
normally range from five percentage points to one percentage point of the amount to be prep
Prepayment penalties are recorded as interest income and are therefore reflected in the avera
our loans and assets, as well as our interest rate spread and net interest margin.

Our emphasis on multi-family loans is driven by several factors, including their structure, wl
our exposure to interest rate volatility to some degree. Another factor driving our focus on m
loans is the consistent quality of these assets. Although multi-family loans are generally cons
involve a greater degree of credit risk as compared to other types of credits, we believe that t
multi-family loans we produce involve a more modest degree of risk. The multi-family loans
are typically collateralized by buildings with a preponderance of rent-regulated apartments a
tend to be stable and fully occupied. Because the buildings securing the loans are generally v
maintained, and the rents are typically below market, occupancy levels remain more or less c
during times of economic adversity.

Commercial Real Estate Loans

Commercial real estate (CRE) loans accounted for $4.3 billion, or 19.8%, of total loans at
current third quarter, and were up $167.9 million and $432.5 million, respectively, over the t
nine-month periods. The increase was due to a rise in organic loan production, with nine-mo
originations growing $501.3 million year-over-year to $806.9 million, including a $130.7 mi
in third-quarter CRE loan production to $243.6 million. At September 30, 2008, the average
had a principal balance of $2.4 million and the CRE loan portfolio had an average LTV of 5

We structure our CRE loans along the same lines as our multi-family credits, i.e., with a fixe
interest for the first five years of the loan that is typically tied to the five-year CMT plus a sp
years six through ten, the borrower has the option of selecting an annually adjustable rate tha
points above the prime rate of interest, or a fixed rate that is 325 basis points above the five-
the time of repricing. The latter option also requires the payment of a fee equal to one percen
the then-outstanding loan amount. The minimum rate at repricing is equivalent to the rate fea
initial five-year term.

CRE loans that refinance within the first five years of origination are subject to an establishe
penalty schedule, identical to the schedule in place for our multi-family loans. Depending on
remaining term of the loan at the time of prepayment, the penalties normally range from five
points to one percentage point of the amount to be prepaid. Our CRE loans tend to refinance
to four years of origination; thus, the expected weighted average life of the portfolio was 3.3
September 30, 2008.

Construction Loans

In contrast to the increases in multi-family and CRE loans outstanding, the balance of constr
continued to decline in the third quarter of 2008. Construction loans represented $846.8 mill
of total loans at the end of September, a $60.1 million reduction from the June 30, 2008 bala
$292.1 million reduction from the balance at December 31, 2007.

In the interest of reducing our exposure to credit risk at a time when real estate values have b
declining, we have been limiting our production of construction loans. Construction loan orig
totaled $48.1 million in the current third quarter, and were down from $96.0 million and $83
respectively, in the trailing and year-earlier three months. The $48.1 million included $23.3 m
previously committed advances, with the remainder representing new construction loans to l
borrowers who have had a solid repayment history with the Company.

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At September 30, 2008, 94.5% of our construction loans were secured by properties in the M
York region. The loans that we have originated outside our immediate market have generally
to developers and builders with whom we have had successful lending relationships within o
marketplace.

The construction loans we originate are primarily used for land acquisition, development, an
construction of multi-family and residential tract projects and, to a lesser extent, for the cons
owner-occupied one- to four-family homes and commercial properties. Such loans are typica
originated for terms of 18 to 24 months, and feature a floating rate of interest tied to prime, a
They also generate origination fees that are recorded as interest income and amortized over t
loan. At September 30, 2008, 60.5% of the loans in our portfolio were for land acquisition an
development; the remaining 39.5% consisted of loans that were provided for the constructio
and commercial properties.

Because construction loans are generally considered to have a higher degree of credit risk, es
during a downturn in the credit cycle, borrowers are required to provide a personal guarantee
repayment and completion during construction. The risk of loss on a construction loan is larg
dependent upon the accuracy of the initial estimate of the property s value upon completion
construction, as compared to the estimated cost of construction, including interest, and upon
time to sell or lease such property. If the estimate of value proves to be inaccurate, or the len
sell or lease it is greater than anticipated, the property could have a value upon completion th
insufficient to assure full repayment of the loan.

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

One- to Four-Family Loans

One- to four-family loans represented $270.2 million, or 1.3%, of total loans at the close of t
third quarter, and were down $9.6 million and $110.6 million, respectively, from the June 30
December 31, 2007 amounts. While the three-month decline largely reflects repayments, the
decline largely reflects the first quarter 2008 securitization of one- to four-family loans totali
million. In addition, while we do originate one- to four-family loans as a customer service, w
retain the loans we produce. Rather, one- to four-family loans are originated on a pass-throug
sold without recourse to a third-party conduit shortly after they close.

Other Loans

Other loans represented $958.7 million, or 4.5%, of outstanding loans at the end of Septembe
a three-month increase of $33.4 million and a nine-month reduction of $6.5 million. The nin
decline reflects the sale of auto loans totaling $25.9 million in the first quarter of 2008.

Commercial and industrial (C&I) loans accounted for $786.1 million of other loans at the
September, and were up $48.3 million and $80.3 million, respectively, over the three and nin
periods. The growth of the portfolio reflects nine-month originations of $881.4 million, inclu
originations of $283.8 million in the third quarter of this year. In the nine months ended Sept
2007, C&I loan originations totaled $820.7 million and included third quarter originations of
million.

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

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Asset Quality

Notwithstanding the unprecedented turmoil in the financial markets in the current third quart
quality of our assets held up well. Net charge-offs totaled $1.1 million in the quarter, as com
million in the trailing quarter and to $151,000 in the year-earlier three months. The respectiv
were equivalent to 0.005%, 0.006%, and 0.001% of average loans in the corresponding peric
in the third quarter 2008 amount was a single unsecured C&I loan of $834,000 that had been
by one of the banks we acquired in 2007.

Largely reflecting the migration of loans that had been 30 to 89 days delinquent at the close
quarter to non-performing status, non-performing loans rose to $61.4 million at the end of Se
represented 0.29% of total loans. At June 30, 2008 and December 31, 2007, non-performing
$32.1 million and $22.2 million, representing 0.15% and 0.11% of total loans at the respecti

While non-performing loans rose $29.3 million over the course of the quarter, the amount of
had been 30 to 89 days delinquent declined by $41.4 million to $51.4 million over the same
period. The following table presents the migration of loans 30 to 89 days delinquent to non-p
status in the nine months ended September 30, 2008:

(in thousands)	At September 30, 2008	At June 30, 2008	At March 31, 2008
30-89 days past due	$ 51,358	$ 92,792	$31,973
90+ days past due (non-performing loans)	61,379	32,076	21,913
Total delinquent loans	$112,737	$124,868	$53,886

Other real estate owned totaled $330,000 at the end of September, representing a three-mont
$53,000 and a nine-month reduction of $328,000. Other real estate owned refers to propertie
acquired by foreclosure, and is recorded at the lower of the unpaid principal balance or fair v
date of acquisition, less the estimated cost of selling the property at that time.

Non-performing assets thus totaled $61.7 million at the close of the current third quarter, as
$32.4 million and $22.2 million, respectively, at June 30, 2008 and December 31, 2007. The
amounts were equivalent to 0.19%, 0.10%, and 0.07% of total assets at the corresponding qu

In accordance with our methodology for determining the allowance for loan losses, we recor
loss provision of $400,000 in the current third quarter, increasing the provision for loan losse
million for the nine months ended September 30, 2008. Reflecting the third-quarter provisior
aforementioned net charge-offs, the allowance for loan losses totaled $92.1 million at the enc
September, as compared to $92.9 million and $92.8 million, respectively, at June 30, 2008 ar
December 31, 2007. The respective allowances were equivalent to 150.10%, 289.49%, and 4
non-performing loans and to 0.43%, 0.44%, and 0.46% of total loans at the corresponding da

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

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The following table presents information regarding our consolidated allowance for loan loss
non-performing assets at September 30, 2008 and December 31, 2007:

(dollars in thousands)	At or For the Nine Months Ended September 30, 2008	At o Yea Decem
Allowance for Loan Losses:		
Balance at beginning of period	$92,794	
Provision for loan losses	2,100	
Allowance acquired in business combinations		
Charge-offs	(2,801)	
Recoveries	36	
Balance at end of period	$92,129	
Non-performing Assets:		
Non-accrual mortgage loans	$51,938	
Other non-accrual loans	9,441	
Total non-performing loans	61,379	
Other real estate owned	330	
Total non-performing assets	$61,709	
Ratios:		
Non-performing loans to total loans	0.29%	
Non-performing assets to total assets	0.19	
Allowance for loan losses to non-performing loans	150.10	
Allowance for loan losses to total loans	0.43	

Securities

Securities represented $6.1 billion, or 18.9%, of total assets at the close of the third quarter,
$456.1 million and $343.2 million, respectively, from the balances recorded at June 30, 200
December 31, 2007.

Available-for-sale securities represented $1.1 billion, or 18.3%, of total securities at the end
September, and were down $65.4 million and $268.0 million, respectively, over the three- a
nine-month periods. Held-to-maturity securities accounted for the remaining $5.0 billion of
securities at the end of September, signifying a three-month increase of $521.5 million and
increase of $611.2 million. In view of the volatility in the financial markets, we have been li
securities investments to government-sponsored enterprise (GSE) securities.

Mortgage-related securities represented $858.0 million, or 77.1%, of available-for-sale secu
billion, or 64.5%, of held-to-maturity securities at September 30, 2008. Other securities acc
$255.2 million of available-for-sale securities and for $1.8 billion of held-to-maturity securi
same date. At September 30, 2008, the respective market values of mortgage-related securit
securities held to maturity were $3.2 billion and $1.7 billion, representing 98.7% and 97.2%
respective carrying values.

In the three months ended September 30, 2008, we recorded a $44.2 million loss on the OTT
securities. The OTTI represented the excess of amortized cost over fair value at that date. M
decision to recognize this OTTI was based on the significant decline in the market value of
securities, and the unlikelihood of recovering the unrealized losses within a reasonable perio
Included in the $44.2 million loss were $13.0 million of Lehman Brothers perpetual preferre

$22.0 million of Lehman Brothers corporate bonds; $3.7 million of Freddie Mac preferred st
million of capital trust notes, including income notes; and $1.7 million of other equity securi
September 30, 2008, the Lehman Brothers corporate bonds had a remaining market value of
the other equity securities had a remaining market value of $2.0 million at that date. The unr
mark-to-market loss on the OTTI securities had previously been reflected as a reduction to st
equity through accumulated other comprehensive loss.

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Reflecting the weakness in the financial markets, we also recorded a loss on the OTTI of cer
in the second quarter of this year. The second quarter OTTI loss totaled $49.6 million and re
excess of amortized cost over fair value at that date. As in the third quarter of 2008, manage
decision to recognize this OTTI was based on the significant decline in the market value of t
securities, and the unlikelihood of recovering the unrealized losses within a reasonable perio
Included in the second quarter 2008 OTTI were the Lehman Brothers and Freddie Mac perp
preferred stock that were subsequently written down to zero in the third quarter of 2008.

The estimated weighted average life of the available-for-sale securities portfolio was 7.2 yea
of the third quarter, as compared to 6.8 years and 7.5 years, respectively, at June 30, 2008 an
December 31, 2007. The estimated weighted average life of available-for-sale mortgage-rela
was 4.9 years at the close of the third quarter, as compared to 4.4 years and 5.2 years, respec
earlier dates.

Sources of Funds

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

On a consolidated basis, our funding primarily stems from the cash flows generated through
repayment of loans and securities; the cash flows generated through the sale of loans and sec
deposits that are acquired in our business combinations or gathered through our branch netw
as brokered deposits; and the use of borrowed funds, particularly in the form of wholesale bo

Depending on the availability and attractiveness of wholesale funding sources, we have typic
refrained from pricing our retail deposits at the higher end of the market in order to contain c
costs. While we have the capacity to increase deposits through our extensive branch network
opt to utilize wholesale funds, including brokered deposits, when such funding is more attrac
than retail funds. In the third quarter of 2008, we chose to increase our acceptance of brokere
rather than raise our rates to irrational levels in order to compete for retail funds.

Deposits totaled $14.2 billion at the close of the third quarter, signifying a three-month incre
million and a nine-month increase of $1.0 billion. Certificates of deposit (CDs) totaled $7
end of September and were up $834.5 million and $104.5 million, respectively, from the bal
recorded at June 30th and December 31st. Included in the September 30, 2008 amount were
CDs of $1.6 billion, signifying a three-month increase of $1.1 billion and a $972.0 million in
the year-end 2007 amount.

Core deposits (defined as all deposits other than CDs) represented $7.2 billion, or 50.5%, of
September 30, 2008 total, and were down $2.5 million from the June 30, 2008 balance and u
million from the balance recorded at December 31st.

The three-month decrease in core deposits was primarily due to a $99.3 million decline in sa
accounts to $2.7 billion combined with a $92.2 million decline in non-interest-bearing accou
billion. These declines were partially offset by a $189.0 million increase in NOW and money
accounts to $3.3 billion, reflecting a $381.2 million increase in brokered money market acco
$995.0 million.

The nine-month increase in core deposits largely reflects an $881.6 million rise in NOW and
market accounts and a $176.8 million increase in the balance of savings accounts. These incr
partly offset by a $133.6 million reduction in non-interest-bearing accounts. The nine-month
NOW and money market accounts largely reflects a $992.0 million increase in brokered mon
accounts.

At September 30, 2008, borrowed funds totaled $13.3 billion, representing a three-month inc
$199.7 million and a nine-month increase of $403.8 million. Wholesale borrowings accounte
billion of the September 30, 2008 total, and were up $199.8 million and $456.6 million, resp
from the June 30, 2008 and December 31, 2007 amounts. Our primary source of wholesale b
the Federal Home Loan Bank of New York (the FHLB-NY). At September 30, 2008, FHI
advances and repurchase agreements totaled $8.8

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billion as compared to $8.4 billion at both June 30, 2008 and December 31, 2007. Junior sub
debentures totaled $484.3 million at the close of the third quarter, comparable to the balance
the earlier dates. Other borrowings totaled $185.0 million at the end of September, comparab
June 30th balance, and down $52.2 million from the balance recorded at year-end 2007. In th
quarter of 2008, we repurchased certain preferred stock of our subsidiaries, which contribute
nine-month decline in other borrowed funds.

Loan repayments generated cash flows of $862.2 million in the current third quarter, bringin
nine-month total to $3.3 billion. Securities generated cash flows of $159.0 million in the qua
the nine-month total to $1.8 billion. The cash flows from each of these sources were primaril
organic 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 rat
and liability management process has three primary objectives: to evaluate the interest rate ri
in certain balance sheet accounts; to determine the appropriate level of risk, given our busine
operating environment, capital and liquidity requirements, and performance objectives; and t
that risk in a manner consistent with guidelines approved by the Boards of Directors of the C
Community Bank, and the Commercial Bank.

Market Risk

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

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

To manage our interest rate risk in the third quarter of 2008, we engaged in the following str
(1) We continued to emphasize the origination and retention of intermediate-term assets, prin
form of multi-family and CRE loans; (2) We continued to utilize the cash flows from loan an
repayments to fund our loan production as well as our investments in GSE securities; (3) We
capitalize on the decline in the federal funds rate to reduce our retail funding costs; and (4) W
wholesale funding sources, including brokered deposits, to support our loan production wher
funding presented an attractively priced alternative to retail funds.

Interest Rate Sensitivity Analysis

The matching of assets and liabilities may be analyzed by examining the extent to which suc
liabilities are interest rate sensitive and by monitoring a bank s interest rate sensitivity g
liability is said to be interest rate sensitive within a specific time frame if it will mature or rep
that period of time. The interest rate sensitivity gap is defined as the difference between the a
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 ex
absent the effects of other factors, to experience a greater increase in the cost of its interest-b
liabilities than it would in the yield on its interest-earning assets, thus producing a decline in
interest income. Conversely, in a

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

At September 30, 2008, our one-year gap was a negative 1.05% as compared to a positive 1.
June 30, 2008 and a positive 3.37% at December 31, 2007. The movements in our one-year g
attributable to an increase in short-term borrowings and wholesale deposits over the three- an
nine-month periods.

The following table sets forth the amounts of interest-earning assets and interest-bearing liab
outstanding at September 30, 2008 that, based on certain assumptions stemming from our his
experience, are expected to reprice or mature in each of the future time periods shown. Excep
below, the amounts of assets and liabilities shown as repricing or maturing during a particula
were determined in accordance with the earlier of (1) the term to repricing, or (2) the contrac
the asset or liability. The table provides an approximation of the projected repricing of assets
liabilities at September 30, 2008 on the basis of contractual maturities, anticipated prepayme
(including anticipated calls on wholesale borrowings), and scheduled rate adjustments within
three-month period and subsequent selected time intervals. For loans and mortgage-related se
prepayment rates were assumed to range up to 18% annually. Savings accounts, Super NOW
and NOW accounts were assumed to decay at an annual rate of 5% for the first five years an
years thereafter. With the exception of those accounts having specified repricing dates, mone
accounts were assumed to decay at an annual rate of 20% for the first five years and a rate of
years thereafter.

Prepayment and deposit decay rates can have a significant impact on our estimated gap. Whi
our assumptions to be reasonable, there can be no assurance that the assumed prepayment an
noted above will approximate actual loan prepayment and deposit withdrawal activity in futu

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Interest Rate Sensitivity Analysis

	At September 30, 2008				
(dollars in thousands)	Three Months or Less	Four to Twelve Months	More Than One Year to Three Years	More Than Three Years to Five Years	More Than Five Years to 10 Years
INTEREST-EARNING ASSETS:					
Mortgage and other loans [1]	$3,243,986	$4,580,826	$8,478,482	$4,433,280	$ 590,292
Mortgage-related securities [2][3]	234,292	442,592	945,087	724,641	1,228,767
Other securities [2]	670,311	46,222	330,125	757,247	567,393
Money market investments	44,863				
Total interest-earning assets	4,193,452	5,069,640	9,753,694	5,915,168	2,386,452
INTEREST-BEARING LIABILITIES:					
Savings accounts	344,800	89,097	220,071	198,614	1,022,720
NOW and Super NOW accounts	11,839	35,516	87,725	79,172	407,681
Money market accounts	1,064,774	209,436	402,118	257,355	443,223
Certificates of deposit	1,584,598	4,361,076	813,624	190,850	67,348
Borrowed funds	1,897,161	932	2,969,958	1,100,023	6,988,736
Total interest-bearing liabilities	4,903,172	4,696,057	4,493,496	1,826,014	8,929,708
Interest rate sensitivity gap per period [4]	$ (709,720)	$ 373,583	$5,260,198	$4,089,154	$(6,543,256)
Cumulative interest sensitivity gap	$ (709,720)	$ (336,137)	$4,924,061	$9,013,215	$ 2,469,959
Cumulative interest sensitivity gap as a percentage of total assets	(2.21)%	(1.05)%	15.32%	28.04%	7.69%
Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities	85.53%	96.50%	134.94%	156.62%	109.94%

(1) For the purpose of the gap analysis, non-performing loans and the allowance for loan los been excluded.

(2)

Mortgage-related and other securities, including FHLB-NY stock, are shown at their res
carrying values.

(3) Expected amount based, in part, on historical experience.

(4) The interest rate sensitivity gap per period represents the difference between interest-ear
and interest-bearing liabilities.

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

Management also monitors interest rate sensitivity through the use of a model that generates
the change in our net portfolio value (NPV) over a range of interest rate scenarios. NPV is
net present value of expected cash flows from assets, liabilities, and off-balance sheet contra
model makes assumptions regarding estimated loan prepayment rates, reinvestment rates, an
decay rates.

To monitor our overall sensitivity to changes in interest rates, we model the effect of instanta
increases and decreases in interest rates on our assets and liabilities. While the NPV analysis
indication of our interest rate risk exposure at a particular point in time, such measurements a
intended to, and do not, provide a precise forecast of the effect of changes in market interest
net interest income, and may very well differ from actual results.

Based on the information and assumptions in effect at September 30, 2008, the following tab
the estimated percentage change in our NPV, assuming the changes in interest rates noted:

Changes in Interest Rates (in basis points) [(1)]	**Estimated Percentage Change in Net Portfolio Value**
+ 200 over one year	(16.15)%
+ 100 over one year	(7.79)
- 100 over one year	(1.16)

(1) The impact of a 200-basis point reduction in interest rates is not presented in view of the current level of the federal funds rate and other short-term interest rates.

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

Based on the information and assumptions in effect at September 30, 2008, the following tab
the estimated percentage change in future net interest income for the next twelve months, ass
gradual increase or decrease in interest rates during such time:

Changes in Interest Rates (in basis points) [1][2]	**Estimated Percentage Change in Future Net Interest Income**
+ 200 over one year	(3.14)%
+ 100 over one year	(0.98)
- 100 over one year	(0.34)

(1) In general, short- and long-term rates are assumed to increase or decrease in parallel fashion across all four quarters and then remain unchanged.
(2) The impact of a 200-basis point reduction in interest rates is not presented in view of the current level of the federal funds rate and other short-term interest rates.

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No assurances can be given that future changes in our mix of assets and liabilities will not re
greater changes to our gap, NPV, or net interest income simulation.

Liquidity, Off-balance Sheet Arrangements and Contractual Commitments, and Capit

Liquidity

We manage our liquidity to ensure that our cash flows are sufficient to support our operation
compensate for any temporary mismatches with regard to sources and uses of funds caused b
deposit and loan demand.

We monitor our liquidity on a daily basis to ensure that sufficient funds are available to mee
obligations, including withdrawals from depository accounts, outstanding loan commitments
long-term debt payments, and operating leases.

Our most liquid assets are cash and cash equivalents, which totaled $276.4 million at Septem
as compared to $280.1 million at June 30, 2008 and $335.7 million at December 31, 2007. A
liquidity stems from our portfolio of available-for-sale securities, which totaled $1.1 billion a
the third quarter, as compared to $1.2 billion and $1.4 billion, respectively, at the earlier peri

In the first nine months of 2008, our loan and securities portfolios continued to be significan
liquidity, with loan repayments generating cash flows of $3.3 billion and the securities portfo
generating cash flows of $1.8 billion during this time. Included in these amounts were third q
flows of $862.2 million and $159.0 million, respectively.

Additional liquidity stemmed from the deposits we gathered through our 216 branches and f
of wholesale funding sources, including brokered deposits and wholesale borrowings. We al
access to the Banks approved lines of credit with various counterparties, including the FHL

Our primary investing activity is loan production, and in the first nine months of 2008, the v
loans originated exceeded the volume of loan repayments received. In the nine months ende
September 30, 2008, the net cash used in investing activities totaled $1.6 billion. During this
financing activities provided net cash of $1.6 billion, partially reflecting the aforementioned
deposits. In addition, our operating activities used net cash of $38.5 million in the first nine m
year.

CDs due to mature in one year or less from September 30, 2008 totaled $5.9 billion, represe
of total CDs at that date. While our ability to retain and attract CDs depends on various facto
the competitiveness of the terms and interest rates we offer, our desire to retain and attract C
on our need for such funding, and the availability and attractiveness of other sources of fund

Off-balance Sheet Arrangements and Contractual Commitments

At September 30, 2008, we had outstanding loan commitments of $1.3 billion and outstandi
credit totaling $77.1 million. In addition, we continue to be obligated under numerous non-c
operating lease and license agreements. The amounts involved in our operating lease and lic
agreements at the close of the third quarter were comparable to the amounts at December 31
disclosed in our 2007 Annual Report on Form 10-K.

Capital Position

Stockholders equity totaled $4.3 billion at the end of September, down $26.0 million from
2008 balance and up $80.9 million from the balance recorded at December 31, 2007. The Se
2008 and June 30, 2008 balances reflect the issuance of 17,871,000 shares of common stock
quarter, which generated net proceeds of $339.2 million. The net proceeds served to mitigat
on stockholders equity of the debt repositioning charge recorded in the second quarter, as w

dividends paid of $247.7 million over the nine-month period.

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At September 30, 2008, stockholders equity equaled 13.26% of total assets; the June 30th a
December 31st balances represented 13.80% and 13.68% of total assets, respectively. In add
respective balances were equivalent to book values per share of $12.41, $12.51, and $12.95,
343,467,420; 342,849,645; and 322,834,839 shares at the respective quarter-ends.

We calculate book value by subtracting the number of unallocated Employee Stock Ownersh
(ESOP) shares at the end of a period from the number of shares outstanding at the same d
of unallocated ESOP shares at September 30, 2008, June 30, 2008, and December 31, 2007 v
804,551; and 977,800, respectively. We calculate book value in this manner to be consistent
calculations of basic and diluted earnings per share, both of which exclude unallocated ESOI
the number of shares outstanding in accordance with SFAS No. 128, Earnings per Share.

Excluding goodwill of $2.4 billion and CDI of $93.5 million, we reported tangible stockhold
$1.7 billion at September 30, 2008. The latter balance was equivalent to 5.85% of tangible as
tangible book value of $5.05 per share. Excluding after-tax net unrealized losses on securitie
amount of $19.2 million, our adjusted tangible stockholders equity was equivalent to 5.92%
tangible assets at September 30, 2008.

By comparison, tangible stockholders equity totaled $1.8 billion and $1.6 billion, respectiv
2008 and December 31, 2007, equivalent to 6.14% and 5.83%, respectively, of tangible asse
tangible book values of $5.11 and $5.06 per share. Excluding after-tax net unrealized losses
of $10.9 million and $14.8 million, the ratios of adjusted tangible stockholders equity to ad
assets were 6.18% and 5.88% at June 30, 2008 and December 31, 2007, respectively. (Please
reconciliations of stockholders equity, tangible stockholders equity, and adjusted tangible
equity; total assets, tangible assets, and adjusted tangible assets; and the related capital meas
provided earlier in this report.)

The linked-quarter decline in tangible stockholders equity was partly attributable to the afo
OTTI charge and the $8.4 million increase in after-tax net unrealized securities losses. The n
increase in tangible stockholders equity reflects the benefit of the proceeds from the aforem
common stock offering.

Consistent with our historical performance, our capital levels exceeded the minimum federal
requirements for a bank holding company at September 30, 2008. On a consolidated basis, o
capital equaled $2.4 billion, representing 8.19% of adjusted average assets, and our Tier 1 an
risk-based capital equaled $2.4 billion and $2.5 billion, representing 11.92% and 12.38%, res
risk-weighted assets. At December 31, 2007, our leverage capital, Tier 1 risk-based capital, a
risk-based capital amounted to $2.3 billion, $2.3 billion, and $2.4 billion, representing 8.32%
average assets, 12.10% of risk-weighted assets, and 12.58% of risk-weighted assets, respecti

In addition, as of September 30, 2008, both the Community Bank and the Commercial Bank
categorized as well capitalized under the FDIC s regulatory framework for prompt correc
categorized as well capitalized, a bank must maintain a minimum leverage capital ratio of 5.0
minimum Tier 1 risk-based capital ratio of 6.00%, and a minimum total risk-based capital ra
10.00%.

The following regulatory capital analyses set forth the leverage, Tier 1 risk-based, and total r
capital levels at September 30, 2008 for the Company, the Community Bank, and the Comm
each in comparison with the minimum federal requirements.

Regulatory Capital Analysis (the Company)

	At September 30, 2008	
		Risk-based Capital
	Leverage Capital	
(dollars in thousands)		

			Tier 1		T
	Amount	**Ratio**	**Amount**	**Ratio**	**Amou**
Total capital	$2,363,292	8.19%	$2,363,292	11.92%	$2,455,
Regulatory capital requirement	1,153,801	4.00	793,083	4.00	1,586,
Excess	$1,209,491	4.19%	$1,570,209	7.92%	$ 869,

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Regulatory Capital Analysis (the Community Bank)

	At September 30, 2008				
			Risk-based Capital		
	Leverage Capital		Tier 1		T
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amou
Total capital	$2,021,362	7.49%	$2,021,362	11.17%	$2,106,
Regulatory capital requirement	1,078,880	4.00	723,953	4.00	1,447,
Excess	$ 942,482	3.49%	$1,297,409	7.17%	$ 658,

Regulatory Capital Analysis (the Commercial Bank)

	At September 30, 2008				
			Risk-based Capita		
	Leverage Capital		Tier 1		
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amou
Total capital	$271,010	11.20%	$271,010	14.69%	$278,(
Regulatory capital requirement	96,756	4.00	73,797	4.00	147,:
Excess	$174,254	7.20%	$197,213	10.69%	$130,4

Earnings Summary for the Three Months Ended September 30, 2008

In preparing the financial statements for the current third quarter, we determined to record a
charge of $44.2 million for the OTTI of our investments in Lehman Brothers and Freddie Ma
with our investments in certain pooled trust preferred and other equity securities. The non-ca
charge was equivalent to $26.7 million, or $0.08 per diluted share, on an after-tax basis, and
GAAP earnings for the quarter to $58.1 million, or $0.17 per diluted share.

Our third quarter 2008 earnings also reflect a linked-quarter and year-over-year increase in n
income, which was driven by increased loan production and lower funding costs. The reduct
cost of funds was partially attributable to the repositioning of our debt in the trailing quarter,
took steps to enhance our net interest margin and our earnings by prepaying $4.0 billion of h
wholesale and other borrowings and replacing these funds with $3.8 billion of lower-cost wh
borrowings.

In connection with this strategy, we recorded a pre-tax debt repositioning charge of $325.0 n
second quarter of 2008. While $285.4 million of this charge was recorded in non-interest exp
remaining $39.6 million was recorded in interest expense in accordance with Emerging Issue
(EITF) Issue No. 96-19. We also recorded a pre-tax OTTI charge of $49.6 million in our
2008 non-interest income, and a $3.4 million pre-tax litigation settlement charge in our opera
expenses during the same period. The respective charges were equivalent to $199.2 million,
million, and $2.3 million on an after-tax basis, and to $0.60, $0.09, and $0.01, respectively, p
share. Reflecting the combined after-tax impact of these charges, the Company recorded a G
$154.8 million, or $0.47 per diluted share, in the second quarter of 2008.

In the third quarter of 2007, our GAAP earnings were increased by a pre-tax gain of $64.9 m
sale of our Commercial Bank headquarters building in Manhattan. The gain was recorded as
income and, on an after-tax basis, was equivalent to $44.8 million, or $0.14 per diluted share
of this gain was tempered by a pre-tax loss on the sale of securities in the amount of $7.3 mi
was equivalent to $5.1 million, or $0.02 per diluted share, after tax. Reflecting the net impac

items, we recorded third quarter 2007 GAAP earnings of $110.9 million, or $0.35 per dilutec

Net Interest Income

Net interest income is our primary source of income. Its level is largely a function of the ave
of our interest-earning assets, the average balance of our interest-bearing liabilities, and the s
between the yield on such assets and the cost of such liabilities. These factors are influenced
pricing and mix of our interest-earning assets and interest-bearing liabilities which, in turn, r
impacted by such external factors as economic conditions, competition for loans and deposit
interest rates, and the monetary policy of the Federal Open Market Committee (the FOMC
Reserve Board of Governors.

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The cost of our deposits and borrowed funds is largely based on short-term rates of interest, t
which is partially impacted by the actions of the FOMC. The FOMC reduces, maintains, or i
target federal funds rate as it deems necessary. In 2007, the federal funds rate was maintained
until the third quarter, and was subsequently lowered three times, to 4.25%, by December 11
year. In the first nine months of 2008, the federal funds rate was reduced 225 basis points in
jump start growth in the wake of the growing economic crisis. In October, the federal funds r
reduced 100 basis points to 1%, the lowest level in five years.

While the federal funds rate generally impacts the cost of our short-term borrowings and dep
yields on our loans and other interest-earning assets are typically impacted by intermediate-te
interest rates. As previously indicated, the pricing of our multi-family and CRE loans is gene
on the five-year CMT plus a spread, with the interest rate fixed at the date of origination for
years of the loan. The yields on the multi-family and CRE loans originated during the third q
year exceeded the average five-year CMT by 275 basis points on average, as compared to an
257 basis points in the trailing three-month period. The five-year CMT averaged 3.11% in th
third quarter and 3.16% in the second quarter of this year.

The level of net interest income we record is also significantly influenced by the level of pre
penalty income recorded, primarily in connection with the prepayment of multi-family and C
Since prepayment penalty income is recorded as interest income, an increase or decrease in i
also be reflected in the average yields on our loans and interest-earning assets, and therefore,
of our net interest margin and interest rate spread. Refinancing activity slowed substantially
third quarter, largely in reaction to the mounting economic uncertainty in our marketplace. A
prepayment penalty income declined by $4.2 million and $13.1 million, respectively, from th
quarter and year-earlier levels to $3.9 million in the three months ended September 30, 2008

While the level of net interest income recorded in the current third quarter was reduced by th
prepayment penalty income, the impact was exceeded by the benefits of significant loan grow
meaningful decline in funding costs.

Year-over-year Comparison

We recorded net interest income of $181.9 million in the current third quarter, a $27.0 millio
increase from the year-earlier third quarter amount. The year-over-year increase was driven b
million reduction in interest expense to $216.5 million and supported by a $1.2 million incre
income to $398.4 million.

The reduction in interest expense was largely attributable to a decline in funding costs stemm
reduction in the federal funds rate, and from the replacement of $4.0 billion of higher-cost bo
funds with $3.8 billion of lower-cost wholesale borrowings (the aforementioned debt reposit
second quarter of this year.

As a result of these factors, the average cost of interest-bearing deposits declined 84 basis po
year-over-year, to 2.66%, and the average cost of borrowed funds fell 35 basis points, to 4.0
reductions more than offset a $455.0 million increase in the average balance of interest-beari
to $12.9 billion and an $831.3 million increase in the average balance of borrowed funds to $
respectively. The net effect was a $23.4 million reduction in the interest expense produced by
interest-bearing deposits to $86.4 million and a $2.4 million reduction in the interest expense
borrowed funds to $130.1 million. Consequently, the interest expense produced by interest-b
liabilities declined $25.9 million year-over-year to $216.5 million, as a $1.3 billion increase
average balance to $25.6 billion was more than offset by a 59-basis point decline in the avera
3.36%.

The year-over-year increase in interest income was the net effect of a $1.3 billion rise in aver
interest-earning assets to $27.2 billion and a 26-basis point reduction in the average yield to
the higher balance was largely attributable to increased loan production, the reduction in yiel
primarily due to the aforementioned decline in income from prepayment penalties. Thus, wh

average balance of loans rose $2.1 billion year-over-year to $21.0 billion, the average yield o
fell 35 basis points to 6.02%. The net effect of the lower yield and the increased average bala
$14.1 million increase in the income produced by loans to $316.8 million.

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In addition, the average balance of securities rose $178.6 million year-over-year, to $6.2 bill
average yield on such assets fell 19 basis points to 5.28%. As a result, the interest income pr
securities in the current third quarter declined by $366,000 to $81.5 million year-over-year.

Linked-quarter Comparison

In the third quarter of 2008, our net interest income was $51.3 million higher than the trailin
level, the net effect of a $5.1 million increase in interest income and a $46.2 million reductio
expense. The linked-quarter comparison was distorted by the $39.6 million debt repositionin
recorded in interest expense in the second quarter. The charge increased our interest expense
million and reduced our net interest income to $130.6 million in the three months ended Jun

In addition, the level of net interest income recorded in the current third quarter was impacte
million decline in prepayment penalty income from the trailing-quarter amount.

Aside from these factors, the linked-quarter growth of our net interest income reflected a con
the favorable trends we saw in the first two quarters of the year: an increase in the average ba
interest-earning assets coupled with a substantial decline in our funding costs.

Specifically, the $5.1 million linked-quarter increase in interest income was driven by a $54
rise in the average balance of interest-earning assets and tempered by a five-basis point decli
average yield. Largely reflecting the volume of loans originated, the interest income generat
rose $6.4 million in the current third quarter, the net effect of a $554.9 million increase in th
balance and a five-basis point decline in the average yield. The lower yield was attributable t
in prepayment penalty income over the three months ended September 30, 2008.

The linked-quarter increase in interest income was tempered by a $1.1 million decline in the
income produced by securities, as a $15.3 million rise in the average balance was offset by a
point reduction in the average yield.

While the average balance of interest-bearing liabilities rose $646.5 million in the current thi
the average cost of funds fell by 87 basis points during this time. The repositioning charge ac
64 basis points of the latter decline.

Similarly, the average balance of borrowed funds fell $83.8 million over the course of the cu
quarter, coupled with a 152-basis point decline in the average cost. The debt repositioning ch
accounted for 125 basis points of the linked-quarter reduction in the average cost of borrowe
Reflecting the $39.6 million debt repositioning charge, the interest expense produced by bor
declined by $47.9 million over the course of the quarter, contributing to a $46.2 million link
reduction in the interest expense produced by total interest-bearing liabilities.

The interest expense produced by interest-bearing deposits rose $1.6 million on a linked-qua
a $730.3 million increase in the average balance outweighed the benefit of a 14-basis point d
average cost of such funds. CDs accounted for $1.5 million of the increase in interest expens
by total interest-bearing deposits, as the average balance of CDs rose $537.1 million to $6.9
offsetting the benefit of a 27-basis point decline in the average cost to 3.86%. In addition, th
expense produced by NOW and money market accounts rose $202,000 during the quarter, th
of a $128.6 million rise in the average balance to $3.1 billion and a seven-basis point decline
average cost to 1.69%. The linked-quarter increases in the interest expense produced by CDs
and money market accounts was somewhat tempered by a $52,000 reduction in the interest e
produced by savings accounts. The latter decline was the net effect of a $147.2 million incre
average balance of such deposits and a six-basis point reduction in the average cost of such f

Net Interest Margin

Partly reflecting the benefit of the debt repositioning that took place in the second quarter, ou
margin rose to 2.68% in the current third quarter from 2.41% in the third quarter of 2007. Th
point increase was also due to the substantial decline in the average cost of interest-bearing c
the FOMC reduced the federal funds rate, and to the $1.3 billion increase in the average bala
interest-earning assets, as the volume of loan production rose.

Prepayment penalty income added five basis points to the margin in the current third quarter
26 basis points, respectively, to the margins recorded in the trailing and year-earlier three mo

Our net interest margin also rose 74 basis points on a linked-quarter basis from 1.94% in the
ended June 30, 2008. The latter measure was reduced by the 60-basis point impact of the $39
debt repositioning charge.

The tables that follow set forth certain information regarding our average balance sheet for th
indicated, including the average yields on our interest-earning assets and the average costs of
interest-bearing liabilities. Average yields are calculated by dividing the interest income prod
average balance of interest-earning assets. Average costs are calculated by dividing the intere
produced by the average balance of interest-bearing liabilities. The average balances for the y
derived from average balances that are calculated daily. The average yields and costs include
considered adjustments to such average yields and costs.

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Net Interest Income Analysis (Year-over-Year Comparison)

(dollars in thousands)

(unaudited)

	For the Three Months Ended September 30, 2008			2007	
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest
Assets:					
Interest-earning assets:					
Mortgage and other loans, net [1]	$21,032,989	$316,780	6.02%	$18,979,750	$302,66
Securities [2][3]	6,166,138	81,467	5.28	5,987,562	81,83
Money market investments	39,803	152	1.52	989,423	12,72
Total interest-earning assets	27,238,930	398,399	5.85	25,956,735	397,22
Non-interest-earning assets	4,046,868			3,859,546	
Total assets	$31,285,798			$29,816,281	
Liabilities and Stockholders Equity:					
Interest-bearing deposits:					
NOW and money market accounts	$ 3,139,091	$ 13,346	1.69%	$ 3,064,306	$ 24,06
Savings accounts	2,745,852	5,789	0.84	2,534,661	7,19
Certificates of deposit	6,938,374	67,274	3.86	6,772,774	78,58
Mortgagors escrow	103,054	25	0.10	99,653	2
Total interest-bearing deposits	12,926,371	86,434	2.66	12,471,394	109,87
Borrowed funds	12,722,990	130,086	4.07	11,891,671	132,49
Total interest-bearing liabilities	25,649,361	216,520	3.36	24,363,065	242,37
Non-interest-bearing deposits	1,167,962			1,219,793	
Other liabilities	249,507			282,208	
Total liabilities	27,066,830			25,865,066	
Stockholders equity	4,218,968			3,951,215	
Total liabilities and stockholders equity	$31,285,798			$29,816,281	
Net interest income/interest rate spread		$181,879	2.49%		$154,85
Net interest-earning assets/net interest margin	$ 1,589,569		2.68%	$ 1,593,670	

Ratio of interest-earning assets to interest-bearing liabilities	1.06x

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowance for loan include loans held for sale and non-performing loans.
(2) Amounts are at amortized cost.
(3) Includes FHLB-NY stock.

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In the following table, the following line items in the net interest income analysis for the thre
ended June 30, 2008 reflect the impact of the $39.6 million debt repositioning charge record
quarter: the average cost of borrowed funds and the average cost of interest-bearing liabilitie
expense produced by borrowed funds and the interest expense produced by interest-bearing l
interest income; interest rate spread; and net interest margin.

Net Interest Income Analysis (Linked-quarter Comparison)

(dollars in thousands)

(unaudited)

	For the Three Months Ended				
	September 30, 2008			June 30, 200	
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest
Assets:					
Interest-earning assets:					
Mortgage and other loans, net(1)	$21,032,989	$316,780	6.02%	$20,478,132	$310,39
Securities(2)(3)	6,166,138	81,467	5.28	6,150,862	82,53
Money market investments	39,803	152	1.52	64,058	37
Total interest-earning assets	27,238,930	398,399	5.85	26,693,052	393,30
Non-interest-earning assets	4,046,868			3,871,259	
Total assets	$31,285,798			$30,564,311	
Liabilities and Stockholders Equity:					
Interest-bearing deposits:					
NOW and money market accounts	$ 3,139,091	$ 13,346	1.69%	$ 3,010,497	$ 13,14
Savings accounts	2,745,852	5,789	0.84	2,598,621	5,84
Certificates of deposit	6,938,374	67,274	3.86	6,401,287	65,79
Mortgagors escrow	103,054	25	0.10	185,626	2
Total interest-bearing deposits	12,926,371	86,434	2.66	12,196,031	84,81
Borrowed funds	12,722,990	130,086	4.07	12,806,797	177,93
Total interest-bearing liabilities	25,649,361	216,520	3.36	25,002,828	262,75
Non-interest-bearing deposits	1,167,962			1,227,850	
Other liabilities	249,507			136,340	
Total liabilities	27,066,830			26,367,018	
Stockholders equity	4,218,968			4,197,293	
Total liabilities and stockholders equity	$31,285,798			$30,564,311	

Net interest income/interest rate spread		$181,879	2.49%		$130,55
Net interest-earning assets/net interest margin	$ 1,589,569		2.68%	$ 1,690,224	
Ratio of interest-earning assets to interest-bearing liabilities			1.06 x		

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowance for loan include loans held for sale and non-performing loans.
(2) Amounts are at amortized cost.
(3) Includes FHLB-NY stock.

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Provision for Loan Losses

The provision for loan losses is based on management s assessment of the adequacy of the l
allowance. Management establishes the allowances for loan losses through an assessment of
losses in each of the respective loan portfolios. Several factors are considered in this process
the level of defaulted loans at the close of each quarter; recent trends in loan performance; hi
levels of loan losses; the factors underlying such loan defaults and loan losses; projected def
loss severities; internal risk ratings; loan size; economic, industry, and environmental factors
impairment, as defined under SFAS No. 114, Accounting by Creditors for Impairment of a
amended by SFAS No. 118, Accounting by Creditors for Impairment of a Loan/Income R
Disclosures.

As a result of management s assessment, loan loss provisions of $400,000 and $1.7 million
in the three months ended September 30 and June 30, 2008, respectively, and no loan loss pr
recorded during the three months ended September 30, 2007. Net charge-offs totaled $1.1 m
represented 0.005% of average loans in the current third quarter, as compared to $1.2 millio
representing 0.006% of average loans, in the trailing quarter and $151,000, representing 0.00
average loans, in the year-earlier three months. Included in third quarter 2008 net charge-off
unsecured C&I loan of $834,000 that was acquired in connection with one of our merger tra
the prior year.

Reflecting the provision for loan losses and the net charge-offs recorded during the quarter, t
for loan losses declined to $92.1 million at the end of September from $92.9 million and $92
respectively, at June 30, 2008 and December 31, 2007. The September 30, 2008 amount rep
0.43% of total loans and 150.1% of non-performing loans at that date.

Both management and the Board of Directors monitor the loan loss allowance on a regular b
believe that the balance at September 30, 2008 represents the best estimate of losses inheren
portfolio, given the nature of our lending niche and the standards we follow in underwriting
multi-family and CRE loans.

Please see Critical Accounting Policies earlier in this report for a detailed discussion of th
considered by management in determining the allowance for loan losses, together with the d
asset quality in the balance sheet summary.

Non-interest (Loss) Income

Non-interest income generally consists of three components: fee income (comprised primari
related to retail deposits); income generated by our investment in Bank-owned Life Insuranc
and other income, which primarily includes the revenues produced through the sale of third-
investment products and the revenues generated by our subsidiary investment advisory firm,
Cannell & Co., Inc. (PBC).

In the third quarter of 2008, these components produced combined revenues of $24.8 millio
compared to $26.4 million and $26.9 million, respectively, in the trailing and year-earlier th
Fee income totaled $10.4 million in the current third quarter, representing a three-month inc
$192,000 and a year-over-year reduction of $222,000. The linked-quarter increase was offse
$113,000 reduction in BOLI income, to $7.0 million, and by a $1.6 million reduction in othe
$7.4 million. The year-over-year reduction in fee income was coupled with a $1.8 million de
income, which more than offset a $22,000 increase in BOLI revenues.

The linked-quarter and year-over-year declines in other income were indicative of the turmo
financial markets. As investor concerns about the economy and declining market values inc
revenues generated by PBC and from the sale of third-party investment products declined.

In the third and second quarters of 2008, the revenues produced by these primary sources of
income were exceeded by the aforementioned OTTI charges of $44.2 million and $49.6 mill
securities. Reflecting the impact of the respective charges, we recorded a non-interest loss of
million in the current third quarter and of $22.7 million in the second quarter of this year. Al
in the second quarter 2008 amount were net gains on the sale of securities of $568,000.

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In the three months ended September 30, 2007, we recorded non-interest income of $84.4 m
included a gain of $64.9 million on the sale of our former Commercial Bank headquarters in
Herald Square. The benefit of this gain was partly offset by a net loss on the sale of securitie
amount of $7.3 million in connection with a post-merger repositioning of our balance sheet.

The following table summarizes the components of non-interest (loss) income for the three r
September 30, 2008, June 30, 2008, and September 30, 2007:

	For the Three Months E		
(in thousands)	September 30, 2008	June 30, 2008	S
Fee income	$ 10,402	$ 10,210	
BOLI income	7,021	7,134	
Net gain (loss) on sale of securities		568	
Gain on sale of bank-owned property			
Loss on other-than-temporary impairment of securities	(44,160)	(49,595)	
Other income:			
PBC	3,211	3,881	
Third-party investment product sales	3,375	3,515	
Gain on sale of 1-4 family and other loans	84	88	
Other	735	1,540	
Total other income	7,405	9,024	
Total non-interest (loss) income	$(19,332)	$(22,659)	

Non-interest Expense

Non-interest expense generally consists of two primary components: operating expenses, wh
compensation and benefits, occupancy and equipment, and general and administrative (G&
and the amortization of the CDI stemming from our business combinations.

Operating expenses totaled $78.6 million in the third quarter of 2008, reflecting a linked-qua
of $3.9 million and a $5.8 million increase year-over-year. The linked-quarter decline was at
a $571,000 reduction in compensation and benefits expense to $42.8 million and a $3.7 milli
in G&A expense to $18.2 million. In the second quarter of 2008, the Company s G&A expe
increased by the aforementioned $3.4 million litigation settlement charge. The linked-quarte
in compensation and benefits expense and G&A expense were somewhat tempered by a $37
increase in occupancy and equipment expense to $17.6 million over the three-month period.

The year-over-year increase in operating expenses was driven by a $2.2 million rise in comp
benefits expense, an $846,000 rise in occupancy and equipment expense, and a $2.8 million
expense. These increases were primarily due to the acquisition of Synergy Financial Group,
(Synergy) in the fourth quarter of 2007 and the related expansion of our branch network a

The amortization of CDI totaled $5.8 million in the current third quarter, down $64,000 and
respectively, from the trailing and year-earlier three-month amounts.

Non-interest expense thus totaled $84.3 million and $78.7 million, respectively, in the three
September 30, 2008 and 2007. While operating expenses and CDI amortization totaled $88.
the second quarter of 2008, the aforementioned debt repositioning charge of $285.4 million i
non-interest expense to $373.7 million in the three months ended June 30, 2008.

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In October 2008, the FDIC issued a proposal to raise the deposit insurance premiums paid by
institutions by seven basis points, beginning on January 1, 2009. As a result, the initial base i
premium rate for each of the Banks would fall into a range of ten to 14 basis points. In additi
has proposed a modification that would increase deposit insurance premium rates for those in
whose secured borrowings exceeded 15% of domestic deposits, beginning on April 1, 2009.
Banks secured borrowings as September 30, 2008, this modification would be expected to r
additional assessment of up to seven basis points.

If the FDIC s proposed modifications become effective, we anticipate that the deposit insura
rates paid by the Banks would significantly increase and that our operating expenses would i
2009 and thereafter, as long as the increased premiums are in place.

In addition, our non-interest expense will be increased by the exhaustion of one-time credits
the Banks under the FDIC Reform Act of 2005. These credits totaled $8.9 million at Decemb
and are expected to be exhausted in the fourth quarter of 2008.

Income Tax Expense

We recorded income tax expense of $19.7 million in the current third quarter, as compared to
million in the year-earlier three months. The $44.2 million OTTI charge reduced our third qu
pre-tax income to $77.8 million and resulted in an effective tax rate of 25.38%. In contrast, t
million gain on the sale of bank-owned property recorded in the third quarter of 2007 increas
pre-tax income to $160.6 million and resulted in our recording an effective tax rate of 30.96%
period.

In the second quarter of 2008, we recorded an income tax benefit of $112.7 million, as a resu
$325.0 million debt repositioning charge and the OTTI charge of $49.6 million. These charg
responsible for our recording a pre-tax loss of $267.5 million in the second quarter and resul
effective tax rate of 42.14%.

Please see the discussion entitled Income Taxes under Critical Accounting Policies ear

Earnings Summary for the Nine Months Ended September 30, 2008

For the nine months ended September 30, 2008, we recorded a loss of $24.3 million, or $0.0
and diluted share. Our current nine-month earnings were adversely impacted by three charge
million debt repositioning charge recorded in the second quarter; charges of $93.8 million fo
certain securities in the second and third quarters, combined; and the $3.4 million charge tha
recorded in the second quarter in connection with the disposition of litigation that had been i
1983 against CFS Bank, a subsidiary of Haven Bancorp, Inc. which we acquired on Novemb

The impact of these charges was tempered by two gains that were recorded in our first quarte
non-interest income: a $926,000 pre-tax gain on debt repurchase and a $1.6 million pre-tax g
our membership interest in Visa, Inc. On an after-tax basis, these gains combined with the
aforementioned charges to reduce our earnings for the nine months ended September 30, 200
million, or $0.76 per diluted share.

Net Interest Income

In accordance with EITF Issue No. 96-19, $39.6 million of the debt repositioning charge rec
connection with the prepayment of $700.0 million of wholesale borrowings in the second qu
recorded in our nine-month 2008 interest expense. The charge resulted in an increase in the f
measures during this period: the interest expense produced by borrowed funds; the interest ex
produced by interest-bearing liabilities; the average cost of borrowed funds; and the average
interest-bearing liabilities. As a result, the following measures were reduced in the current ni
period: net interest income, interest rate spread, and net interest margin.

Notwithstanding the negative impact of the $39.6 million debt repositioning charge in the se
our net interest income for the nine months ended September 30, 2008 rose $11.8 million fro
year-earlier level to $473.9 million. The year-over-year increase was the net effect of a $26.4
in interest income to $1.2 billion and a $14.6 million rise in interest expense to $720.1 millio

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Interest income increased $26.4 million year-over-year to $1.2 billion, the net effect of a $1.
in the average balance of interest-earning assets to $26.9 billion, and a 13-basis point drop in
yield to 5.93%. The average balance was boosted by a $1.3 billion increase in average loans
billion, together with a $471.8 million increase in the average balance of securities to $6.1 bi
increases were partially offset by a decline of $580.9 million in the average balance of mone
investments to $134.6 million. The reduction in the average yield reflects the impact of a $30
reduction in prepayment penalty income as further discussed below.

Loans produced interest income of $940.2 million in the current nine-month period, represen
million increase from the year-earlier amount. The increase was driven by the increase in the
balance, which more than offset the impact of a 23-basis point decline in the average yield to
increase in the average balance of loans reflects the volume of loans originated in the current
period, as well as loans acquired in the fourth quarter 2007 acquisition of Synergy. The lowe
reflects the impact of the decline in prepayment penalty income. Prepayment penalties gener
million in the first nine months of this year, in contrast to $53.1 million in the first nine mont
and added 14 and 37 basis points, respectively, to the average yield on loans in the correspon

The interest income produced by securities rose $25.1 million year-over-year, to $251.0 mill
of the aforementioned increase in the average balance and a 13-basis point rise in the averag
such assets to 5.44%. The interest income produced by money market investments declined
to $2.9 million, as the lower balance combined with a 222-basis point decline in the average
assets to 2.86%.

The year-over-year increase in nine-month interest expense was the net effect of a $1.1 billio
average balance of interest-bearing liabilities to $25.2 billion and a 10-basis point decline in
cost of funds to 3.81%. While the $39.6 million debt repositioning charge added 21 basis poi
average cost of funds in the current nine-month period, its impact was somewhat offset by th
short-term interest rates from the year-earlier level and by the related reduction in our retail f
during this time.

Interest-bearing deposits generated interest expense of $268.0 million in the first nine month
representing a year-over-year reduction of $54.7 million. The reduction was the net effect of
million increase in the average balance of such funds to $12.4 billion, and a 62-basis point de
average cost to 2.88%. The higher average balance was primarily due to a $135.9 million inc
average CDs to $6.8 billion, which more than offset a $122.9 million decline in average NOV
market accounts to $2.9 billion. The interest expense produced by CDs declined $19.5 millio
year-over-year to $209.6 million, as the impact of the higher balance was outweighed by a 4
decline in the average cost of such funds to 4.14%. The interest expense produced by NOW
market accounts declined by $32.6 million year-over-year to $40.7 million, reflecting the lov
balance and a 135-basis point reduction in the average cost of such funds to 1.86%. In additi
interest expense produced by savings accounts declined $2.6 million to $17.6 million as the i
$91.1 million rise in the average balance to $2.6 billion was offset by a 17-basis point declin
average cost of such funds to 0.90%. Non-interest-bearing accounts averaged $1.2 billion in
months of 2008, signifying a $34.5 million increase year-over-year.

In the first nine months of 2008, the interest expense produced by borrowed funds totaled $4
signifying a $69.3 million increase from the year-earlier amount. While the increase was par
attributable to a $1.0 billion rise in the average balance to $12.8 billion, it primarily reflected
of the $39.6 million debt repositioning charge. The charge added 42 basis points to the cost o
funds in the current nine-month period. As a result, the average cost was 4.72% in the nine n
September 30, 2008, as compared to 4.35% in the year-earlier nine months.

The debt repositioning charge also had an impact on our nine-month 2008 spread and margin
them by 21 and 19 basis points, respectively, to 2.12% and 2.35%. In the nine months ended
September 30, 2007, our spread and margin equaled 2.15% and 2.39%, respectively. Althou
strategic debt repositioning resulted in the year-over-year contraction of our nine-month spre
margin, the benefit of the repositioning was reflected in our third quarter 2008 measures and

to be reflected in these measures in the quarters ahead.

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The following table sets forth certain information regarding our average balance sheet for th
indicated, including the average yields on our interest-earning assets and the average costs o
interest-bearing liabilities. Average yields are calculated by dividing the interest income pro
average balance of interest-earning assets. Average costs are calculated by dividing the inter
produced by the average balance of interest-bearing liabilities. The average balances for the
derived from average balances that are calculated daily. The average yields and costs include
considered adjustments to such average yields and costs.

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In the net interest income analysis for the nine months ended September 30, 2008 that follow
following line items reflect the impact of the $39.6 million debt repositioning charge recorde
quarter 2008 interest expense: the average cost of borrowed funds and the average cost of int
liabilities; the interest expense produced by borrowed funds and the interest expense produce
interest-bearing liabilities; net interest income; interest rate spread; and net interest margin.

Net Interest Income Analysis

(dollars in thousands)

	Nine Months Ended September 30,				
	2008			2007	
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest
Assets:					
Interest-earning assets:					
Mortgage and other loans, net [1]	$20,586,762	$940,164	6.09%	$19,310,587	$914,60
Securities [2] [3]	6,147,587	250,974	5.44	5,675,776	225,84
Money market investments	134,637	2,885	2.86	715,563	27,19
Total interest-earning assets	26,868,986	1,194,023	5.93	25,701,926	1,167,63
Non-interest-earning assets	3,969,577			3,691,006	
Total assets	$30,838,563			$29,392,932	
Liabilities and Stockholders Equity:					
Interest-bearing deposits:					
NOW and money market accounts	$ 2,922,880	$ 40,658	1.86%	$ 3,045,754	$ 73,21
Savings accounts	2,610,492	17,609	0.90	2,519,384	20,20
Certificates of deposit	6,770,747	209,647	4.14	6,634,885	229,15
Mortgagors escrow	137,076	79	0.08	128,803	9
Total interest-bearing deposits	12,441,195	267,993	2.88	12,328,826	322,66
Borrowed funds	12,799,358	452,142	4.72	11,773,987	382,84
Total interest-bearing liabilities	25,240,553	720,135	3.81	24,102,813	705,51
Non-interest-bearing deposits	1,207,334			1,172,809	
Other liabilities	215,949			291,347	
Total liabilities	26,663,836			25,566,969	
Stockholders equity	4,174,727			3,825,963	
Total liabilities and stockholders equity	$30,838,563			$29,392,932	
Net interest income/interest rate spread		$473,888	2.12%		$462,12

Net interest-earning assets/net interest margin	$ 1,628,433	2.35%	$ 1,599,113
Ratio of interest-earning assets to interest-bearing liabilities		1.06x	

(1) Amounts are net of net deferred loan origination costs/(fees) and the allowance for loan include loans held for sale and non-performing loans.
(2) Amounts are at amortized cost.
(3) Includes FHLB-NY stock.

Provision for Loan Losses

Our provision for loan losses totaled $2.1 million in the nine months ended September 30, 20 loan loss provisions were recorded in the year-earlier nine months. For additional informatio provision for loan losses, please see the third quarter 2008 discussion of the loan loss provisi discussions of the allowance for loan losses and asset quality earlier in this report.

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Non-interest (Loss) Income

In the first nine months of 2008, we recorded a non-interest loss of $13.5 million, as compare
non-interest income of $84.6 million in the first nine months of the prior year. Although we r
losses of $93.8 million and $57.0 million on the OTTI of securities in the nine months ended
September 30, 2008 and 2007, respectively, the 2007 charge was exceeded by a $64.9 millio
sale of our former Commercial Bank headquarters in Manhattan in the third quarter of that y

The OTTI charges recorded in the current nine-month period were tempered by a $72,000 in
income to $31.2 million; a $1.5 million increase in BOLI income to $20.9 million; and a $52
increase in other income to $26.7 million, when compared to the year-earlier amounts. In the
months of 2008, these three components of non-interest income totaled $78.8 million, repres
million increase from the year-earlier amount. The growth in other income was primarily due
increase in revenues from the sale of third-party investment products but also reflects a gain
million that was recorded in connection with our membership interest in Visa, Inc.

In addition, we recorded a $926,000 gain on debt repurchase in the current year s first quarte
compared to a $1.8 million loss on debt repurchase in the second quarter of last year. Howev
$568,000 net gain on the sale of securities recorded in the current nine-month period was exc
$1.9 million net gain on the sale of securities in the year-earlier nine months.

The following table summarizes the components of our non-interest (loss) income for the nin
ended September 30, 2008 and 2007:

	For the Nine M Septem
(in thousands)	**2008**
Fee income	$ 31,196
BOLI	20,900
Net gain on sale of securities	568
Gain on sale of bank-owned property	
Gain (loss) on debt repurchase	926
Loss on other-than-temporary impairment of securities	(93,755)
Other income:	
PBC	10,794
Third-party investment product sales	9,832
Gain on sale of 1-4 family and other loans	236
Visa-related gain	1,647
Other	4,162
Total other income	26,671
Total non-interest (loss) income	$(13,494)

Non-interest Expense

We recorded non-interest expense of $542.9 million in the current nine-month period, as con
$237.6 million in the year-earlier nine months. The $305.3 million increase was largely due t
million debt repositioning charge recorded in the second quarter; the remainder of the increa
rise in operating expenses and the amortization of CDI.

Operating expenses rose $22.2 million year-over-year, to $240.0 million, the result of an $11
increase in compensation and benefits expense to $129.2 million; a $3.2 million increase in o
and equipment expense to $52.5 million; and a $7.5 million increase in G&A expense to $58

The latter increase was largely attributable to the $3.4 million litigation settlement charge rec
second quarter of this year. The increase in operating expenses was primarily due to the
acquisition-driven expansion of our branch network in the second half of 2007, and the relate
in staffing and marketing, among other expansion-related costs. In addition, the rise in comp
benefits expense reflects certain expenses that were incurred in connection with our stock inc
management incentive compensation plans.

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The amortization of CDI increased $930,000 year-over-year to $17.6 million, reflecting the C
in our 2007 transactions with Doral Bank, FSB and Synergy.

Income Tax Expense (Benefit)

We recorded an income tax benefit of $60.2 million in the current nine-month period, as con
income tax expense of $97.4 million in the year-earlier nine months. The difference was attri
the effect on our pre-tax operating results of the $325.0 million debt repositioning charge rec
second quarter and the combined OTTI charge of $93.8 million recorded in the second and th
of this year. The tax benefit rate applied to these charges is higher than the tax expense rate a
balance of pre-tax income earned during the nine months ended September 30, 2008. As a re
an effective tax benefit rate of 71.21% relating to the $84.6 million pre-tax net loss we record
current nine-month period.

In contrast, the $64.9 million gain on the sale of bank-owned property recorded in the third q
2007 increased our nine-month 2007 pre-tax income to $309.1 million, and resulted in our re
effective tax expense rate of 31.51% during that time.

Please see the discussion entitled Income Taxes under Critical Accounting Policies ear

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARK

Quantitative and qualitative disclosures about the Company s market risk were presented on
of our 2007 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Com
SEC) on February 29, 2008. Subsequent changes in the Company s market risk profile an
sensitivity are detailed in the discussion entitled Asset and Liability Management and the M
Interest Rate Risk in this quarterly report.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, un
supervision and with the participation of the Company s management, including the Compa
Executive Officer and Chief Financial Officer, of the effectiveness of the design and operatio
Company s disclosure controls and procedures pursuant to Rule 13a-15(b), as adopted by th
the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, the
Officer and Chief Financial Officer concluded that the Company s disclosure controls and p
were effective as of the end of the period covered by this report in ensuring that information
be disclosed by the Company in the reports that we file or submit under the Exchange Act is
processed, summarized and reported, within the time periods specified in the Commission s
forms.

(b) Internal Control over Financial Reporting

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

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NEW YORK COMMUNITY BANCORP, INC.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, the Company and its subsidiaries are defendants in or par
number of legal proceedings. At the present time, management is not in a position to determi
resolution of these cases will have a material adverse effect on the Company.

On May 6, 2005, sixteen of the Company s current or former officers and directors were nar
defendants in a putative derivative action filed by an alleged shareholder on behalf of the Co
United States District Court for the Eastern District of New York. The same shareholder pre
sent the Company s Board of Directors a letter reciting many of the allegations made in a pu
action that since has been dismissed with prejudice. The putative class action alleged, among
that the Registration Statement issued in connection with the Company s merger with Rosly
Inc. and other documents and statements made by executive management in connection ther
inaccurate and misleading, contained untrue statements of material facts, omitted other facts
make the statements made not misleading, and concealed and failed to adequately disclose m
pertaining to, among other things, the Company s business plans and its exposure to interest
shareholder subsequently demanded that the Board take a variety of actions allegedly require
those allegations. The Board appointed a committee of independent directors to evaluate wh
any, to make to this letter. Nevertheless, the putative derivative plaintiff filed this action repe
same allegations as in the letter and purporting to seek on behalf of the Company money dar
restitution, and equitable relief against the defendants for various alleged breaches of duty ar
corporate waste. On August 15, 2005, the plaintiff filed an amended complaint, repeating the
substantive allegations of fact. On September 30, 2005, the defendants filed motions to dism
action, which motions remain pending.

We believe that we have meritorious defenses against the forgoing action and will vigorousl
the substantive and procedural aspects of this litigation.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the
discussed in Part I, Item 1A. Risk Factors, in the Company s Annual Report on Form 10-
ended December 31, 2007, as such factors could materially affect the Company s business,
condition, or future results. In the three months ended September 30, 2008, there were no ma
changes to the risk factors disclosed in the Company s 2007 Annual Report on Form 10-K.
described in the Annual Report on Form 10-K are not the only risks that the Company faces.
risks and uncertainties not currently known to the Company, or that the Company currently
immaterial, also may have a material adverse impact on the Company s business, financial
results.

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

Share Repurchase Program

During the three months ended September 30, 2008, the Company allocated $27,808 toward
repurchase of shares of its common stock, as outlined in the following table:

Period	(a) Total Number of Shares (or Units) Purchased [(1)]	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d Maximum N Approximate of Shares (or U Yet Be Purcha Plans or Pr
Month #1: July 1, 2008 through July 31, 2008	855	$17.74	855	
Month #2: August 1, 2008 through August 31, 2008	756	16.72	756	
Month #3: September 1, 2008 through September 30, 2008				
Total	1,611	$17.26	1,611	

(1) All shares were purchased in privately negotiated transactions.
(2) On February 26, 2004, the Board of Directors authorized the repurchase of five million s
April 20, 2004, with 44,816 shares remaining under such authorization, the Board autho
repurchase of up to an additional five million shares. At September 30, 2008, 1,351,560
still available for repurchase under the April 20, 2004 authorization. Under said authoriz
may be repurchased on the open market or in privately negotiated transactions until com
Board s earlier termination of the repurchase authorization.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit 3.1:	Amended and Restated Certificate of Incorporation [(1)]
Exhibit 3.2:	Certificates of Amendment of Amended and Restated Certificate of Incorp [(2)]
Exhibit 3.3:	Bylaws, as amended and restated [(3)]
Exhibit 4.1:	Specimen Stock Certificate [(4)]
Exhibit 4.2:	Registrant will furnish, upon request, copies of all instruments defining th of holders of long-term debt instruments of the registrant and its consolida subsidiaries.
Exhibit 31.1:	Certification pursuant to Rule 13a-14(a)/15d-14(a)

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Exhibit 31.2: Certification pursuant to Rule 13a-14(a)/15d-14(a)

Exhibit 32: Certifications pursuant to 18 U.S.C. 1350

(1) Incorporated by reference to Exhibits filed with the Company s Form 10-Q filed with th and Exchange Commission on May 11, 2001 (File No. 000-22278).
(2) Incorporated by reference to Exhibits filed with the Company s Form 10-K for the year December 31, 2003 (File No. 001-31565).
(3) Incorporated by reference to Exhibits filed with the Company s Form 8-K filed with the Exchange Commission on June 20, 2007 (File No. 001-31565).
(4) Incorporated by reference to Exhibits filed with the Company s Registration Statement (Registration No. 333-66852).

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NEW YORK COMMUNITY BANCORP, INC.

SIGNATURES

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

New York Community Bancorp, Inc.
(Registrant)

DATE: November 10, 2008

BY: /s/ Joseph R. Ficalora
Joseph R. Ficalora
Chairman, President, and Chief Exe
Officer

DATE: November 10, 2008

BY: /s/ Thomas R. Cangemi
Thomas R. Cangemi
Senior Executive Vice President an
Financial Officer

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