NEW YORK COMMUNITY BANCORP INC
Form 10-Q
August 09, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2010

Commission File Number 1-31565

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**06-1377322**

(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

615 Merrick Avenue, Westbury, New York 11590

(Address of principal executive offices)

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

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

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

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

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

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

435,545,171

Number of shares of common stock outstanding at

August 3, 2010

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NEW YORK COMMUNITY BANCORP, INC.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(in thousands, except share data)

	June 30, 2010 (unaudited)	December 31, 2009
Assets:		
Cash and cash equivalents	$ 2,614,325	$ 2,670,857
Securities available for sale:		
Mortgage-related ($543,383 and $602,233 pledged, respectively)	597,970	774,205
Other securities ($234,771 and $302,022 pledged, respectively)	333,963	744,441
Total available-for-sale securities	931,933	1,518,646
Securities held to maturity:		
Mortgage-related ($1,812,723 and $2,459,161 pledged, respectively) (fair value of $1,906,106 and $2,551,608, respectively)	1,819,478	2,465,956
Other securities ($1,659,065 and $1,564,585 pledged, respectively) (fair value of $1,955,285 and $1,698,054, respectively)	1,945,836	1,757,641
Total held-to-maturity securities	3,765,314	4,223,597
Total securities	4,697,247	5,742,243
Loans held for sale	930,565	
Non-covered loans held for investment, net of deferred loan fees and costs	23,592,926	23,376,599
Less: Allowance for loan losses	(140,583)	(127,491)
Non-covered loans held for investment, net	23,452,343	23,249,108
Covered loans (includes $351.3 million of loans held for sale at December 31, 2009)	4,626,574	5,016,100
Total loans, net	29,009,482	28,265,208
Federal Home Loan Bank (FHLB) stock, at cost	446,845	496,742
Premises and equipment, net	200,233	205,165
FDIC loss share receivable	825,608	743,276
Goodwill	2,436,327	2,436,401
Core deposit intangibles, net	93,226	105,764
Bank-owned life insurance	728,946	715,962
Other assets (includes $38.0 million of other real estate owned (OREO) covered by FDIC loss sharing agreements at June 30, 2010)	958,508	772,251
Total assets	$ 42,010,747	$ 42,153,869
Liabilities and Stockholders Equity:		
Deposits:		
NOW and money market accounts	$ 8,178,524	$ 7,706,288
Savings accounts	3,915,083	3,788,294
Certificates of deposit	8,635,360	9,053,891
Non-interest-bearing accounts	1,714,701	1,767,938
Total deposits	22,443,668	22,316,411

Borrowed funds:		
FHLB advances	8,460,674	8,955,769
Repurchase agreements	4,125,000	4,125,000
Total wholesale borrowings	12,585,674	13,080,769
Junior subordinated debentures	427,205	427,371
Other borrowings	653,605	656,546
Total borrowed funds	13,666,484	14,164,686
Other liabilities	454,161	305,870
Total liabilities	36,564,313	36,786,967
Stockholders equity:		
Preferred stock at par $0.01 (5,000,000 shares authorized; none issued)		
Common stock at par $0.01 (600,000,000 shares authorized; 435,504,508 and 433,197,332 shares issued and outstanding, respectively)	4,355	4,332
Paid-in capital in excess of par	5,276,635	5,238,231
Retained earnings	218,730	175,193
Unallocated common stock held by Employee Stock Ownership Plan (ESOP)	(481)	(951)
Accumulated other comprehensive loss, net of tax:		
Net unrealized gain (loss) on securities available for sale, net of tax	1,138	(457)
Net unrealized loss on securities transferred from available-for-sale to held to maturity and the non-credit portion of other-than-temporary impairment (OTTI) losses, net of tax	(15,909)	(9,744)
Net unrealized loss on pension and post-retirement obligations, net of tax	(38,034)	(39,702)
Total accumulated other comprehensive loss, net of tax	(52,805)	(49,903)
Total stockholders equity	5,446,434	5,366,902
Total liabilities and stockholders equity	$ 42,010,747	$ 42,153,869

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Interest Income:				
Mortgage and other loans	$ 417,168	$ 321,640	$ 830,843	$ 643,357
Securities and money market investments	66,019	80,056	134,722	158,445
Total interest income	483,187	401,696	965,565	801,802
Interest Expense:				
NOW and money market accounts	16,413	7,314	32,844	14,877
Savings accounts	5,800	3,565	11,545	7,781
Certificates of deposit	37,327	44,617	74,880	97,340
Borrowed funds	129,446	128,615	257,511	257,304
Total interest expense	188,986	184,111	376,780	377,302
Net interest income	294,201	217,585	588,785	424,500
Provision for loan losses	22,000	12,000	42,000	18,000
Net interest income after provision for loan losses	272,201	205,585	546,785	406,500
Non-Interest Income (Loss):				
Total loss on OTTI of securities	(481)	(51,073)	(13,666)	(51,073)
Less: Non-credit portion of OTTI recorded in other comprehensive income (before taxes)	59	11,345	12,521	11,345
Net loss on OTTI recognized in earnings	(422)	(39,728)	(1,145)	(39,728)
Fee income	14,088	9,282	28,053	18,573
Bank-owned life insurance	6,775	6,728	14,176	13,568
Net loss on sale of securities			(8)	
Gain on business acquisition	10,780		10,780	
Gain on debt repurchase			293	
Other	49,192	6,007	83,308	12,052
Total non-interest income (loss)	80,413	(17,711)	135,457	4,465
Non-Interest Expense:				
Operating expenses:				
Compensation and benefits	67,797	45,045	134,697	87,467
Occupancy and equipment	22,115	17,907	43,780	36,643
General and administrative	43,576	38,975	83,866	61,728

Total operating expenses	133,488	101,927	262,343	185,838
Amortization of core deposit intangibles	7,883	5,476	15,775	11,163
Total non-interest expense	141,371	107,403	278,118	197,001
Income before income taxes	211,243	80,471	404,124	213,964
Income tax expense	74,985	24,023	143,717	68,827
Net Income	$ 136,258	$ 56,448	$ 260,407	$ 145,137
Other comprehensive income, net of tax:				
Change in net unrealized gain on securities and non-credit portion of OTTI for the period	212	1,264	(4,571)	9,294
Change in pension and post-retirement obligations	835	1,111	1,669	2,314
Total comprehensive income, net of tax	$ 137,305	$ 58,823	$ 257,505	$ 156,745
Basic earnings per share	$ 0.31	$ 0.16	$ 0.60	$ 0.42
Diluted earnings per share	$ 0.31	$ 0.16	$ 0.60	$ 0.42

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share data)

(unaudited)

	Six Months Ended June 30, 2010
Common Stock (Par Value: $0.01):	
Balance at beginning of year	$ 4,332
Shares issued for restricted stock awards (353,944 shares)	4
Shares issued for stock options exercised (186,750 shares)	2
Shares issued in connection with the direct stock purchase feature of the Dividend Reinvestment and Stock Purchase Plan (DRP) (1,766,482 shares)	17
Balance at end of period	4,355
Paid-in Capital in Excess of Par:	
Balance at beginning of year	5,238,231
Allocation of ESOP stock	1,899
Shares issued for restricted stock awards, net of forfeitures	(1,114)
Compensation expense related to restricted stock awards	5,693
Exercise of stock options	1,905
Tax effect of stock plans	1,103
Shares issued in connection with the direct stock purchase feature of the DRP	28,918
Balance at end of period	5,276,635
Retained Earnings:	
Balance at beginning of year	175,193
Net income	260,407
Dividends paid on common stock ($0.50 per share)	(216,870)
Balance at end of period	218,730
Treasury Stock:	
Balance at beginning of year	
Purchase of common stock (175,537 shares)	(2,758)
Exercise of stock options (104,981 shares)	1,648
Shares issued for restricted stock awards (70,556 shares)	1,110
Balance at end of period	
Unallocated Common Stock Held by ESOP:	
Balance at beginning of year	(951)
Earned portion of ESOP	470
Balance at end of period	(481)

Accumulated Other Comprehensive Loss, net of tax:		
Balance at beginning of year		(49,903)
Change in net unrealized gain on securities available for sale, net of tax of $637		958
Non-credit portion of OTTI loss recognized in other comprehensive income, net of tax of $4,861		(7,660)
Amortization of net unrealized loss on securities transferred from available for sale to held to maturity, net of tax of $905		1,426
Change in pension and post-retirement obligations, net of tax of $1,058		1,669
Reclassification adjustment for loss on sale and OTTI of securities, net of tax of $448		705
Balance at end of period		(52,805)
Total stockholders equity at end of period	$	5,446,434

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30,	
	2010	2009
Cash Flows from Operating Activities:		
Net income	$ 260,407	$ 145,137
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	42,000	18,000
Depreciation and amortization	9,752	10,016
Amortization of premiums (accretion of discounts), net	2,763	(3,943)
Net change in net deferred loan origination costs and fees	2,953	(932)
Amortization of core deposit intangibles	15,775	11,163
Net loss on sale of securities	8	
Net gain on sale of loans	(25,814)	(285)
Gain on business acquisition	(10,780)	
Stock plan-related compensation	8,062	6,679
Loss on OTTI of securities recognized in earnings	1,145	39,728
Changes in assets and liabilities:		
Decrease (increase) in deferred tax asset, net	12,200	(16,138)
Increase in other assets	(189,344)	(85,622)
Increase (decrease) in other liabilities	144,793	(135,111)
Origination of loans held for sale	(3,507,401)	(50,619)
Proceeds from sale of loans originated for sale	2,953,595	43,032
Net cash used in operating activities	(279,886)	(18,895)
Cash Flows from Investing Activities:		
Proceeds from repayment of securities held to maturity	1,780,505	1,900,150
Proceeds from repayment of securities available for sale	588,726	150,050
Proceeds from sale of securities available for sale	660	
Purchase of securities held to maturity	(1,331,059)	(1,808,546)
Net redemption (purchase) of FHLB stock	53,484	(38,084)
Net increase in loans	(12,895)	(590,433)
Purchase of premises and equipment, net	(4,820)	(3,391)
Net cash acquired in business acquisition	140,895	
Net cash provided by (used in) investing activities	1,215,496	(390,254)
Cash Flows from Financing Activities:		
Net decrease in deposits	(263,385)	(21,567)
Net increase in short-term borrowed funds		512,500
Net (decrease) increase in long-term borrowed funds	(542,706)	49,793
Tax effect of stock plans	1,103	1,321
Cash dividends paid on common stock	(216,870)	(172,113)
Treasury stock purchases	(2,758)	(1,262)
Net cash received from stock option exercises	3,539	25
Proceeds from issuance of common stock, net	28,935	

Net cash (used in) provided by financing activities	(992,142)	368,697
Net decrease in cash and cash equivalents	(56,532)	(40,452)
Cash and cash equivalents at beginning of period	2,670,857	203,216
Cash and cash equivalents at end of period	$ 2,614,325	$ 162,764
Supplemental information:		
Cash paid for interest	$ 414,470	$ 380,345
Cash paid for income taxes	147,548	162,382
Non-cash investing and financing activities:		
Transfers to other real estate owned from loans	20,890	561

Note: Excluding the core deposit intangible and the FDIC loss share receivable, the fair values of non-cash assets acquired and of liabilities assumed in the acquisition of Desert Hills Bank on March 26, 2010 were $245.4 million and $445.6 million, respectively.

See accompanying notes to the unaudited consolidated financial statements.

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of New York Community Bancorp, Inc. and subsidiaries (the Company), including its two bank subsidiaries, New York Community Bank (the Community Bank) and New York Commercial Bank (the Commercial Bank). The unaudited consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, are necessary to present a fair statement of the results for the periods presented. There are no other adjustments reflected in the accompanying consolidated financial statements. The results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of the results of operations that may be expected for all of 2010.

Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the SEC).

The unaudited consolidated financial statements include the accounts of the Company and other entities in which the Company has a controlling financial interest. All inter-company balances and transactions have been eliminated. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s 2009 Annual Report on Form 10-K.

Certain reclassifications have been made to the prior-period consolidated financial statements to conform to the current-period presentation.

Note 2. Business Combinations

AmTrust Bank

On December 4, 2009, the Community Bank acquired certain assets and assumed certain liabilities of AmTrust Bank (AmTrust) from the FDIC in an FDIC-assisted transaction (the AmTrust acquisition). Headquartered in Cleveland, Ohio, AmTrust was a savings bank that operated 29 branches in Ohio, 25 branches in Florida, and 12 branches in Arizona.

The purpose of the AmTrust acquisition was to expand the Company s footprint into new markets, and to enhance its funding mix with the acquisition of low-cost core deposits.

As part of the Purchase and Assumption Agreement entered into by the Community Bank with the FDIC in connection with the AmTrust acquisition, the Community Bank entered into loss sharing agreements, in accordance with which the FDIC will cover a substantial portion of any future losses on the acquired loans. The acquired loans that are subject to the loss sharing agreements are collectively referred to as covered loans. Under the terms of the loss sharing agreements, the FDIC is obligated to reimburse the Community Bank for 80% of losses up to $907.0 million and 95% of losses in excess of $907.0 million with respect to the covered loans. The Community Bank will reimburse the FDIC for 80% of recoveries with respect to losses for which the FDIC paid the Community Bank 80% reimbursement, and for 95% of recoveries with respect to losses for which the FDIC paid the Community Bank 95% reimbursement under the loss sharing agreements. The expected net reimbursements under the loss sharing agreements were recorded as an indemnification asset (an FDIC loss share receivable) at an estimated fair value of $740.0 million on the acquisition date. The loss sharing agreements are subject to the Company following certain servicing procedures, as specified in the loss sharing agreements with the FDIC.

Furthermore, the Community Bank has agreed to pay to the FDIC, on January 18, 2020 (the True-Up Measurement Date), half of the amount, if positive, calculated as (1) $181,400,000 minus (2) the sum of (a) 25% of the asset discount bid made in connection with the AmTrust acquisition; (b) 25% of the Cumulative Shared-Loss Payments (as defined below); and (c) the sum of the period servicing amounts for every consecutive twelve-month period prior to, and ending on, the True-Up Measurement Date in respect of each of the shared loss agreements

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

during which the applicable shared loss agreement is in effect (with such period servicing amounts to equal, for any twelve-month period with respect to which each of the shared loss agreements during which such shared loss agreement is in effect, the product of the simple average of the principal amount of shared loss loans and shared loss assets at the beginning and end of such period and 1%). For the purposes of the above calculation, Cumulative Shared-Loss Payments means (i) the aggregate of all of the payments made or payable to the Community Bank under the shared-loss agreements minus (ii) the aggregate of all of the payments made or payable to the FDIC under the shared-loss agreements.

These reimbursable losses and recoveries are based on the book value of the relevant loans as determined by the FDIC as of the effective date of the AmTrust acquisition. The amount that the Community Bank realizes on these loans could differ materially from the carrying value that will be reflected in any financial statements, based upon the timing and amount of collections and recoveries on the covered loans in future periods.

Based on the closing with the FDIC as of December 4, 2009, the Community Bank (a) acquired $5.0 billion in loans, $760.0 million in investment securities, $4.0 billion in cash and cash equivalents (including $3.2 billion due from, and subsequently paid by, the FDIC), and $1.2 billion in other assets; and (b) assumed $8.2 billion in deposits, $2.6 billion in borrowings, and $92.5 million in other liabilities.

The Company has determined that the AmTrust acquisition constitutes a business combination as defined by Codification Topic 805, Business Combinations. Codification Topic 805 establishes principles and requirements as to how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. Accordingly, the acquired assets, including the FDIC loss share receivable (which is accounted for as an indemnification asset under Codification Topic 805) and identifiable intangible assets, and the liabilities assumed in the AmTrust acquisition, were measured and recorded at estimated fair value as of the December 4, 2009 acquisition date.

The application of the acquisition method of accounting resulted in a bargain purchase gain of $139.6 million, which is included in non-interest income in the Company s Consolidated Statement of Income and Comprehensive Income for the year ended December 31, 2009. This gain amounted to $84.2 million after-tax.

Because of the short time period between the December 4, 2009 closing of the transaction and the end of the Company s fiscal year on December 31, 2009, the Company continues to analyze its estimates of the fair values of the loans acquired and the indemnification asset recorded. As the Company finalizes its analysis of these assets, there may be adjustments to the recorded carrying values.

A summary of the net assets acquired and the estimated fair value adjustments resulting in the net gain follows:

(in thousands)	**December 4, 2009**
AmTrust s cost basis liabilities in excess of assets	$ (2,799,630)
Cash payments received from the FDIC	3,220,650
Net assets acquired before fair value adjustments	421,020
Fair value adjustments:	
Loans	(946,083)
FDIC loss share receivable	740,000
Core deposit intangible	40,797
Federal Home Loan Bank (FHLB) borrowings	(69,814)
Repurchase agreements	(11,180)
Certificates of deposit	(26,858)
FDIC equity appreciation instrument	(8,275)
Pre-tax gain on the AmTrust acquisition	$ 139,607
Deferred income tax liability	(55,410)

Net after-tax gain on the AmTrust acquisition	$	84,197

The net after-tax gain represents the excess of the estimated fair value of the assets acquired (including cash payments received from the FDIC) over the estimated fair value of the liabilities assumed, and is influenced significantly by the FDIC-assisted transaction process. Under the FDIC-assisted transaction process, only certain

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

assets and liabilities are transferred to the acquirer and, depending on the nature and amount of the acquirer s bid, the FDIC may be required to make a cash payment to the acquirer. As indicated in the preceding table, net liabilities of $2.8 billion (i.e., the cost basis) were transferred to the Company in the AmTrust acquisition, and the FDIC made cash payments to the Company totaling $3.2 billion.

In many cases, the determination of the fair value of the assets acquired and liabilities assumed required management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and subject to change. These fair value estimates are considered preliminary, and are subject to change for up to one year after the closing date of the acquisition as additional information relative to closing date fair values becomes available. The Community Bank and the FDIC may engage in discussions that may impact which assets and liabilities are ultimately acquired or assumed by the Community Bank and/or the purchase price.

The following table sets forth the assets acquired and liabilities assumed, at fair value, in the AmTrust acquisition:

(in thousands)	December 4, 2009
Assets	
Cash and cash equivalents	$ 4,021,454
Securities available for sale:	
Mortgage-related securities	121,846
Other securities	638,170
Total securities	760,016
Loans covered by loss sharing agreements:	
One- to four-family mortgage loans	4,701,591
Home equity lines of credit (HELOCs) and consumer loans	314,412
Total loans covered by loss sharing agreements	5,016,003
FDIC loss share receivable	740,000
FHLB-Cincinnati stock	110,592
Core deposit intangible	40,797
Other assets	275,827
Total assets acquired	$ 10,964,689
Liabilities	
Deposits:	
NOW and money market accounts	$ 2,861,172
Savings accounts	878,365
Certificates of deposit	3,853,929
Non-interest-bearing accounts	613,678
Total deposits	8,207,144
Borrowed funds:	
FHLB advances	2,119,632
Repurchase agreements	461,180
Total borrowed funds	2,580,812
Other liabilities	92,536
Total liabilities assumed	$ 10,880,492

Net assets acquired	$	84,197

In addition, as part of the consideration for the transaction, the Company issued an equity appreciation instrument to the FDIC. Under the terms of the equity appreciation instrument, the FDIC had the opportunity to obtain, at the sole option of the Company, a cash payment or shares of its common stock with a value equal to the product of (a) $25 million and (b) the amount by which the average of the volume-weighted average price of its common stock for each of the two New York Stock Exchange trading days immediately prior to the exercise of the equity appreciation instrument exceeded $12.33. The equity appreciation instrument was exercisable by the FDIC from December 9, 2009 through December 23, 2009 and was valued at $8.3 million when issued. The FDIC exercised the equity appreciation instrument, which was settled in cash for $23.3 million by the Company.

NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In December 2009, the Company extinguished the acquired repurchase agreements with a cash payment of $461.2 million.

Desert Hills Bank

On March 26, 2010, the Community Bank acquired certain assets and assumed certain liabilities of Desert Hills Bank (Desert Hills) from the FDIC in an FDIC-assisted transaction (the Desert Hills acquisition). Headquartered in Phoenix, Arizona, Desert Hills operated six branch locations in Arizona. In the second quarter of 2010, three of those locations were consolidated into neighboring branches of AmTrust Bank.

The purpose of the Desert Hills acquisition was to strengthen the Company s franchise in Arizona and to enhance its funding mix with the acquisition of low-cost core deposits.

As part of the Purchase and Assumption Agreement entered into by the Community Bank with the FDIC in connection with the Desert Hills acquisition, the Community Bank entered into loss sharing agreements in accordance with which the FDIC will cover a substantial portion of any future losses on loans and other real estate owned (OREO). The acquired loans that are subject to the loss sharing agreements are collectively referred to as covered loans and the acquired OREO that is subject to the loss sharing agreements is collectively referred to as covered OREO. The loans and OREO acquired in the Desert Hills acquisition are referred to collectively as covered assets. Under the terms of the loss sharing agreements, the FDIC is obligated to reimburse the Community Bank for 80% of losses of up to $101.4 million and 95% of losses in excess of $101.4 million with respect to the covered assets.

In addition, the Community Bank will reimburse the FDIC for 80% of recoveries with respect to losses for which the FDIC paid the Community Bank 80% reimbursement, and for 95% of recoveries with respect to losses for which the FDIC paid the Community Bank 95% reimbursement under the loss sharing agreements. The expected net reimbursements under the loss sharing agreements were recorded as an indemnification asset (an FDIC loss share receivable) at an estimated fair value of $62.6 million on the acquisition date. The loss sharing agreements are subject to the Company following certain servicing procedures, as specified in the loss sharing agreements with the FDIC.

Furthermore, the Community Bank has agreed to pay to the FDIC, on May 6, 2020 (the True-Up Measurement Date), half of the amount, if positive, calculated as (1) $20,282,800 minus (2) the sum of (a) 25% of the asset discount bid made in connection with the Desert Hills acquisition; (b) 25% of the Cumulative Shared-Loss Payments (as defined below); and (c) the sum of the period servicing amounts for every consecutive twelve-month period prior to, and ending on, the True-Up Measurement Date in respect of each of the shared loss agreements during which the applicable shared loss agreement is in effect (with such period servicing amounts to equal, for any twelve-month period with respect to which each of the shared loss agreements during which such shared loss agreement is in effect, the product of the simple average of the principal amount of shared loss loans and shared loss assets at the beginning and end of such period and 1%). For the purposes of the above calculation, Cumulative Shared-Loss Payments means (i) the aggregate of all of the payments made or payable to the Community Bank under the shared-loss agreements minus (ii) the aggregate of all of the payments made or payable to the FDIC under the shared-loss agreements.

The above reimbursable losses and recoveries are based on the book value of the relevant assets as determined by the FDIC as of the effective date of the Desert Hills acquisition. The amount that the Community Bank realizes on these assets could differ materially from the carrying value that will be reflected in any financial statements, based upon the timing and amount of collections and recoveries on the assets in future periods.

The Company has determined that the Desert Hills acquisition constitutes a business combination as defined by Codification Topic 805. Accordingly, the acquired assets, including the FDIC loss share receivable (which is accounted for as an indemnification asset under Codification Topic 805) and identifiable intangible assets, and the liabilities assumed in the Desert Hills acquisition, were measured and recorded at estimated fair value as of the March 26, 2010 acquisition date.

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The application of the acquisition method of accounting resulted in a bargain purchase gain of $10.8 million, which is included in non-interest income in the Company s Consolidated Statement of Income and Comprehensive Income for the six months ended June 30, 2010. This gain amounted to $6.6 million after-tax.

Under the FDIC-assisted transaction process, only certain assets and liabilities are transferred to the acquirer and, depending on the nature and amount of the acquirer s bid, the FDIC may be required to make a cash payment to the acquirer. The Community Bank acquired assets at fair value including $140.9 million in cash and cash equivalents (inclusive of $86.8 million received from the FDIC), loans of $196.7 million, OREO of $38.6 million, and securities of $5.2 million. The Community Bank also assumed, at fair value, $390.6 million in deposits and $44.5 million in FHLB-San Francisco advances. These advances were extinguished by the Community Bank in March with a cash payment of $44.5 million on March 29, 2010.

In many cases, the determination of the fair value of the assets acquired and liabilities assumed required management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and subject to change. These fair value estimates are considered preliminary. They are also subject to change for up to one year after the closing date of the acquisition as additional information relative to closing date fair values becomes available. The Community Bank and the FDIC may engage in discussions that may impact which assets and liabilities are ultimately acquired or assumed by the Community Bank and/or the purchase price.

Fair Value of Assets Acquired and Liabilities Assumed

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, reflecting assumptions that a market participant would use when pricing an asset or liability. In some cases, the estimation of fair values requires management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and are subject to change. Described below are the methods used to determine the fair values of the significant assets acquired and liabilities assumed in the AmTrust and Desert Hills acquisitions.

Cash and Cash Equivalents

With respect to the AmTrust acquisition, included in cash and cash equivalents at December 4, 2009 were cash and due from banks of $394.1 million, federal funds sold of $415.0 million, and $3.2 billion due from the FDIC. Cash payments of $3.0 billion and $186.0 million were subsequently made by the FDIC to the Community Bank on December 7 and December 30, 2009, respectively. With respect to the Desert Hills acquisition, included in the $140.9 million of cash and cash equivalents acquired on March 26, 2010 was $86.8 million due from the FDIC. A cash payment of $86.8 million was subsequently made by the FDIC to the Community Bank on March 29, 2010.

The estimated fair values of cash and cash equivalents approximate their stated face amounts, as these financial instruments are either due on demand or have short-term maturities.

Investment Securities and FHLB Stock

Quoted market prices for the securities acquired were used to determine their fair values. If quoted market prices were not available for a specific security, then quoted prices for similar securities in active markets were used to estimate the fair value.

The fair value of FHLB stock approximates the redemption amount.

Loans

The acquired loan portfolios were segregated into various components for valuation purposes in order to group loans based on their significant financial characteristics, such as loan type (mortgages, HELOCs, commercial and industrial, or consumer), borrower type, and payment status (performing or non-performing). The estimated fair values of mortgage and other loans were computed by discounting the anticipated cash flows from the respective portfolios. We estimated the cash flows expected to be collected at the acquisition date by using interest rate risk and prepayment risk models that incorporated our best estimate of current key assumptions, such as default rates,

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loss severity rates, and prepayment speeds. Prepayment assumptions use swap rates and various relevant reference rates (e.g., U.S. Treasury obligations) as benchmarks. Prepayment assumptions are developed by reference to historical prepayment speeds of loans with similar characteristics and by developing base curves for loans with particular reset and prepayment penalty periods. Once the base curves are determined, other factors that will influence constant prepayment rates in the future include, but are not limited to, current loan-to-value ratios, loan balances, home price appreciation, documentation type, and forward rates. Loss severity rates are based on, or developed by using, historical loss rates of loans in a loan performance database. The major inputs include, but are not limited to, current loan-to-value ratios, home price appreciation, payment history, original FICO scores, original debt-to-income ratios, property type, and loan balances.

The expected cash flows from the acquired loan portfolios were discounted at market rates. The discount rates assumed a risk-free rate plus an additional spread to compensate for the uncertainty inherent in the acquired loans. The methods used to estimate fair value are extremely sensitive to the assumptions and estimates used. While management attempted to use assumptions and estimates that best reflected the acquired loan portfolios and current market conditions, a greater degree of subjectivity is inherent in these values than in those determined in active markets. Accordingly, readers are cautioned in using this information for purposes of evaluating the financial condition and/or value of the Company in and of itself or in comparison with any other company.

The Company refers to the loans acquired in the AmTrust and Desert Hills acquisitions as covered loans because the Company will be reimbursed for a substantial portion of any future losses on these loans under the terms of the FDIC loss sharing agreements. Covered loans are accounted for under Codification Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the lives of the loans. On the acquisition dates, the Company estimated the fair value of the acquired loan portfolios, excluding loans held for sale, which represented the expected cash flows from the portfolio discounted at market-based rates. In estimating such fair value, the Company (a) calculated the contractual amount and timing of undiscounted principal and interest payments (the undiscounted contractual cash flows); and (b) estimated the amount and timing of undiscounted expected principal and interest payments (the undiscounted expected cash flows). The amount by which the undiscounted expected cash flows exceed the estimated fair value (the accretable yield) is accreted into interest income over the life of the loans. The difference between the undiscounted contractual cash flows and the undiscounted expected cash flows is referred to as the non-accretable difference. The non-accretable difference represents an estimate of the credit risk in the acquired loan portfolios at the acquisition dates. Under Codification Topic 310-30, purchasers are permitted to aggregate acquired loans into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Other Real Estate Owned (OREO)

OREO is recorded at its estimated fair value on the date of acquisition, based on independent appraisals less estimated selling costs.

FDIC Loss Share Receivable

The respective FDIC loss share receivables were measured separately from the respective covered assets as they are not contractually embedded in any of the covered loans or covered OREO. For example, the loss share receivable related to estimated future loan losses is not transferable should the Company sell a loan prior to foreclosure or maturity. The fair value of the combined loss share receivable represents the present value of the estimated cash payments expected to be received from the FDIC for future losses on covered assets, based on the credit adjustment estimated for each covered asset and the loss sharing percentages. These cash flows reflect the uncertainty of the timing and receipt of the loss sharing reimbursements from the FDIC and are discounted at a market-based rate. The amount ultimately collected for this asset is dependent upon the performance of the underlying covered assets, the passage of time, and claims submitted to the FDIC.

Core Deposit Intangible (CDI)

CDI is a measure of the value of non-interest-bearing accounts, checking accounts, savings accounts, and NOW and money market accounts that are acquired in a business combination. The fair value of the CDI stemming

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from any given business combination is based on the present value of the expected cost savings attributable to the core deposit funding, relative to an alternative source of funding. The CDI that relates to the AmTrust and Desert Hills acquisitions will be amortized over an estimated useful life of seven years to approximate the existing deposit relationships acquired. The Company evaluates such identifiable intangibles for impairment when an indication of impairment exists.

Deposit Liabilities

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

Borrowed Funds

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

Note 3. Stock-Based Compensation

At June 30, 2010, the Company had 4,640,158 shares available for grant as options, restricted stock, or other forms of related rights under the New York Community Bancorp, Inc. 2006 Stock Incentive Plan (the 2006 Stock Incentive Plan). Under the 2006 Stock Incentive Plan, the Company granted 424,500 shares of restricted stock in the six months ended June 30, 2010, with an average fair value of $16.31 per share on the date of grant and a vesting period of five years. The six-month amount includes 25,000 shares that were granted in the second quarter with an average fair value of $16.60 per share on the date of grant. Compensation and benefits expense related to restricted stock grants is recognized on a straight-line basis over the vesting period, and totaled $2.8 million and $2.3 million, respectively, in the three months ended June 30, 2010 and 2009, and $5.7 million and $4.8 million, respectively, in the six months ended at those dates.

A summary of activity with regard to restricted stock awards during the six months ended June 30, 2010 is presented in the following table:

	For the Six Months Ended June 30, 2010	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2010	3,000,824	$ 13.95
Granted	424,500	16.31
Vested	(444,800)	15.93
Forfeited/expired	(11,600)	13.45
Unvested at June 30, 2010	2,968,924	13.99

As of June 30, 2010, unrecognized compensation costs relating to unvested restricted stock totaled $37.3 million. This amount will be recognized over a remaining weighted average period of 3.8 years.

In addition, the Company had eleven stock option plans at June 30, 2010: the 1993 and 1997 New York Community Bancorp, Inc. Stock Option Plans; the 1993 and 1996 Haven Bancorp, Inc. Stock Option Plans; the 1998 Richmond County Financial Corp. Stock Compensation Plan; the T R Financial Corp. 1993 Incentive Stock Option Plan; the Roslyn Bancorp, Inc. 1997 and 2001 Stock-based Incentive Plans; the 1998 Long Island Financial Corp. Stock Option Plan; and the 2003 and 2004 Synergy Financial Group, Inc. Stock Option Plans (all eleven plans collectively referred to as the Stock Option Plans). All stock options granted under the Stock Option Plans expire ten years from the date of grant.

Using the modified prospective approach, the Company recognizes compensation costs related to share-based payments at fair value on the date of grant, and recognizes such costs in the financial statements over the vesting

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period during which the employee provides service in exchange for the award. However, as there were no unvested options at any time during the six months ended June 30, 2010 or the year ended December 31, 2009, the Company did not record any compensation and benefits expense relating to stock options during these periods.

Generally, the Company issues new shares of common stock to satisfy the exercise of options. The Company may also use common stock held in Treasury to satisfy the exercise of options. In such event, the difference between the average cost of Treasury shares and the exercise price is recorded as an adjustment to retained earnings or paid-in capital on the date of exercise. At June 30, 2010, there were 12,720,656 stock options outstanding. The number of shares available for future issuance under the Stock Option Plans was 11,151 at June 30, 2010.

The status of the Company s Stock Option Plans at June 30, 2010 and the changes that occurred during the six months ended at that date are summarized in the following table:

	For the Six Months Ended June 30, 2010	
	Number of Stock Options	Weighted Average Exercise Price
Stock options outstanding and exercisable at January 1, 2010	13,037,564	$ 15.56
Exercised	(305,458)	11.53
Forfeited/expired	(11,450)	16.28
Stock options outstanding and exercisable at June 30, 2010	12,720,656	15.66

Total stock options outstanding and exercisable at June 30, 2010 had a weighted average remaining contractual life of 1.84 years, a weighted average exercise price of $15.66 per share, and an aggregate intrinsic value of $9.1 million. The intrinsic value of options exercised during the six months ended June 30, 2010 was $1.5 million. The intrinsic value of options exercised in the year-earlier six-month period was nominal.

Note 4. Securities

The following tables summarize the Company s portfolio of securities available for sale at June 30, 2010 and December 31, 2009:

	June 30, 2010			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE[1] certificates	$ 227,822	$ 9,613	$ 5	$ 237,430
GSE CMOs[2]	277,150	11,283		288,433
Private label CMOs	75,203		3,096	72,107
Total mortgage-related securities	$ 580,175	$ 20,896	$ 3,101	$ 597,970
Other Securities:				
U.S. Treasury obligations	$ 228,964	$ 635	$	$ 229,599
GSE debentures	621	13		634

Corporate bonds	5,810	3	750	5,063
State, county, and municipal	1,424	51	1	1,474
Capital trust notes	38,273	7,007	4,940	40,340
Preferred stock	31,400	60	11,775	19,685
Common stock	43,759	2,100	8,691	37,168
Total other securities	$ 350,251	$ 9,869	$ 26,157	$ 333,963
Total securities available for sale[(3)]	$ 930,426	$ 30,765	$ 29,258	$ 931,933

(1) Government-sponsored enterprises

(2) Collateralized mortgage obligations

(3) As of June 30, 2010, the non-credit portion of OTTI recorded in accumulated other comprehensive loss, net of tax (AOCL) was $571,000 (before taxes).

As of June 30, 2010, the amortized cost of marketable equity securities included perpetual preferred stock of $31.4 million and common stock of $43.8 million. Perpetual preferred stock consisted of investments in two

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financial institutions: one of the largest banking and financial services organizations in the world and a Florida-based diversified financial services firm that provides a variety of banking, wealth management, and outsourced business processing services to high-net worth clients and premier financial institutions. Common stock primarily consisted of an investment in a large cap equity fund and certain other funds that are Community Reinvestment Act (CRA) eligible.

	December 31, 2009			
(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:				
GSE certificates	$ 264,769	$ 7,741	$ 702	$ 271,808
GSE CMOs	400,770	16,013		416,783
Private label CMOs	91,612		5,998	85,614
Total mortgage-related securities	$ 757,151	$ 23,754	$ 6,700	$ 774,205
Other Securities:				
U.S. Treasury obligations	$ 607,022	$ 21	$ 592	$ 606,451
GSE debentures	30,179	11		30,190
Corporate bonds	5,811	9	919	4,901
State, county, and municipal	6,402	38	281	6,159
Capital trust notes	39,151	5,125	5,438	38,838
Preferred stock	31,400	1,117	11,283	21,234
Common stock	42,693	1,606	7,631	36,668
Total other securities	$ 762,658	$ 7,927	$ 26,144	$ 744,441
Total securities available for sale	$ 1,519,809	$ 31,681	$ 32,844	$ 1,518,646

The following tables summarize the Company s portfolio of securities held to maturity at June 30, 2010 and December 31, 2009:

	June 30, 2010				
(in thousands)	Amortized Cost	Carrying Amount(1)	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$ 186,425	$ 186,425	$ 17,070	$	$ 203,495
GSE CMOs	1,626,298	1,626,298	69,558		1,695,856
Other mortgage-related securities	6,755	6,755			6,755
Total mortgage-related securities	$ 1,819,478	$ 1,819,478	$ 86,628	$	$ 1,906,106
Other Securities:					
GSE debentures	$ 1,692,652	$ 1,692,652	$ 10,808	$	$ 1,703,460
Corporate bonds	97,088	97,088	7,578		104,666
Capital trust notes	178,044	156,096	17,965	26,902	147,159

Total other securities	$ 1,967,784	$ 1,945,836	$ 36,351	$ 26,902	$ 1,955,285
Total securities held to maturity	$ 3,787,262	$ 3,765,314	$ 122,979	$ 26,902	$ 3,861,391

(1) Held-to-maturity securities are reported at a carrying amount equal to amortized cost less the non-credit portion of OTTI recorded in AOCL. At June 30, 2010, the non-credit portion recorded in AOCL was $21.9 million (before taxes).

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	December 31, 2009				
(in thousands)	Amortized Cost	Carrying Amount	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mortgage-Related Securities:					
GSE certificates	$ 234,290	$ 234,290	$ 16,031	$	$ 250,321
GSE CMOs	2,224,873	2,224,873	75,948	6,327	2,294,494
Other mortgage-related securities	6,793	6,793			6,793
Total mortgage-related securities	$ 2,465,956	$ 2,465,956	$ 91,979	$ 6,327	$ 2,551,608
Other Securities:					
GSE debentures	$ 1,489,488	$ 1,489,488	$ 564	$ 24,505	$ 1,465,547
Corporate bonds	101,084	101,084	4,363	1,578	103,869
Capital trust notes	176,784	167,069	2,054	40,485	128,638
Total other securities	$ 1,767,356	$ 1,757,641	$ 6,981	$ 66,568	$ 1,698,054
Total securities held to maturity	$ 4,233,312	$ 4,223,597	$ 98,960	$ 72,895	$ 4,249,662

Included in the $187.5 million market value of the capital trust note portfolio held at June 30, 2010 are three pooled trust preferred securities. The table below details the pooled trust preferred securities that have at least one credit rating below investment grade as of June 30, 2010:

(dollars in thousands)	INCAPS Funding I Class B-2 Notes	Alesco Preferred Funding VII Ltd. Class C-1 Notes	Preferred Term Securities II Mezzanine Notes
Book value	$ 14,964	$ 553	$ 625
Fair value	21,459	553	1,251
Unrealized gain/(loss)	6,495		626
Lowest credit rating assigned to security	B	CC	CC
Number of banks currently performing	26	63	23
Actual deferrals and defaults as a percentage of original collateral	6%	28%	36%
Expected deferrals and defaults as a percentage of remaining performing collateral	25	27	0
Expected recoveries as a percentage of remaining performing collateral	0	0	10
Excess subordination as a percentage of remaining performing collateral	8	0	0

As of June 30, 2010, after taking into account our best estimates of future deferrals, defaults, and recoveries, two of our pooled trust preferred securities had no excess subordination in the classes we own and one had excess subordination of 8%. Excess subordination is calculated after taking into account the deferrals, defaults, and recoveries noted in the table above, and indicates whether there is sufficient additional collateral to cover the outstanding principal balance of the class we own, after taking into account these projected deferrals, defaults, and recoveries.

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The following table presents a roll-forward of the credit loss component of OTTI on debt securities for which a non-credit component of OTTI was recognized in AOCL. The beginning balance represents the credit loss component for debt securities for which OTTI occurred prior to January 1, 2010. OTTI recognized in earnings after that date for credit-impaired debt securities is presented as an addition in two components, based upon whether the current period is the first time a debt security was credit-impaired (initial credit impairment) or is not the first time a debt security was credit-impaired (subsequent credit impairment). Changes in the credit loss component of credit-impaired debt securities were as follows:

(in thousands)			For the Six Months Ended June 30, 2010
Beginning credit loss amount as of December 31, 2009		$	199,883
Add:	Initial other-than-temporary credit losses		331
	Subsequent other-than-temporary credit losses		814
Less:	Realized losses for securities sold		
	Securities intended or required to be sold		
	Increases in expected cash flows on debt securities		
Ending credit loss amount as of June 30, 2010		$	201,028

OTTI losses on securities totaled $13.7 million in the six months ended June 30, 2010 and consisted entirely of trust preferred securities. The OTTI losses that were related to credit were recognized in earnings and totaled $1.1 million during this period, and were determined through a present-value analysis of expected cash flows on the securities. The significant inputs that the Company used to determine these expected cash flows were the anticipated magnitude and timing of interest payment deferrals, if any, and the underlying creditworthiness of the individual issuers whose debt acts as collateral for these trust preferred securities. The discount rate used to estimate the fair value was determined by considering the weighted average of certain market credit spreads, as well as credit spreads interpolated using other market factors. The discount rate used in determining the credit portion of OTTI, if any, is the yield on the position at the time of purchase.

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The following table presents held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months or for twelve months or longer as of June 30, 2010:

At June 30, 2010	Less than Twelve Months		Twelve Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Temporarily Impaired Held-to-Maturity Debt Securities:						
Capital trust notes	$ 1,561	$ 18	$ 69,140	$ 26,884	$ 70,701	$ 26,902
Total temporarily impaired held-to-maturity debt securities	$ 1,561	$ 18	$ 69,140	$ 26,884	$ 70,701	$ 26,902
Temporarily Impaired Available-for-Sale Securities:						
Debt Securities:						
GSE certificates	$ 2,286	$ 5	$	$	$ 2,286	$ 5
Private label CMOs			72,107	3,096	72,107	3,096
Corporate bonds			4,045	750	4,045	750
State, county, and municipal	133	1			133	1
Capital trust notes	4,016	10	9,689	4,930	13,705	4,940
Total temporarily impaired available-for-sale debt securities	$ 6,435	$ 16	$ 85,841	$ 8,776	$ 92,276	$ 8,792
Equity securities	11,901	549	29,833	19,917	41,734	20,466
Total temporarily impaired available-for-sale securities	$ 18,336	$ 565	$ 115,674	$ 28,693	$ 134,010	$ 29,258

The twelve months or longer unrealized losses of $19.9 million relating to available-for-sale equity securities primarily consisted of two security positions. The first is a perpetual preferred stock of a Florida-based diversified financial services firm, which was evaluated under the debt model described on page 119 of the Company s 2009 Annual Report on Form 10-K; and the second was a large cap equity fund. The respective twelve months or longer unrealized losses on the preferred stock and the large cap equity fund were $11.2 million and $7.7 million, respectively.

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The following table presents held-to-maturity and available-for-sale securities having a continuous unrealized loss position for less than twelve months or for twelve months or longer as of December 31, 2009:

At December 31, 2009	**Less than Twelve Months**		**Twelve Months or Longer**		**Total**	
(in thousands)	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Temporarily Impaired Held-to-Maturity Debt Securities:						
GSE debentures	$ 1,403,687	$ 24,505	$	$	$ 1,403,687	$ 24,505
GSE CMOs	59,147	1,115	102,067	5,212	161,214	6,327
Corporate bonds	27,710	1,256	14,317	322	42,027	1,578
Capital trust notes	34,830	429	71,016	40,056	105,846	40,485
Total temporarily impaired held-to-maturity debt securities	$ 1,525,374	$ 27,305	$ 187,400	$ 45,590	$ 1,712,774	$ 72,895
Temporarily Impaired Available-for-Sale Securities:						
Debt Securities:						
U.S. Treasury obligations	$ 185,928	$ 592	$	$	$ 185,928	$ 592
GSE certificates	81,981	702			81,981	702
Private label CMOs	43,849	5,452	41,765	546	85,614	5,998
Corporate bonds			3,855	919	3,855	919
State, county, and municipal	524	22	4,723	259	5,247	281
Capital trust notes	3,983	44	9,224	5,394	13,207	5,438
Total temporarily impaired available-for-sale debt securities	$ 316,265	$ 6,812	$ 59,567	$ 7,118	$ 375,832	$ 13,930
Equity securities			30,498	18,914	30,498	18,914
Total temporarily impaired available-for-sale securities	$ 316,265	$ 6,812	$ 90,065	$ 26,032	$ 406,330	$ 32,844

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

Available-for-sale securities in unrealized loss positions are analyzed as part of the Company s ongoing assessment of OTTI. When the Company intends to sell such available-for-sale securities, the Company recognizes an impairment loss equal to the full difference between the amortized cost basis and the fair value of those securities. When the Company does not intend to sell available-for-sale equity or debt securities in an unrealized loss position, potential OTTI is considered based on a variety of factors, including the length of time and extent to which the fair value has been less than cost; adverse conditions specifically related to the industry, the geographic area, or financial condition of the issuer or the underlying collateral of a security; the payment structure of the security; changes to the rating of the security by a rating agency; the volatility of the fair value changes; and changes in fair value of the security after the balance sheet date. For debt securities, the Company estimates cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist and, where applicable, to determine if any adverse changes in cash flows have occurred. The Company s cash flow estimates take into account expectations of relevant market and economic data as of the end of the reporting period. As of June 30, 2010, the Company did not intend to sell the securities with an unrealized loss position in AOCL, and it was more likely than not that the Company would be required to sell these securities before recovery of their amortized cost basis. The Company believes that the securities with an unrealized loss in AOCL were not other-than-temporarily impaired as of June 30, 2010.

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

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

The unrealized losses on the Company s GSE debentures and GSE CMOs at June 30, 2010 were primarily caused by movements in market interest rates and spread volatility, rather than credit risk. The Company purchased these investments either at par or at a discount relative to their face amount, and the contractual cash flows of these investments are guaranteed by the GSEs. Accordingly, it is expected that these securities would not be settled at a price that is less than the amortized cost of the Company s investment. Because the Company does not have the intent to sell the investments and it is not more likely than not that the Company will be required to sell the investments before anticipated recovery of fair value, which may be at maturity, the Company did not consider these investments to be other-than-temporarily impaired at June 30, 2010.

The Company reviews quarterly financial information related to its investments in capital securities as well as other information that is released by each financial institution to determine the continued creditworthiness of the

NEW YORK COMMUNITY BANCORP, INC.

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securities they issued. The contractual terms of these investments do not permit settling the securities at prices that are less than the amortized costs of the investments; therefore, the Company expects that these investments would not be settled at prices that are less than their amortized costs. The Company continues to monitor these investments and currently estimates that the present value of expected cash flows is not less than the amortized cost of the securities. Because the Company does not have the intent to sell the investments and it is not more likely than not that the Company will be required to sell the investments before anticipated recovery of fair value, which may be at maturity, it did not consider these investments to be other-than-temporarily impaired at June 30, 2010. It is possible that these securities will perform worse than is currently expected, which could lead to adverse changes in cash flows on these securities and potential OTTI losses in the future. Events that may occur in the future at the financial institutions that issued these securities could trigger material unrecoverable declines in fair values for the Company s investments and therefore could result in future potential OTTI losses. Such events include, but are not limited to, government intervention, deteriorating asset quality and credit metrics, significantly higher levels of default and loan loss provisions, losses in value on the underlying collateral, deteriorating credit enhancement, net operating losses, and further illiquidity in the financial markets.

The unrealized losses on the Company s private label CMOs at June 30, 2010 were primarily attributable to market interest rate volatility and a significant widening of interest rate spreads from the acquisition dates across market sectors relating to the continued illiquidity and uncertainty in the financial markets, rather than to credit risk. Current characteristics of each security owned, such as delinquency and foreclosure levels, credit enhancement, and projected losses and coverage, are reviewed periodically by management. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company s investment. Because the Company does not have the intent to sell the investments and it is not more likely than not that the Company will be required to sell the investments before anticipated recovery of fair value, which may be at maturity, the Company did not consider these investments to be other than temporarily impaired at June 30, 2010. It is possible that the underlying loan collateral of these securities will perform worse than is currently expected, which could lead to adverse changes in cash flows on these securities and future OTTI losses. Events that could trigger material unrecoverable declines in fair values, and therefore potential OTTI losses for these securities in the future, include, but are not limited to, deterioration of credit metrics, significantly higher levels of default, loss in value on the underlying collateral, deteriorating credit enhancement, and further illiquidity in the financial markets.

At June 30, 2010, the Company s equity securities portfolio consisted of perpetual preferred and common stock, and mutual funds. The Company considers a decline in fair value of available-for-sale equity securities to be other than temporary if the Company does not expect to recover the entire amortized cost basis of the security. In analyzing its investments in perpetual preferred stock for OTTI, the Company uses an impairment model that is applied to debt securities, consistent with guidance provided by the SEC, provided that there has been no evidence of deterioration in the creditworthiness of the issuer. If deterioration occurs, an equity security impairment model is used. The unrealized losses on the Company s equity securities were primarily caused by market volatility. In addition, perpetual preferred stock was impacted by widening interest rate spreads across market sectors related to the continued illiquidity and uncertainty in the marketplace. The Company evaluated the near-term prospects of a recovery of fair value for each security in the portfolio, together with the severity and duration of impairment to date. Based on this evaluation, and the Company s ability and intent to hold these investments for a reasonable period of time sufficient to realize a near-term forecasted recovery of fair value, the Company did not consider these investments to be other-than-temporarily impaired at June 30, 2010. Nonetheless, it is possible that these equity securities will perform worse than currently expected, which could lead to adverse changes in their fair values or the failure of the securities to fully recover in value as presently forecasted by management, causing the Company to record OTTI losses in future periods. Events that could trigger material declines in the fair values of these securities include, but are not limited to, deterioration in the equity markets; a decline in the quality of the loan portfolios of the issuers in which the Company has invested; and the recording of higher loan loss provisions and net operating losses by such issuers.

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The following tables summarize the carrying amounts and estimated fair values of held-to-maturity debt securities and the amortized cost and estimated fair values of available-for-sale debt securities at June 30, 2010 by contractual maturity. Mortgage-related securities held to maturity and available for sale, all of which have prepayment provisions, are distributed to a maturity category based on the end of the estimated average life of such securities. Principal and amortization prepayments are not shown in maturity categories as they occur, but are considered in the determination of estimated average life.

	Carrying Amount								
(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations	Average Yield	State, County, and Municipal	Average Yield(1)	Other Debt Securities(2)	Average Yield	Fair Value
Held-to-Maturity Debt Securities:									
Due within one year	$	%	$	%	$	%	$	%	$
Due from one to five years							32,753	6.34	33,547
Due from five to ten years	9,362	6.38	1,692,652	4.34			23,026	5.20	1,739,106
Due after ten years	1,810,116	5.00					197,405	7.49	2,088,738
Total debt securities held to maturity	$ 1,819,478	5.01%	$ 1,692,652	4.34%	$	%	$ 253,184	7.13%	$ 3,861,391

	Amortized Cost								
(dollars in thousands)	Mortgage-Related Securities	Average Yield	U.S. Treasury and GSE Obligations	Average Yield	State, County, and Municipal	Average Yield(1)	Other Debt Securities(2)	Average Yield	Fair Value
Available-for-Sale Debt Securities:(3)									
Due within one year	$ 200	7.16%	$ 170,347	0.27%	$ 125	5.12%	$ 1,016	5.60%	$ 171,708
Due from one to five years	1,046	5.10	58,617	1.19	492	5.75	4,794	5.39	64,916
Due from five to ten years	13,618	6.89			673	6.48			14,536
Due after ten years	565,311	4.68	621	5.26	134	6.66	38,273	5.06	623,920
Total debt securities available for sale	$ 580,175	4.73%	$ 229,585	0.52%	$ 1,424	6.13%	$ 44,083	5.11%	$ 875,080

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

(2) Includes corporate bonds and capital trust notes. Included in capital trust notes are $15.5 million and $625,000 of pooled trust preferred securities available for sale and held to maturity, respectively, all of which are due after ten years. The remaining capital trust notes consist of single-issue trust preferred securities.

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

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Note 5. Loans, net

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

	June 30, 2010		December 31, 2009	
(dollars in thousands)	Amount	Percent of Non-Covered Loans	Amount	Percent of Non-Covered Loans
Non-Covered Loans:				
Mortgage Loans:				
Multi-family	$ 16,819,673	68.57%	$ 16,737,721	71.59%
Commercial real estate	5,230,053	21.32	4,988,649	21.34
Acquisition, development, and construction	624,799	2.55	666,440	2.85
One- to four-family	189,917	0.77	216,078	0.92
Loans held for sale	930,565	3.79		
Total mortgage loans	$ 23,795,007	97.00	$ 22,608,888	96.70
Other Loans:				
Commercial and industrial	635,171	2.59	653,159	2.79
Other	100,159	0.41	118,445	0.51
Total other loans	735,330	3.00	771,604	3.30
Total non-covered loans	$ 24,530,337	100.00%	$ 23,380,492	100.00%
Net deferred loan origination fees	(6,846)		(3,893)	
Allowance for loan losses	(140,583)		(127,491)	
Total non-covered loans, net	24,382,908		23,249,108	
Total Covered Loans	4,626,574		5,016,100	
Loans, net	$ 29,009,482		$ 28,265,208	

Covered loans refer to the loans acquired from the FDIC in the AmTrust and Desert Hills acquisitions, all of which are subject to the previously mentioned loss sharing agreements. At December 31, 2009, the balance of covered loans included loans held for sale of $351.3 million. Non-covered loans refer to all loans in the Company s loan portfolio excluding covered loans.

Non-Covered Loans

Loans Originated for Portfolio

The Company is primarily a multi-family mortgage lender, with a significant portion of its loan portfolio collateralized by non-luxury apartment buildings in New York City that feature below-market rents.

The Company also originates the following types of loans for portfolio: commercial real estate (CRE) loans, primarily in New York City, Long Island, and New Jersey; and, to a lesser extent, acquisition, development, and construction (ADC) loans and commercial and industrial (C&I) loans. ADC loans are primarily originated for multi-family and residential tract projects in New York City and Long Island, while C&I loans are made to small and mid-size businesses in New York City, Long Island, New Jersey, and Arizona on both a secured and unsecured basis for working capital, business expansion, and the purchase of machinery and equipment.

Payments on multi-family and CRE loans generally depend on the income produced by the underlying properties which, in turn, depends on their successful operation and management. Accordingly, the ability of the Company s borrowers to repay these loans may be impacted by adverse conditions in the local real estate market and the local economy. While the Company generally requires that such loans be qualified on the basis of the collateral property s current cash flows, appraised value, and debt service coverage ratio, among other factors, there can be no assurance that its underwriting policies will protect the Company from credit-related losses or delinquencies.

ADC loans typically involve a higher degree of credit risk than financing on improved, owner-occupied real estate. The risk of loss on an ADC loan is largely dependent upon the accuracy of the initial appraisal of the

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property s value upon completion of construction or development; the estimated cost of construction, including interest; and the estimated time to complete and/or sell or lease such property. The Company seeks to minimize these risks by maintaining consistent lending policies and rigorous underwriting standards. However, if the estimate of value proves to be inaccurate, the cost of completion is greater than expected, the length of time to complete and/or sell or lease the collateral property is greater than anticipated, or if there is a downturn in the local economy or real estate market, the property could have a value upon completion that is insufficient to assure full repayment of the loan. This would have a material adverse effect on the quality of the ADC loan portfolio, and result in material losses or delinquencies.

The Company seeks to minimize the risks involved in C&I lending by underwriting such loans on the basis of the cash flows produced by the business; by requiring that such loans be collateralized by various business assets, including inventory, equipment, and accounts receivable, among others; and by requiring personal guarantees. However, the capacity of a borrower to repay a C&I loan is substantially dependent on the degree to which his or her business is successful. In addition, the collateral underlying such loans may depreciate over time, may not be conducive to appraisal, or may fluctuate in value, based upon the results of operations of the business.

Since 2008, the markets served by the Company have been impacted by widespread economic decline and rising unemployment, which have contributed to a rise in charge-offs and non-performing assets. The ability of the Company s borrowers to repay their loans, and the value of the collateral securing such loans, could be further adversely impacted by continued or more significant economic weakness in its local markets as a result of increased unemployment, declining real estate values, or increased residential and office vacancies. This not only could result in the Company experiencing a further increase in charge-offs and/or non-performing assets, but also could necessitate an increase in the provision for loan losses. These events, if they were to occur, would have an adverse impact on the Company s results of operations and capital.

One- to Four-Family Loans Originated for Sale

The origination of one- to four-family loans occurs on two distinctly different platforms. Since December 1, 2000, the Company has originated such loans as a customer service in its local markets through a third-party conduit. The loans are originated at its branches and on its web sites, and are sold to the third-party conduit shortly after they close, servicing released.

In connection with the AmTrust acquisition, the Company acquired its mortgage banking operation, which aggregates agency-conforming one- to four-family loans on a nationwide platform and sells these loans to GSEs.

Asset Quality

At June 30, 2010 and December 31, 2009, the Company had $636.8 million and $578.1 million, respectively, of non-accrual non-covered loans. In addition, at June 30, 2010, the Company had covered loans of $266.3 million that were over 90 days past due but are considered to be performing due to the application of the yield accretion method under Codification Topic 310-30. Codification Topic 310-30 allows the Company to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Accordingly, loans that may have been classified as non-performing loans by AmTrust or Desert Hills are no longer classified as non-performing because, at the respective dates of acquisition, the Company believed that it would fully collect the new carrying value of these loans. The new carrying value represents the contractual balance, reduced by the portion expected to be uncollectible (referred to as the non-accretable difference) and by an accretable yield (discount) that is recognized as interest income. It is important to note that management s judgment is required in reclassifying loans subject to Codification Topic 310-30 as performing loans, and is dependent on having a reasonable expectation about the timing and amount of the cash flows to be collected, even if the loan is contractually past due. In addition, at June 30, 2010, the Company had covered loans of $153.4 million that were 30 to 89 days past due.

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The following table presents information regarding the Company s non-performing loans at June 30, 2010 and December 31, 2009, excluding covered loans:

(in thousands)	June 30, 2010	December 31, 2009
Non-Performing Loans:		
Non-accrual mortgage loans:		
Multi-family	$ 384,144	$ 393,113
Commercial real estate	111,764	70,618
Acquisition, development, and construction	94,783	79,228
One- to four-family	17,782	14,171
Total non-accrual mortgage loans	608,473	557,130
Other non-accrual loans	28,305	20,938
Loans 90 days or more past due and still accruing interest		
Total non-performing loans	$ 636,778	$ 578,068

In accordance with GAAP, the Company is required to account for certain loan modifications or restructurings as troubled debt restructurings (TDRs). In general, a modification or restructuring of a loan constitutes a TDR if the Company grants a concession to a borrower experiencing financial difficulty. Loans modified in TDRs are placed on non-accrual status until the Company determines that future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate performance according to the restructured terms for a period of at least six months. At June 30, 2010, loans modified in TDRs totaled $347.2 million; of this amount, $197.0 million were non-accrual loans and $150.3 million were accruing interest. At December 31, 2009, loans modified in TDRs totaled $184.8 million; of this amount, $167.3 million were non-accrual loans and $17.5 million were accruing interest.

The following table presents additional information regarding the Company s TDRs as of June 30, 2010:

(in thousands)	Accruing	Non-Accrual
Multi-family	$ 146,342	$ 112,842
Commercial real estate	3,945	57,954
Acquisition, development, and construction		17,666
Commercial and industrial		6,968
One- to four-family		1,520
Total	$ 150,287	$ 196,950

In an effort to proactively deal with delinquent loans, the Company has selectively extended to certain borrowers concessions such as rate reductions, forbearance of arrears, extension of maturity dates, and conversion from amortizing to interest-only payments. As of June 30, 2010, concessions made with respect to rate reductions amounted to $257.8 million; maturity extensions amounted to $53.0 million; forbearance agreements amounted to $30.6 million; and loans converted from amortizing to interest-only payments amounted to $5.9 million.

Most of the Company s TDRs involve rate reductions and/or forbearance of arrears, which have thus far proven the most successful in allowing selected borrowers to emerge from delinquency and keep their loans current.

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circumstances of each transaction, which may change from period to period, and involve judgment by Company personnel regarding the likelihood that the concession will result in the maximum recovery for the Company.

At June 30, 2010, non-covered loans included $930.6 million of loans held for sale, a vast majority of which were originated by AmTrust s mortgage banking operation for sale to GSEs. In the first six months of 2010, the Company recorded aggregate gains of $25.8 million in connection with the sale of loans totaling $2.9 billion.

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

(in thousands)	At or For the Six Months Ended June 30, 2010	At or For the Year Ended December 31, 2009
Balance at beginning of period	$ 127,491	$ 94,368
Provision for loan losses	42,000	63,000
Charge-offs	(29,110)	(29,931)
Recoveries	202	54
Balance at end of period	$ 140,583	$ 127,491

At June 30, 2010, the Company had $737.9 million of non-covered impaired loans. At June 30, 2010, there was an allowance for loan losses of $14.5 million relating to non-covered impaired loans of $81.1 million.

The average balance of impaired loans for the three and six months ended June 30, 2010, was $758.6 million and $685.0 million, respectively. The interest income recorded on these loans, which was not materially different from cash-basis interest income, amounted to $4.3 million and $5.8 million for the respective periods. For the three and six months ended June 30, 2009, the average balance of impaired loans was $362.5 million and $322.6 million, respectively, and the interest income amounted to $4.6 million and $9.1 million, respectively.

Covered Loans

The following table presents the balance of covered loans acquired in the AmTrust and Desert Hills acquisitions as of June 30, 2010:

(dollars in thousands)	Amount	Percent of Covered Loans
Loan Category:		
Mortgage loans	$ 4,238,485	91.6%
Commercial and industrial and other loans	388,089	8.4
Total loans	$ 4,626,574	100.0%

The Company refers to the loans acquired in the AmTrust and Desert Hills acquisitions as covered loans because the Company will be reimbursed for a substantial portion of any future losses on these loans under the terms of the FDIC loss sharing agreements. Covered loans are accounted for under Codification Topic 310-30, and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the lives of the loans.

At the acquisition date, we estimated the fair values of the Desert Hills loan portfolio at $196.7 million, which represents the expected cash flows from the portfolio discounted at market-based rates. In estimating such fair value, we (a) calculated the contractual amount and timing of undiscounted principal and interest payments (the undiscounted contractual cash flows); and (b) estimated the amount and timing of undiscounted expected principal and interest payments (the undiscounted expected cash flows). The amount by which the undiscounted expected cash flows exceed the estimated fair value (the accretable yield) is accreted into interest income over the lives of the loans. The difference between the undiscounted contractual cash flows and the undiscounted expected cash flows is referred to as the non-accretable difference. The non-accretable difference represents an estimate of the credit risk in the Desert Hills loan portfolio at the acquisition date. On the acquisition date, the estimate of the contractual principal and interest payments for covered loans acquired in the Desert Hills acquisition was $275.4

million. On the acquisition date, the accretable yield was $28.3 million and the non-accretable difference was $50.3 million.

In connection with the Desert Hills acquisition, the Company also acquired $38.6 million of OREO, which is covered under an FDIC loss sharing agreement. Covered OREO was initially recorded at its estimated fair value on the acquisition date based on independent appraisals less estimated selling costs. Any subsequent write downs due to declines in fair value will be charged to non-interest expense with a partially offsetting non-interest income item for the loss reimbursement under the FDIC loss sharing agreement. Any recoveries of previous write downs are credited to non-interest expense with a corresponding charge to non-interest income for the portion of the recovery that is due to the FDIC.

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At June 30, 2010, the outstanding balance (representing amounts owed to the Company) of loans acquired in the AmTrust and Desert Hills acquisitions was $5.6 billion. The carrying values of such loans were $4.6 billion and $5.0 billion at June 30, 2010 and December 31, 2009, respectively.

Changes in the accretable yield for acquired loans were as follows for the six months ended June 30, 2010:

(in thousands)	Accretable Yield
Balance at beginning of period[(1)]	$ 2,081,765
Additions	28,315
Accretion	(135,990)
Balance at end of period	$ 1,974,090

(1) Excludes loans held for sale.

Covered loans under the loss sharing agreements with the FDIC are reported exclusive of the FDIC loss share receivable. The covered loans acquired in the AmTrust and Desert Hills acquisitions are, and will continue to be, reviewed for collectability based on the expectations of cash flows on these loans. As a result, if there is a decrease in expected cash flows due to an increase in estimated credit losses compared to the estimate made at the acquisition date, the decrease in the present value of expected cash flows will be recorded as a provision for covered loan losses charged to earnings, and an allowance for covered loan losses will be established. A related credit to income and an increase in the FDIC loss share receivable will be recognized at the same time, and will be measured based on the loss share percentages described earlier in this report.

The FDIC loss share receivable represents the present value of the estimated losses on covered loans to be reimbursed by the FDIC. The estimated losses were based on the same cash flow estimates used in determining the fair value of the covered loans. The FDIC loss share receivable will be reduced as losses are recognized on covered loans and loss sharing payments are received from the FDIC. Realized losses in excess of acquisition date estimates will result in an increase in the FDIC loss share receivable. Conversely, if realized losses are less than acquisition date estimates, the FDIC loss share receivable will be reduced.

Under Codification Topic 310-30, purchasers are permitted to aggregate acquired loans into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Note 6. Mortgage Servicing Rights

The Company had mortgage servicing rights (MSRs) of $31.8 million and $10.6 million at June 30, 2010 and December 31, 2009, respectively. MSRs are included in other assets in the Consolidated Statements of Condition. The Company has two classes of MSRs for which it separately manages the economic risk: residential MSRs and securitized MSRs. Residential MSRs are carried at fair value, with changes in fair value recorded as a component of non-interest income in each period. The Company uses various derivative instruments to mitigate the income statement-effect of changes in fair value due to changes in valuation inputs and assumptions of its residential MSRs. MSRs do not trade in an active, open market with readily observable prices. Accordingly, the Company utilizes a valuation model that calculates the present value of estimated future cash flows. The model incorporates various assumptions, including estimates of prepayment speeds, discount rates, refinance rates, servicing costs, and ancillary income. The Company reassesses and periodically adjusts the underlying inputs and assumptions in the model to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset. The value of MSRs is significantly affected by mortgage interest rates available in the marketplace, which influence mortgage loan prepayment speeds. In general, during periods of declining interest rates, the value of MSRs declines due to increasing prepayments attributable to increased mortgage refinancing activity. Conversely, during periods of rising interest rates, the value of MSRs generally increases due to reduced mortgage refinancing activity.

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Securitized MSRs are carried at the lower of the initial carrying value, adjusted for amortization, or fair value and are amortized in proportion to, and over the period of, estimated net servicing income. Such MSRs are periodically evaluated for impairment based on the difference between the carrying amount and current fair value. If it is determined that impairment exists, the resultant loss is charged against earnings.

The following table sets forth the changes in residential and securitized MSRs for the six months ended June 30, 2010 and the year ended December 31, 2009:

	For the Six Months Ended June 30, 2010		For the Year Ended December 31, 2009	
(in thousands)	**Residential**	**Securitized**	**Residential**	**Securitized**
Carrying value, beginning of year	$ 8,617	$ 1,965	$	$ 3,568
Additions	28,206			
Decrease in fair value	(6,597)			
Amortization		(386)		(1,603)
Additions recorded at fair value in the AmTrust acquisition			8,617	
Carrying value, end of period	$ 30,226	$ 1,579	$ 8,617	$ 1,965

Note 7. Borrowed Funds

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

(in thousands)	**June 30, 2010**	**December 31, 2009**
Wholesale borrowings:		
FHLB advances	$ 8,460,674	$ 8,955,769
Repurchase agreements	4,125,000	4,125,000
Total wholesale borrowings	12,585,674	13,080,769
Junior subordinated debentures	427,205	427,371
Senior debt	601,805	601,746
Preferred stock of subsidiaries	51,800	54,800
Total borrowed funds	$ 13,666,484	$ 14,164,686

At June 30, 2010, the Company had $427.2 million of outstanding junior subordinated deferrable interest debentures (junior subordinated debentures) held by nine statutory business trusts (the Trusts) that issued guaranteed capital securities. The capital securities qualified as Tier 1 capital of the Company at that date. The Trusts are accounted for as unconsolidated subsidiaries in accordance with GAAP. The proceeds of each issuance were invested in a series of junior subordinated debentures of the Company and the underlying assets of each statutory business trust are the relevant debentures. The Company has fully and unconditionally guaranteed the obligations under each trust s capital securities to the extent set forth in a guarantee by the Company to each trust. The Trusts capital securities are each subject to mandatory redemption, in whole or in part, upon repayment of the debentures at their stated maturity or earlier redemption. However, with the passage of the Dodd-Frank Act in July 2010, the qualification of capital securities as Tier 1 capital will be phased out from January 1, 2013 to January 1, 2016.

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a summary of the outstanding capital securities issued by each trust and the carrying amounts of the junior subordinated debentures issued by the Company to each trust as of June 30, 2010:

Issuer	Interest Rate of Capital Securities and Debentures(1)	Junior Subordinated Debenture Carrying Amount	Capital Securities Amount Outstanding	Date of Original Issue	Stated Maturity	First Optional Redemption Date
		(dollars in thousands)				
Haven Capital Trust II	10.250%	$ 23,333	$ 22,550	May 26, 1999	June 30, 2029	June 30, 2009(2)
Queens County Capital Trust I	11.045	10,309	10,000	July 26, 2000	July 19, 2030	July 19, 2010
Queens Statutory Trust I	10.600	15,464	15,000	September 7, 2000	September 7, 2030	September 7, 2010
New York Community Capital Trust V	6.000	143,583	137,232	November 4, 2002	November 1, 2051	November 4, 2007(3)
New York Community Capital Trust X	2.137	123,712	120,000	December 14, 2006	December 15, 2036	December 15, 2011
LIF Statutory Trust I	10.600	7,732	7,500	September 7, 2000	September 7, 2030	September 7, 2010
PennFed Capital Trust II	10.180	12,858	12,486	March 28, 2001	June 8, 2031	June 8, 2011
PennFed Capital Trust III	3.787	30,928	30,000	June 2, 2003	June 15, 2033	June 15, 2008(2)
New York Community Capital Trust XI	2.183	59,286	57,500	April 16, 2007	June 30, 2037	June 30, 2012
		$ 427,205	$ 412,268			

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

Note 8. Pension and Other Post-Retirement Benefits

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

(in thousands)	For the Three Months Ended June 30, 2010 Pension Benefits	2010 Post-Retirement Benefits	2009 Pension Benefits	2009 Post-Retirement Benefits
Components of net periodic (credit) expense:				
Interest cost	$ 1,515	$ 198	$ 1,611	$ 228
Service cost		1		1
Expected return on plan assets	(2,866)		(2,576)	
Unrecognized past service liability	49	(62)	50	(62)
Amortization of unrecognized loss	1,286	78	1,746	75

Net periodic (credit) expense	$ (16)	$ 215	$ 831	$ 242

	For the Six Months Ended June 30,			
	2010		2009	
(in thousands)	Pension Benefits	Post-Retirement Benefits	Pension Benefits	Post-Retirement Benefits
Components of net periodic (credit) expense:				
Interest cost	$ 3,028	$ 397	$ 3,222	$ 455
Service cost		2		2
Expected return on plan assets	(5,731)		(5,151)	
Unrecognized past service liability	98	(125)	100	(124)
Amortization of unrecognized loss	2,572	157	3,492	151
Net periodic (credit) expense	$ (33)	$ 431	$ 1,663	$ 484

As discussed in the notes to the consolidated financial statements presented in the Company s 2009 Annual Report on Form 10-K, the Company expects to contribute $1.7 million to its post-retirement plan to pay premiums and claims for the fiscal year ending December 31, 2010. The Company does not expect to contribute to its pension plan in 2010.

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Computation of Earnings per Share

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

(in thousands, except share and per share data)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net income	$ 136,258	$ 56,448	$ 260,407	$ 145,137
Less: Dividends paid on and earnings allocated to participating securities	(797)	(463)	(1,493)	(945)
Earnings applicable to common stock	$ 135,461	$ 55,985	$ 258,914	$ 144,192
Weighted average common shares outstanding	434,184,751	343,549,598	433,137,053	343,435,986
Basic earnings per common share	$ 0.31	$ 0.16	$ 0.60	$ 0.42
Earnings applicable to common stock	$ 135,461	$ 55,985	$ 258,914	$ 144,192
Weighted average common shares outstanding	434,184,751	343,549,598	433,137,053	343,435,986
Potential dilutive common shares(1)	438,776	75,745	351,309	76,798
Total shares for diluted earnings per share computation	434,623,527	343,625,343	433,488,362	343,512,784
Diluted earnings per common share and common share equivalents	$ 0.31	$ 0.16	$ 0.60	$ 0.42

(1) Options to purchase 2,822,923 and 5,304,612 shares, respectively, of the Company s common stock that were outstanding in the three and six months ended June 30, 2010, at respective weighted average exercise prices of $19.18 and $17.72, were not included in the respective computations of diluted earnings per share because their inclusion would have had an antidilutive effect. Options to purchase 13,100,767 shares of the Company s common stock that were outstanding in the three and six months ended June 30, 2009, were not included in the respective computations of diluted earnings per share because their inclusion would have had an antidilutive effect.

Note 10. Fair Value Measurement

The Company carries loans held for sale originated by the mortgage banking unit at fair value, in accordance with applicable accounting guidance (Fair Value Option). In 2008, the FASB issued a standard that, among other things, defined fair value, established a consistent framework for measuring fair value, and expanded disclosure for each major asset and liability category measured at fair value on either a recurring or non-recurring basis. The standard clarified that fair value is an exit price, representing the amount that would be received when selling an asset, or paid when transferring a liability, in an orderly transaction between market participants. Fair value is thus a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

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

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

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

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables present assets and liabilities that were measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009, and that were included in the Company s Consolidated Statement of Condition at those dates:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments(1)	Total Fair Value
	Fair Value Measurements at June 30, 2010 Using				
Mortgage-Related Securities Available for Sale:					
GSE certificates	$	$ 237,430	$	$	$ 237,430
GSE CMOs		288,435			288,435
Private label CMOs		72,107			72,107
Total mortgage-related securities	$	$ 597,972	$	$	$ 597,972
Other Securities Available for Sale:					
GSE debentures	$	$ 634	$	$	$ 634
Corporate bonds		5,063			5,063
U. S. Treasury obligations	229,599				229,599
State, county, and municipal		1,474			1,474
Capital trust notes		15,786	24,553		40,339
Preferred stock		11,961	7,724		19,685
Common stock	37,167				37,167
Total other securities	$ 266,766	$ 34,918	$ 32,277	$	$ 333,961
Total securities available for sale	$ 266,766	$ 632,890	$ 32,277	$	$ 931,933
Other Assets:					
Loans held for sale	$	$ 923,166	$	$	$ 923,166
Mortgage servicing rights			30,226		30,226
Derivative assets	946		19,739		20,685
Liabilities:					
Derivative liabilities	$ 1,009	$ 30,138	$	$ (4,107)	$ 27,040

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions with the same counterparties.

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands)	Fair Value Measurements at December 31, 2009 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments[1]	Total Fair Value
Mortgage-Related Securities Available for Sale:					
GSE certificates	$	$ 271,808	$	$	$ 271,808
GSE CMOs		416,783			416,783
Private label CMOs		85,614			85,614
Total mortgage-related securities	$	$ 774,205	$	$	$ 774,205
Other Securities Available for Sale:					
GSE debentures	$	$ 30,190	$	$	$ 30,190
Corporate bonds		4,901			4,901
U. S. Treasury obligations	606,451				606,451
State, county, and municipal		6,159			6,159
Capital trust notes		15,273	23,565		38,838
Preferred stock		13,567	7,667		21,234
Common stock	36,668				36,668
Total other securities	$ 643,119	$ 70,090	$ 31,232	$	$ 744,441
Total securities available for sale	$ 643,119	$ 844,295	$ 31,232	$	$ 1,518,646
Other Assets:					
Loans held for sale	$	$ 351,322	$	$	$ 351,322
Mortgage servicing rights			8,617		8,617
Derivative assets	48	20,416	32	(2,243)	18,253
Liabilities:					
Derivative liabilities	$ 344	$	$	$ (83)	$ 261

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions with the same counterparties.

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

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

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

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

The fair value of loans held for sale is primarily based on quoted market prices for securities backed by similar types of loans. The changes in fair value of these assets are largely driven by changes in interest rates subsequent to loan funding and changes in the fair value of servicing associated with the mortgage loans held for sale. Loans held for sale are classified within Level 2 of the valuation hierarchy.

In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. In valuing collateralized debt obligations (CDOs) (which include pooled trust preferred securities and income notes) and certain single-issue capital trust notes, both of which

NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

MSRs do not trade in an active open market with readily observable prices. Accordingly, the Company utilizes a valuation model that calculates the present value of estimated future cash flows. The model incorporates various assumptions, including estimates of prepayment speeds, discount rates, refinance rates, servicing costs, and ancillary income. The Company reassesses and periodically adjusts the underlying inputs and assumptions in the model to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset. MSR fair value measurements use significant unobservable inputs and, accordingly, are classified as Level 3.

For interest rate lock commitments for residential mortgage loans that the Company intends to sell, the fair value is based on internally developed models. The key model inputs primarily include the sum of the value of the forward commitment based on the loans expected settlement dates and the projected value of the MSRs, government agency price adjustment factors, and historical interest rate lock commitment fall-out factors. Such derivatives are classified as Level 3.

While the Company believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in different estimates of fair values at the reporting date.

The Company had no transfers in or out of Level 1 or 2 during the six months ended June 30, 2010.

NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Changes in Level 3 Fair Value Measurements

The following tables include a roll-forward of the balance sheet amounts for the six months ended June 30, 2010 and 2009 (including the change in fair value) for financial instruments classified in Level 3 of the valuation hierarchy:

(in thousands)	Fair Value January 1, 2010	Total Realized/Unrealized Gains/(Losses) Recorded in		Purchases, Issuances, and Settlements, Net	Transfers in/out of Level 3	Fair Value June 30, 2010	Change in Unrealized Gains and (Losses) Related to Instruments Held at June 30, 2010
		Income	Comprehensive Income				
Available-for-Sale Debt Securities:							
Capital securities and preferred stock	$ 31,232	$ (878)	$ 1,923	$	$	$ 32,277	$ 1,045
Mortgage servicing rights	8,617	(6,597)		28,206		30,226	(6,597)
Derivatives, net	32	19,707				19,739	19,707

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

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a non-recurring basis. Such instruments are subject to fair value adjustments under certain circumstances (e.g., when there is evidence of impairment). The following tables present assets and liabilities that were measured at fair value on a non-recurring basis as of June 30, 2010 and December 31, 2009, and that were included in the Company s Consolidated Statements of Condition at those dates:

	Fair Value Measurements at June 30, 2010 Using			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Loans held for sale	$	$ 7,399	$	$ 7,399
Certain impaired loans			188,759	188,759
Total	$	$ 7,399	$ 188,759	$ 196,158

	Fair Value Measurements at December 31, 2009 Using			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Loans held for sale	$	$ 4,729	$	$ 4,729
Certain impaired loans			139,848	139,848
Total	$	$ 4,729	$ 139,848	$ 144,577

The fair values of collateral-dependent impaired loans are determined using various valuation techniques, including consideration of appraised values and other pertinent real estate market data.

Other Fair Value Disclosures

Certain FASB guidance requires the disclosure of fair value information about the Company s on- and off-balance-sheet financial instruments. Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are based on present-value estimates or other valuation techniques. Such fair values are significantly affected by the assumptions used, the timing of future cash flows, and the discount rate.

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

The following table summarizes the carrying values and estimated fair values of the Company s financial instruments at June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
(in thousands)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Financial Assets:				
Cash and cash equivalents	$ 2,614,325	$ 2,614,325	$ 2,670,857	$ 2,670,857
Securities held to maturity	3,765,314	3,861,391	4,223,597	4,249,662
Securities available for sale	931,933	931,933	1,518,646	1,518,646
FHLB stock	446,845	446,845	496,742	496,742
Loans, net	29,009,482	29,714,600	28,265,208	28,302,882
Mortgage servicing rights	31,804	31,804	10,582	10,582
Derivatives	20,685	20,685	18,253	18,253
Financial Liabilities:				
Deposits	$ 22,443,668	$ 22,503,603	$ 22,316,411	$ 22,373,559
Borrowed funds	13,666,484	15,043,663	14,164,686	15,271,668
Derivatives	27,040	27,040	261	261

NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Cash and Cash Equivalents

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

Securities Held to Maturity and Available for Sale

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

FHLB Stock

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

Loans

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

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

In addition, these methods of estimating fair value do not incorporate the exit-price concept of fair value prescribed by Codification Topic 820-10, Fair Value Measurements and Disclosures.

Loans Held for Sale

Fair value is based on independent quoted market prices, where available, and adjusted as necessary for such items as servicing value, guaranty fee premiums, and credit spread adjustments.

Mortgage Servicing Rights (MSRs)

MSRs do not trade in an active market with readily observable prices. Accordingly, the Company utilizes a valuation model that calculates the present value of estimated future cash flows. The model incorporates various assumptions, including estimates of prepayment speeds, discount rates, refinance rates, servicing costs, and ancillary income. The Company reassesses and periodically adjusts the underlying inputs and assumptions in the model to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset.

Derivative Financial Instruments

For exchange-traded futures and exchange-traded options, the fair value is based on observable quoted market prices in an active market. For forward commitments to buy and sell loans and mortgage-backed securities, the fair value is based on observable market prices for similar securities in an active market. For interest rate lock

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NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

commitments for residential mortgage loans that the Company intends to sell, the fair value is based on internally developed models. The key model inputs primarily include the sum of the value of the forward commitment based on the loans expected settlement dates, the value of MSRs arrived at by an independent MSR broker, government agency price adjustment factors, and historical interest rate lock commitment fall-out factors.

Deposits

The fair values of deposit liabilities with no stated maturity (i.e., NOW and money market accounts, savings accounts, and non-interest-bearing accounts) are equal to the carrying amounts payable on demand. The fair values of CDs represent contractual cash flows, discounted using interest rates currently offered on deposits with similar characteristics and remaining maturities. These estimated fair values do not include the intangible value of core deposit relationships, which comprise a significant portion of the Company s deposit base.

Borrowed Funds

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

Off-Balance-Sheet Financial Instruments

The fair values of commitments to extend credit and unadvanced lines of credit are estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the commitments and the creditworthiness of the potential borrowers. The estimated fair values of such off-balance-sheet financial instruments were insignificant at June 30, 2010 and December 31, 2009.

Note 11. Derivative Financial Instruments

The Company s derivative financial instruments consist of financial forward and futures contracts, interest rate lock commitments, swaps, and options. These derivatives relate to mortgage banking operations, MSRs, and other risk management activities, and seek to mitigate or reduce the Company s exposure to losses from adverse changes in interest rates. These activities will vary in scope based on the level and volatility of interest rates, the type of assets held, and other changing market conditions.

The Company held derivatives not designated as hedges with a notional amount of $4.1 billion at June 30, 2010. Changes in the fair value of these derivatives are reflected in current-period earnings.

The following table sets forth information concerning the Company s derivative financial instruments at June 30, 2010:

	June 30, 2010		
	Notional	Fair Value[1]	
(in thousands)	Amount	Gain	Loss
Derivatives Not Designated as Hedges:			
Mortgage banking:			
Treasury options	$ 110,000	$ 17	$
Eurodollar futures	400,000		1,009
Forward commitments to sell loans/mortgage-backed securities	1,989,835		29,974
Forward commitments to buy loans/mortgage-backed securities	175,000	3,943	
Interest rate lock commitments	1,468,561	19,739	

Total derivatives	$ 4,143,396	$ 23,699	$ 30,983

(1) Derivatives in a net gain position are recorded as other assets, and derivatives in a net loss position are recorded as other liabilities in the Consolidated Statements of Condition.

The Company uses various financial instruments, including derivatives, in connection with its strategies to reduce price risk resulting from changes in interest rates. Derivative instruments may include interest rate lock

NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

commitments entered into with borrowers or correspondents/brokers to acquire conforming fixed and adjustable rate residential mortgage loans that will be held for sale. Other derivative instruments include Treasury options and Eurodollar futures. Gains or losses due to changes in the fair value of derivatives are recognized currently in earnings.

The Company enters into forward contracts to sell fixed rate mortgage-backed securities to protect against changes in the prices of conforming fixed rate loans held for sale. Forward contracts are entered into with securities dealers in an amount related to the portion of interest rate lock commitments that are expected to close. The value of these forward sales contracts moves inversely with the value of the loans in response to changes in interest rates.

To manage the price risk associated with fixed rate non-conforming mortgage loans, the Company generally enters into forward contracts on mortgage-backed securities or forward commitments to sell loans to approved investors. Short positions in Eurodollar futures contracts are used to manage price risk on adjustable rate mortgage loans held for sale.

The Company also purchases put and call options to manage the risk associated with variations in the amount of interest rate lock commitments that ultimately close.

In addition, the Company mitigates a portion of the risk associated with changes in the value of MSRs. The general strategy for hedging the value of servicing assets is to purchase hedge instruments that gain value when interest rates fall, thereby offsetting the corresponding decline in the value of the MSRs. The Company purchases call options on Treasury futures and enters into forward contracts to purchase fixed rate mortgage-backed securities to offset the risk of declines in the value of MSRs.

The following table sets forth the effect of derivative instruments on the Consolidated Statements of Income for the six months ended June 30, 2010 and for the period from December 4, 2009 (the date of the AmTrust acquisition) through December 31, 2009:

	Gain (Loss) Recognized in Non-Interest Income	
(in thousands)	**For the Six Months Ended June 30, 2010**	**For the Year Ended December 31, 2009**
Mortgage Banking:		
Treasury options	$ 1,678	$ (77)
Eurodollar futures	(1,127)	186
Forward commitments to buy/sell loans/mortgage-backed securities	(7,974)	16,224
Other Management Activities:		
Interest rate swaps		1,221
Total (loss) gain	$ (7,423)	$ 17,554

Note 12. Impact of Recent Accounting Pronouncements

In July 2010, the FASB issued Accounting Standard Update (ASU) 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 was issued to improve the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate, by portfolio segment or class, certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendments in ASU 2010-20 encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. However, an entity should provide comparative disclosures for those reporting periods ending after initial adoption. The Company s adoption of ASU 2010-20 is not expected to have a material effect on its consolidated financial statements.

In January 2010, the FASB issued a standard that requires more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity

NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll-forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

In July 2009, the FASB released the Codification as the single source of authoritative non-governmental GAAP. The Codification is effective for interim and annual periods ended after September 15, 2009. All previously existing accounting standards documents are superseded. All other accounting literature not included in the Codification is non-authoritative.

Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification has become non-authoritative.

Following the Codification, the FASB will not issue new standards in the form of Statements of Financial Accounting Standards, FASB Staff Positions, Emerging Issues Task Force Abstracts, or other types of pronouncements previously used. Instead, it will issue ASUs, which will serve to update the Codification, provide background information about the guidance, and provide the basis for conclusions on changes to the Codification.

GAAP is not intended to be changed as a result of the Codification, but the Codification will change the way the guidance is organized and presented. As a result, these changes will have a significant impact on how companies reference GAAP in their financial statements and in their accounting policies for financial statements issued for interim and annual periods ended after September 15, 2009.

In April 2009, the FASB issued new requirements regarding disclosure of fair value measurements and accounting for the impairment of securities. The requirements address fair value measurements in inactive markets consistent with the principles presented in previously issued standards; increase the frequency of fair value disclosures; and establish new principles with respect to accounting for, and presenting, impairment losses on securities.

These requirements address the determination of fair values when there is no active market or where the price inputs being used represent distressed sales, and reaffirm that the objective of fair value measurement, as set forth in previously issued guidance, is to reflect how much an asset would be sold for in an orderly transaction (the exit price, as opposed to a distressed or forced transaction) at the date of the financial statements and under current market conditions. Furthermore, the FASB specifically reaffirmed the need to use judgment in ascertaining if a formerly active market has become inactive and in determining fair values when markets have become inactive.

Prior to issuing these requirements, fair values for financial instruments held by public companies were disclosed once a year. The new requirements call for quarterly disclosures that provide qualitative and quantitative information about fair value estimates.

New requirements relating to OTTI also were issued by the FASB to bring greater consistency to the timing of impairment recognition, and to provide greater clarity to investors about the credit and non-credit components of impaired debt securities that are not intended or expected to be sold. The measure of impairment in comprehensive income remains fair value. The guidance also requires increased and timelier disclosure regarding expected cash flows, credit losses, and the aging of securities with unrealized losses. In accordance with these requirements, the Company recorded a cumulative-effect adjustment at the adoption date of April 1, 2009 with respect to certain previously recognized OTTI.

The FASB requirements issued in April 2009 were effective for interim and annual periods ending after June 15, 2009 and were adopted by the Company on April 1, 2009. The Company s adoption of these requirements did not have a material effect on its consolidated financial statements.

NEW YORK COMMUNITY BANCORP, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In June 2009, the FASB issued a standard that, among other things, affects the accounting for transfers of financial assets, including securitization transactions, and requires more information when companies have continuing exposure to the risks related to transferred financial assets. The standard eliminated the concept of a qualifying special-purpose entity, changed the requirements for derecognizing financial assets, and required additional disclosures.

Another standard issued by the FASB in June 2009 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design, and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance.

Both of these standards were effective as of the beginning of the first annual reporting period that began after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The adoption of these standards on January 1, 2010, did not have a material impact on the Company s consolidated financial condition or results of operations.

In June 2009, the FASB also issued a standard regarding subsequent events. This ASU established general standards of accounting for, and disclosing, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It required the disclosure of the date through which an entity evaluated subsequent events and the basis for that date, i.e., whether that date represented the date the financial statements were issued or were available to be issued. In February 2010, the FASB issued additional guidance regarding the recognition and disclosure requirements for subsequent events. This guidance addresses both the interaction of the requirements of Codification Topic 855, Subsequent Events, with the SEC s reporting requirements, and the intended breadth of the reissuance disclosures provision related to subsequent events. The amendments in this guidance have the potential to change reporting by both private and public entities; however, the nature of the change may vary depending on facts and circumstances. The Company has determined there are no disclosures required under the February 2010 guidance.

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NEW YORK COMMUNITY BANCORP, INC.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Forward-Looking Statements and Associated Risk Factors

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

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

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

general economic conditions, either nationally or in some or all of the areas in which we and our customers conduct our respective businesses;

conditions in the securities markets and real estate markets or the banking industry;

changes in interest rates, which may affect our net income, prepayment penalty income, and other future cash flows, or the market value of our assets, including our investment securities;

changes in deposit flows and wholesale borrowing facilities;

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

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

changes in our customer base or in the financial or operating performances of our customers businesses;

changes in real estate values, which could impact the quality of the assets securing the loans in our portfolio;

changes in the quality or composition of our loan or securities portfolios;

changes in competitive pressures among financial institutions or from non-financial institutions;

the ability to successfully integrate any assets, liabilities, customers, systems, and management personnel, including those of AmTrust Bank, Desert Hills Bank, and any other banks we may acquire, into our operations, and our ability to realize related revenue synergies and cost savings within expected time frames;

our use of derivatives to mitigate our interest rate exposure;

our ability to retain key members of management;

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

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

any breach in performance by the Community Bank under our loss sharing agreements with the FDIC;

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

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

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

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

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

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

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

changes in legislation, regulation, policies, or administrative practices, whether by judicial, governmental, or legislative action, including, but not limited to, the effect of final rules amending Regulation E that prohibit financial institutions from assessing overdraft fees on ATM and one-time debit card transactions without a consumer s affirmative consent, the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and other changes pertaining to banking, securities, taxation, rent regulation and housing, environmental protection, and insurance; and the ability to comply with such changes in a timely manner;

additional FDIC special assessments or required assessment prepayments;

changes in accounting principles, policies, practices or guidelines;

the ability to keep pace with, and implement on a timely basis, technological changes;

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

war or terrorist activities; and

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

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

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

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

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

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

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

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

Reconciliations of our stockholders equity, tangible stockholders equity, and adjusted tangible stockholders equity; our total assets, tangible assets, and adjusted tangible assets; and the related capital measures at June 30, 2010 and December 31, 2009 follow:

(in thousands)	June 30, 2010	December 31, 2009
Total Stockholders Equity	$ 5,446,434	$ 5,366,902
Less: Goodwill	(2,436,327)	(2,436,401)
Core deposit intangibles	(93,226)	(105,764)
Tangible stockholders equity	$ 2,916,881	$ 2,824,737
Total Assets	$ 42,010,747	$ 42,153,869
Less: Goodwill	(2,436,327)	(2,436,401)
Core deposit intangibles	(93,226)	(105,764)
Tangible assets	$ 39,481,194	$ 39,611,704
Total stockholders equity to total assets	12.96%	12.73%
Tangible stockholders equity to tangible assets	7.39%	7.13%
Tangible Stockholders Equity	$ 2,916,881	$ 2,824,737
Add back: Accumulated other comprehensive loss, net of tax	52,805	49,903
Adjusted tangible stockholders equity	$ 2,969,686	$ 2,874,640
Tangible Assets	$ 39,481,194	$ 39,611,704
Add back: Accumulated other comprehensive loss, net of tax	52,805	49,903
Adjusted tangible assets	$ 39,533,999	$ 39,661,607
Adjusted stockholders equity to adjusted tangible assets	7.51%	7.25%

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Critical Accounting Policies

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

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

The judgments used by management in applying these critical accounting policies may be influenced by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. In addition, the current economic environment has increased the degree of uncertainty inherent in our judgments, estimates, and assumptions.

Allowance for Loan Losses

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

The allowances for loan losses are established based on our evaluation of the probable inherent losses in our portfolio in accordance with GAAP. The allowances for loan losses are comprised of both specific valuation allowances and general valuation allowances which are determined in accordance with Financial Accounting Standards Board (FASB) accounting standards.

Specific valuation allowances are established based on our analyses of individual loans that are considered impaired. If a loan is deemed to be impaired, management measures the extent of the impairment and establishes a specific valuation allowance for that amount. A loan is classified as impaired when, based on current information and events, it is probable that we will be unable to collect both the principal and interest due under the contractual terms of the loan agreement. We apply this classification as necessary to loans individually evaluated for impairment in our portfolios of multi-family; commercial real estate; acquisition, development, and construction; and commercial and industrial loans. Smaller balance homogenous loans and loans carried at the lower of cost or fair value are evaluated for impairment on a collective rather than an individual basis. We generally measure impairment on an individual loan and the extent to which a specific valuation allowance is necessary by comparing the loan s outstanding balance to either the fair value of the collateral, less the estimated cost to sell; or the present value of expected cash flows, discounted at the loan s effective interest rate. A specific valuation allowance is established when the fair value of the collateral, net of estimated costs, or the present value of the expected cash flows, is less than the recorded investment in the loan.

We also follow a process to assign general valuation allowances to loan categories. General valuation allowances are established by applying our loan loss provisioning methodology, and reflect the inherent risk in loans outstanding. Our loan loss provisioning methodology considers various factors in determining the appropriate quantified risk factors to use to determine the general valuation allowances. The factors assessed begin with the historical loan loss experience for each of the major loan categories we maintain. Our historical loan loss experience is then adjusted by considering qualitative or environmental factors that are likely to cause estimated credit losses associated with the existing portfolio to differ from historical loss experience, including, but not limited to, the following:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices;

- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
- Changes in the quality of our loan review system;
- Changes in the value of the underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- Changes in the experience, ability, and depth of lending management and other relevant staff; and
- The effect of other external factors, such as competition and legal and regulatory requirements, on the level of estimated credit losses in the existing portfolio.

By considering the factors discussed above, we determine quantified risk factors that are applied to each non-impaired loan or loan type in the loan portfolio to determine the general valuation allowances.

In recognition of recent macroeconomic and real estate market conditions, the time periods considered for historical loss experience are the last three years and the current period. We also evaluate the sufficiency of the overall allocations used for the loan loss allowance by considering the loss experience in the most recent calendar year and the current period.

The process of establishing the loan loss allowances also involves:

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

In establishing the loan loss allowances, management also considers the Banks current business strategies and credit processes, including compliance with guidelines established by the respective Boards of Directors.

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

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

The level of future additions to the respective loan loss allowances is based on many factors, including certain factors that are beyond management s control, such as changes in economic and local market conditions, including declines in real estate values, and increases in vacancy rates and unemployment. Management uses the best available information to recognize losses on loans or to make additions to the loan loss allowances; however, the Community Bank and/or the Commercial Bank may be required to take certain charge-offs and/or recognize further additions to their loan loss allowances, based on the judgment of regulatory agencies with regard to information provided to them during their examinations of the Banks.

Investment Securities

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

The fair values of our securities and particularly our fixed-rate securities are affected by changes in market interest rates and credit spreads. In general, as interest rates rise and/or credit spreads widen, the fair value of fixed-rate securities will decline; as interest rates fall and/or credit spreads tighten, the fair value of fixed-rate securities will increase. We regularly conduct a review and evaluation of the securities portfolio to determine if the decline in the fair value of any security below its carrying amount is other than temporary. If we deem any decline in value to be other than temporary, the security is written down to its current fair value, creating a new cost basis, and the resultant loss (other than OTTI on debt securities attributable to non-credit factors) is charged against earnings and recorded in non-interest income. Our assessment of a decline in fair value includes judgment as to the financial position and future prospects of the entity that issued the investment security, as well as a review of the security s underlying collateral. Broad changes in the overall market or interest rate environment generally will not lead to a write-down.

Prior to April 1, 2009, when the decline in fair value below an investment s carrying amount was deemed to be other than temporary, the investment was written down to fair value and the amount of the write-down was charged to earnings. A decline in fair value of an investment was deemed to be other than temporary if we did not have the intent and ability to hold the investment to its anticipated recovery. Effective April 1, 2009, with the adoption of revised OTTI accounting guidance, unless we have the intent to sell, or it is more likely than not that we may be required to sell a security, an OTTI is recognized as a realized loss on the income statement to the extent that the decline in fair value is credit-related. If there is a decline in fair value of a security below its carrying amount and we have the intent to sell it, or it is more likely than not that we may be required to sell the security, the entire amount of the decline in fair value will be charged to earnings.

At June 30, 2010, we had an unrealized gain on available-for-sale securities of $1.5 million and an unrealized gain on held-to-maturity securities of $96.1 million.

Goodwill Impairment

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

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

Quoted market prices in active markets are the best evidence of fair value and are used as the basis for measurement, when available. Other acceptable valuation methods include present-value measurements based on multiples of earnings or revenues, or similar performance measures. Differences in the identification of reporting units and in valuation techniques could result in materially different evaluations of impairment.

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For the purpose of goodwill impairment testing, management has determined that the Company has one reporting unit. We performed our annual goodwill impairment test as of January 1, 2010 and found no indication of goodwill impairment.

Income Taxes

In estimating income taxes, management assesses the relative merits and risks of the tax treatment of transactions, taking into account statutory, judicial, and regulatory guidance in the context of our tax position. In this process, management also relies on tax opinions, recent audits, and historical experience. Although we use the best available information to record income taxes, underlying estimates and assumptions can change over time as a result of unanticipated events or circumstances such as changes in tax laws and judicial guidance influencing our overall or transaction-specific tax position.

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

In July 2009, new tax laws were enacted that were effective for the determination of our New York City income tax liability for calendar year 2009. In general, these laws conformed the New York City tax rules to those of New York State. Included in these new tax laws is a provision which requires the inclusion of income earned by a subsidiary taxed as a real estate investment trust (REIT) for federal tax purposes, regardless of the location in which the REIT subsidiary conducts its business or the timing of its distribution of earnings. As a result of certain earlier business combinations, we currently have six REIT subsidiaries. The inclusion of such income has been phased in. Absent any change in the manner in which we conduct our business, the new tax law is expected to add approximately $1.3 million to our 2010 income tax, with an additional $1.3 million increase to income tax expense when the City law is fully phased in, starting in 2011.

Furthermore, in June 2010, new tax laws were introduced that would repeal the preferential deduction for bad debts currently permitted in the determination of the Company s New York State and City income tax liability. These new provisions were enacted in August 2010. The law would apply retroactively to the determination of tax liability for the calendar year 2010 as well as to subsequent years. The Company s current income tax expense for 2010 is expected to increase by approximately $2.4 million, with 75% of the tax increase reflected in our third quarter 2010 earnings. However, this change in law also results in a one-time reduction in deferred tax expense of approximately $1.0 million, which would be recorded in the third quarter of this year.

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Recent Events

Dividend Payment

On July 27, 2010, the Board of Directors declared a quarterly cash dividend of $0.25 per share, payable on August 17, 2010 to shareholders of record at the close of business on August 6, 2010.

The Economic Environment

Although unemployment rates rose year-over-year in the five states that constitute our footprint, four of those states Florida, New Jersey, New York, and Ohio experienced three-month declines. The respective unemployment rates in those states were 12.3%, 9.8%, 8.6%, and 11.0% in March and declined to 11.4%, 9.6%, 8.2%, and 10.5%, respectively, in June. In Arizona, unemployment held steady at 9.6%. While the national unemployment rate fell from 9.7% to 9.5% on a linked-quarter basis, unemployment remains at its highest level in nearly 27 years.

In New York City, where the vast majority of the properties securing our loans are located, unemployment dropped from 10.0% in March to 9.5% in June 2010. In Manhattan, where 33.4% of the properties securing our multi-family and commercial real estate loan portfolios are located, the office vacancy rate improved from 12.7% to 12.5% over the course of the quarter, and was 60 basis points lower than the comparable rate in June 2009.

Through May 2010, home prices fell 0.4% year-over-year in the New York Metropolitan region, but rose 1.2% in greater Miami, 7.2% in greater Phoenix, 3.7% in greater Cleveland, and 4.6% nationally.

Against this backdrop, we realized a linked-quarter reduction in loans 30 to 89 days past due and a linked-quarter reduction in non-performing loans and assets. The ratio of net charge-offs to average loans continued to be well below the industry average, notwithstanding an increase in net charge-offs in the second quarter of 2010.

Executive Summary

Our second quarter 2010 performance reflects the full-quarter benefit of our FDIC-assisted acquisitions of certain assets and assumptions of certain liabilities of AmTrust Bank (AmTrust) and Desert Hills Bank (Desert Hills) on December 4, 2009 and March 26, 2010, respectively. Year-over-year, our earnings rose $79.8 million, or 141.4%, to $136.3 million, and our diluted earnings per share rose $0.15, or 93.8%, to $0.31. On a linked-quarter basis, our earnings rose $12.1 million, equivalent to a $0.02 increase in diluted earnings per share.

Our second quarter 2010 performance was also highlighted by a linked-quarter increase in loan production, and by a linked-quarter reduction in non-performing loans and assets, which resulted in an improvement in our measures of asset quality.

Net Interest Income Growth and Margin Expansion

Net interest income rose $76.6 million, or 35.2%, from the year-earlier level to $294.2 million in the second quarter of 2010. During this time, our net interest margin rose 36 basis points to 3.42%. The increases were largely attributable to the growth of our interest-earning assets, which occurred in tandem with a decline in funding costs.

Interest-earning assets rose $6.0 billion year-over-year to $34.4 billion, exceeding the impact of a three-basis point drop in the average yield to 5.62%. In addition to the organic and acquisition-driven growth of our interest-earning assets, the growth of our net interest income and net interest margin reflect the maintenance of the federal funds rate at an historically low level, and the acquisition-driven enhancement of our funding mix. Primarily reflecting the deposits assumed in the AmTrust and Desert Hills transactions, the average balance of interest-bearing deposits rose $8.1 billion year-over-year to $21.1 billion; however, the average cost of such funds declined 58 basis points to 1.13% during this time.

Non-Interest Income Growth

We recorded non-interest income of $80.4 million in the current second quarter, in contrast to a non-interest loss of $17.7 million in the second quarter of 2009. The year-over-year difference largely reflects the benefits of our AmTrust and Desert Hills acquisitions. In addition to a $4.8 million increase in fee income to $14.1 million, we recorded mortgage banking income of $39.5 million in the current second quarter, which is included in other income on our Consolidated Statements of Income and Comprehensive Income. Mortgage banking income consists primarily of servicing fees and net gains generated through the aggregation and sale of agency-conforming one- to four-family loans to GSEs by the mortgage banking operation we acquired in the AmTrust transaction on December 4, 2009. In addition, our non-interest income in the second quarter of 2010 was increased by a $10.8 million bargain purchase gain (gain on acquisition) in connection with the Desert Hills transaction, which was equivalent to $6.6 million, or $0.01 per diluted share, after-tax.

On a linked-quarter basis, we realized a $25.4 million increase in non-interest income, which included a $12.0 million rise in mortgage banking income and the aforementioned gain on the acquisition of Desert Hills.

Improved Asset Quality

Although our non-performing loans and assets were higher at June 30, 2010 than they were at the end of December, a comparison with the March 31st numbers reflects a substantial improvement in our asset quality. Non-performing loans totaled $636.8 million at the end of June, a $97.9 million reduction from the March 31st balance, and were equivalent to 2.26% of total loans, an improvement of 35 basis points. Similarly, non-performing assets declined $83.9 million in the current second quarter to $666.9 million, and were equivalent to 1.59% of total assets, a linked-quarter improvement of 18 basis points. Furthermore, the balance of loans 30 to 89 days past due declined for the second consecutive quarter, to $154.6 million at June 30, 2010.

Although net charge-offs totaled $18.9 million in the current second quarter, the ratio of net charge-offs to average loans was a modest 0.07%. Reflecting our assessment of the allowance for loan losses, and the adverse impact of continued economic weakness, we increased our provision for loan losses to $22.0 million from $20.0 million and $12.0 million, respectively, in the trailing and year-earlier three months. The allowance for loan losses thus rose to $140.6 million at June 30, 2010, and represented 22.08% of non-performing loans and 0.50% of total loans at that date.

Operating Efficiency

The significant revenue growth we achieved year-over-year was somewhat tempered by an increase in operating expenses to $133.5 million from $128.9 million and $101.9 million, respectively, in the trailing and year-earlier three months. These increases were largely acquisition-related, and reflect the expansion of our franchise into Ohio, Florida, and Arizona, and the related additions to our branch and back-office staff. The linked-quarter increase also reflects a rise in legal fees and other expenses related to an increase in other real estate owned (OREO). Nonetheless, our efficiency ratio was 35.63% in the current second quarter, an improvement from 36.85% in the trailing three-month period.

Multi-Family Loan Production

Multi-family loan originations totaled $532.4 million in the current second quarter, representing a three-month increase of $89.5 million. Although owners of multi-family buildings have generally refrained from refinancing and expanding their real estate holdings for several quarters, the increase in the volume of loans produced, and in our second quarter-end pipeline, are encouraging indications that our local real estate market is starting to improve.

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Loans Originated For Sale

Loans originated for sale by our mortgage banking operation rose to $2.2 billion in the second quarter from $1.3 billion in the three months ended March 31, 2010.

Tangible Capital Strength

In the second quarter of 2010, we increased our stockholders equity to $5.4 billion, representing 12.96% of total assets, and increased our tangible stockholders equity to $2.9 billion, representing 7.39% of tangible assets. (Please see the reconciliations of our stockholders equity and tangible stockholders equity, our total assets and tangible assets, and the related capital measures earlier in this report.)

The strength of our capital position is also reflected in our regulatory capital measures. At June 30, 2010, the Community Bank had a Tier 1 leverage capital ratio of 8.35% and the Commercial Bank had a Tier 1 leverage capital ratio of 12.37%, exceeding the current requirements for well capitalized classification by 335 and 737 basis points, respectively.

Summary of Financial Condition at June 30, 2010

Assets totaled $42.0 billion at June 30, 2010, as compared to $42.4 billion at March 31, 2010 and $42.2 billion at December 31, 2009. The declines were attributable to a reduction in the balance of securities, which exceeded the growth of the loan portfolio over the three- and six-month ended periods.

Loans

Loans, net, represented $29.0 billion, or 69.1%, of total assets at the close of the second quarter, and were up $205.7 million from the March 31, 2010 balance and $744.3 million from the balance at December 31, 2009. The loans in our portfolio are categorized as either covered loans, non-covered loans held for sale, or non-covered loans held for investment, with the latter category representing the largest share of the portfolio.

In the first six months of 2010, loan originations totaled $5.2 billion, including second quarter originations of $3.1 billion. Loans originated for investment represented $1.7 billion of the six-month total and $971.5 million of the second quarter amount. Loans originated for sale accounted for $3.5 billion of six-month originations and for $2.2 billion of the loans produced in the second quarter of this year.

Covered Loans

Covered loans (i.e., loans acquired in the AmTrust and Desert Hills transactions that are covered by FDIC loss sharing agreements) represented $4.6 billion, or 15.9%, of loans, net, at the end of the second quarter, and were down $132.6 million and $389.5 million, respectively, from the balances recorded at March 31, 2010 and December 31, 2009. The June 30th balance of covered loans consisted of mortgage loans of $4.2 billion and other loans of $388.1 million.

Covered one- to four-family loans include both fixed and adjustable rate loans that were made to subprime, Alt-A, and prime borrowers by the acquired institutions. Covered other loans consist of commercial real estate (CRE) loans; acquisition, development, and construction (ADC) loans; multi-family loans; commercial and industrial (C&I) loans; home equity lines of credit (HELOCs); and consumer loans.

The AmTrust loss sharing agreements require the FDIC to reimburse us for 80% of losses up to $907.0 million and for 95% of losses beyond that amount with respect to the covered loans we acquired. The Desert Hills loss sharing agreements require the FDIC to reimburse us for 80% of losses up to $101.4 million, and for 95% of losses beyond that amount with respect to the covered assets we acquired.

As of June 30, 2010, the actual cash flows that stemmed from the covered loan portfolio were consistent with our expectations.

Non-Covered Loans

The remainder of the loan portfolio at June 30, 2010 consisted of non-covered loans that we ourselves originated or, in some cases, were acquired in our business combinations prior to 2009. The portfolio of non-covered loans consists of loans that are held for investment and loans that are held for sale.

Loans Held for Investment

Loans held for investment totaled $23.6 billion at the end of the second quarter and were up $175.2 million from the March 31, 2010 balance and $216.3 million from the balance at December 31, 2009. In addition to multi-family loans, the held-for-investment portfolio includes CRE loans and, to a much lesser extent, ADC loans, one- to four-family loans, and other loans.

Multi-Family Loans

Multi-family loans are our principal asset and multi-family loans that are collateralized by non-luxury residential buildings in New York City that have a preponderance of apartments with below-market rents constitute our primary lending niche. Consistent with our emphasis on multi-family lending, multi-family loan originations represented 54.8% of the loans we produced for investment in the current second quarter and 68.6% of non-covered loans outstanding at June 30, 2010. Reflecting six-month originations of $975.2 million, multi-family loans rose $82.0 million from the December 31, 2009 balance to $16.8 billion at June 30, 2010. The average multi-family loan had a principal balance of $4.0 million at the end of the second quarter and the portfolio had an average loan-to-value (LTV) ratio at origination of 60.1%.

Our multi-family loans are typically made to long-time owners of buildings with apartments that are subject to certain rent-control and rent-stabilization laws. Our borrowers typically use the funds we provide to make improvements to certain apartments, as a result of which they are able to increase the rents their tenants pay. In doing so, the borrower creates more cash flows that he or she may borrow against in future years. We also make loans to building owners seeking to expand their real estate holdings with the purchase of additional properties.

In addition to underwriting our multi-family loans on the basis of the buildings income and condition, we consider the borrowers credit history, profitability, and building management expertise. Borrowers are required to present evidence of their ability to repay the loan from the building s current rent rolls, their financial statements, and related documents.

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

The decision to tie the fixed rate in years six through ten to the fixed advance rate of the FHLB-NY rather than the five-year CMT was made in late 2008 by the Mortgage Loan Committee of the Board of Directors as a result of changes in the interest rate environment at that time. In effect, the rate on existing loans tied to the five-year CMT were adjusting to a coupon rate that was below the then-offered market rate for new originations. Although movements in the fixed advance rate of the FHLB-NY Index are positively correlated with movements in the previously used index, the FHLB-NY Index is generally priced at a premium relative to the five-year CMT. By changing the index, we limited the risk of a fixed-rate repricing in year six that would result in our loans having a rate of interest that was lower than our current offered rate.

As the rent roll increases, the typical property owner seeks to refinance the mortgage, and generally does so before the loan reprices in year six. While this cycle had repeated itself over the course of many decades, regardless of market interest rates and conditions, refinancing activity has been increasingly constrained by the uncertainty in the real estate market over the past two years. Accordingly, the expected weighted average life of the multi-family loan portfolio was 4.1 years at the close of the current second quarter, as compared to 3.7 years at June 30, 2009.

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

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

Our success in our primary lending niche partly reflects the solid relationships we have developed with the market s leading mortgage brokers, who are familiar with our lending practices, our underwriting standards, and our long-standing practice of basing our loans on the cash flows currently produced by the properties. Because the multi-family market is largely broker-driven, the process of producing such loans is expedited, with loans taking four to six weeks to process, and the related expenses being reduced.

Our emphasis on multi-family loans is driven by several factors, including their structure, which reduces our exposure to interest rate volatility to some degree. Another factor driving our focus on multi-family lending has been the comparative quality of the loans in our specific niche. Notwithstanding an increase in non-performing multi-family loans in the current credit cycle, the multi-family loans we have charged off to date have largely consisted of out-of-market non-niche loans. We attribute the difference between the amount of non-performing loans we record and the actual losses we take to our underwriting standards and the generally conservative LTV ratios on the multi-family loans we produce.

We primarily underwrite our multi-family loans based on the current cash flows produced by the building, with a reliance on the income approach to appraising the properties, rather than the sales approach. The sales approach is subject to fluctuations in the real estate market, as well as general economic conditions, and is therefore liable to be more risky in the event of a downward credit cycle. We also consider a variety of other factors, including the physical condition of the underlying property; the net operating income of the mortgaged premises prior to debt service and depreciation; the debt service coverage ratio, which is the ratio of the property s net operating income to its debt service; and the ratio of the loan amount to the appraised value of the property. The multi-family loans we are originating today generally represent no more than 75% of the lower of the appraised value or the sales price of the underlying property, and typically feature an amortization period of up to 30 years. In addition to requiring a minimum debt service coverage ratio of 120% on multi-family buildings, we obtain a security interest in the personal property located on the premises, and an assignment of rents and leases.

Accordingly, while our multi-family lending niche has not been immune to the downturn of the credit cycle, we continue to believe that the multi-family loans we produce involve less credit risk than certain other types of loans. In general, buildings that are subject to rent regulation have tended to be stable, with occupancy levels remaining more or less constant over time. Because the rents are typically below market and the buildings securing our loans are generally maintained in good condition, we believe that they are reasonably likely to retain their tenants in adverse economic times.

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Commercial Real Estate (CRE) Loans

CRE loans represented $204.6 million, or 21.1%, of loans produced for portfolio in the current second quarter, as compared to $231.4 million, or 22.9%, of loans produced for portfolio in the year-earlier three months. In addition, CRE loans accounted for $5.2 billion, or 21.3%, of non-covered loans at the end of the quarter, and were up $241.4 million from the balance recorded at December 31, 2009. At June 30, 2010, the average CRE loan had a principal balance of $3.0 million and the portfolio had an average LTV ratio at origination of 53.6%.

The CRE loans we originate are secured by income-producing properties such as office buildings, retail centers, mixed-use buildings, and multi-tenanted light industrial properties, primarily in the New York Metropolitan region.

The pricing of our CRE loans is structured along the same lines as our multi-family credits, i.e., with a fixed rate of interest for the first five years of the loan that is generally based on intermediate-term interest rates plus a spread. During years six through ten, the loan resets to an annually adjustable rate that is tied to the prime rate of interest, as reported in *The New York Times*, plus a spread. Alternatively, the borrower may opt for a fixed rate that, until January 2009, was tied to the five-year CMT. For loans originated since that date, the fixed rate in years six through ten has been tied to the fixed advance rate of the FHLB-NY plus a spread. The fixed-rate option also requires the payment of an amount equal to one percentage point of the then-outstanding loan balance. In either case, the minimum rate at repricing is equivalent to the rate in the initial five-year term.

Prepayment penalties also apply, with five percentage points of the then-current balance generally being charged on loans that refinance in the first year, scaling down to one percentage point of the then-current balance on loans that refinance in year five. Our CRE loans tend to refinance within five years of origination. Accordingly, the expected weighted average life of the portfolio was 4.0 years at June 30, 2010. If a loan remains outstanding in the sixth year, and the borrower selects the fixed-rate option, a schedule of prepayment penalties ranging from five points to one point begins again in year six.

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

Acquisition, Development, and Construction (ADC) Loans

The growth of our loan portfolio has been driven by multi-family and CRE lending and tempered by a reduction in ADC loans. In the interest of reducing our exposure to credit risk at a time when real estate values started declining, we have either limited our production of ADC loans to advances that were committed prior to the second half of 2007, or to loans that have limited market risk and low LTV ratios, and are made to reputable borrowers who have significant collateral. As a result, ADC loans represented $624.8 million, or 2.6%, of total non-covered loans at June 30, 2010, representing a 6.2% reduction from $666.4 million at December 31, 2009. Originations rose $595,000 from the year-earlier second-quarter volume to $29.5 million in the second quarter of 2010.

At June 30, 2010, 96.2% of our ADC loans were secured by properties in the New York Metropolitan region. In addition, 62.4% of our ADC loans were for land acquisition and development, with the remaining 37.6% consisting of loans that were provided for the construction of owner-occupied homes and commercial properties. ADC loans are typically originated for terms of 18 to 24 months, and feature a floating rate of interest tied to prime, and a floor. They also generate origination fees that are recorded as interest income and amortized over the lives of the loans.

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Because ADC loans are generally considered to have a higher degree of credit risk, especially during a downturn in the credit cycle, borrowers are required to provide a personal guarantee of repayment and completion during construction. The risk of loss on an ADC loan is largely dependent upon the accuracy of the initial appraisal of the property s value upon completion of construction; the estimated cost of construction, including interest; and the estimated time to complete and/or sell or lease such property. If the appraised value proves to be inaccurate, the cost of completion is greater than expected, or the length of time to complete and/or sell or lease the collateral property is greater than anticipated, the property could have a value upon completion that is insufficient to assure full repayment of the loan. At June 30, 2010, 15.2% of the loans in our ADC loan portfolio were non-performing, an indication of the downturn in the real estate market and the length of time it is taking certain borrowers to sell or lease the properties underlying their loans in an adverse credit cycle.

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

One- to Four-Family Loans

Although we offer one- to four-family loans, it has long been our policy to produce such loans on a pass-through basis only, and to sell the loans we originate to a third-party conduit shortly after they close. Reflecting this practice, as well as repayments of seasoned loans that were produced before the adoption of this policy, or that were acquired in our pre-AmTrust and Desert Hills transactions, non-covered one- to four-family loans declined $26.2 million from the December 31, 2009 balance to $189.9 million, representing less than 1% of total non-covered loans, at June 30, 2010.

In connection with our conduit practice, we participate in a private-label program with a nationally recognized third-party mortgage originator (the conduit), based on defined underwriting criteria. The loans are marketed throughout our branch network, including the branches acquired in the AmTrust and Desert Hills acquisitions, as well as on our web sites. The loans that we originate through the conduit program generate fees that are included in other non-interest income in our Consolidated Statements of Income and Comprehensive Income.

In addition to ensuring that our customers are provided with an extensive range of one- to four-family products, the conduit arrangement supports two of our primary objectives: managing our exposure to interest rate risk and maintaining our efficiency.

Other Loans

Other loans declined $36.3 million in the first six months of the year to $735.3 million and represented 3.0% of total non-covered loans at June 30, 2010. At $635.2 million, C&I loans accounted for the bulk of the other loan balance, and were up $11.6 million and down $18.0 million, respectively, from the balances recorded at March 31st and December 31st. In the first six months of 2010, C&I loan originations totaled $338.0 million, including $196.8 million in the second quarter, as compared to $327.1 million in the six months ended June 30, 2009. Included in the latter amount were second quarter originations of $159.2 million.

C&I loans are tailored to meet the specific needs of our borrowers, and include term loans, demand loans, revolving lines of credit, letters of credit, and, to a lesser extent, loans that are partly guaranteed by the Small Business Administration. A broad range of C&I loans, both collateralized and unsecured, are made available to businesses for working capital (including inventory and accounts receivable), business expansion, the purchase of machinery and equipment, and other general corporate needs. In determining the tenor and structure of a C&I loan, several factors are considered, including its purpose, the collateral, and the anticipated sources of repayment. C&I loans are typically secured by business assets and personal guarantees of the borrower, and include financial covenants to monitor the borrower s financial stability.

The interest rates on C&I loans can be fixed or floating, with floating rate loans being tied to prime or some other market index, plus an applicable spread. Depending on the profitability of our relationship with the borrower, our floating rate loans may or may not feature a floor rate of interest.

A benefit of C&I lending is the opportunity to establish full-scale banking relationships with our C&I customers. As a result, many of our borrowers provide us with deposits, and many take advantage of our cash management, investment, and trade finance services.

The remainder of the portfolio of other loans consists primarily of home equity loans and lines of credit, as well as a variety of consumer loans, most of which were originated by our pre-2009 merger partners prior to their joining the Company. We currently do not offer home equity loans or lines of credit.

Loans Held for Sale

Prior to the AmTrust acquisition, we originated one- to four-family loans through our branches on a pass-through basis and sold the loans to a third-party conduit shortly after they closed. In the AmTrust transaction, we acquired a mortgage banking operation that aggregates agency-conforming one- to four-family loans on a nationwide platform for sale to GSEs. At June 30, 2010, loans originated by the mortgage banking operation represented the vast majority of the held-for-sale portfolio, which totaled $930.6 million at the end of the second quarter, as compared to $764.4 million at March 31, 2010 and $351.3 million at December 31, 2009.

In connection with the mortgage banking operation, we have certain interest rate lock commitments to fund loans and other derivative financial instruments that obligate us to sell loans at specific dates in the future at specified prices. These commitments are considered derivatives, and are carried at fair value.

Most forward commitments to sell are entered into with primary dealers. Entering into commitments to sell loans can pose a risk if we are not able to deliver the loans on the appropriate delivery dates. If we are unable to meet our obligation, we may be required to pay a fee to the counterparty.

We may retain the servicing on loans that we sell, in which case we would recognize a mortgage servicing right (MSR) asset. We estimate prepayment rates based on current interest rate levels, other economic conditions, and market forecasts, as well as relevant characteristics of the servicing portfolio. Generally, when market interest rates decline, prepayments increase as customers refinance their existing mortgages under more favorable interest rate terms. When a mortgage prepays, or when loans are expected to prepay earlier than originally expected, the anticipated cash flows associated with servicing these loans are terminated or reduced, resulting in a reduction in the fair value of the capitalized MSRs and a reduction in earnings. MSRs are recorded at fair value, with changes in fair value recorded as a component of non-interest income in each period.

The one- to four-family loans originated for sale by the mortgage banking operation are underwritten to GSE standards. At the time of sale, certain representations and warranties with regard to the underwriting and documentation of these loans are made. We may be required to repurchase the loans from the GSEs if it is found that a breach of the representations and warranties was made at the time of sale. Policies and procedures are in place to guide the underwriting and documentation of the one- to four-family loans originated for sale to GSEs in order to materially reduce our exposure to put-back risk.

Asset Quality

Except where otherwise indicated, the following discussion refers to our non-covered loans and non-covered OREO only, as the covered assets we acquired in the AmTrust and Desert Hills acquisitions are subject to loss sharing agreements with the FDIC.

Although a comparison of our asset quality at June 30, 2010 and December 31, 2009 reflects an increase in non-performing loans and non-performing assets, a linked-quarter comparison reflects a meaningful improvement in our asset quality. In fact, for the first time since the first quarter of 2008, the Company experienced a linked-quarter reduction in non-performing assets, driven by a reduction in non-performing loans.

Although the balance of non-performing assets rose $73.6 million in the six months ended June 30, 2010 to $666.9 million, the latter balance was $83.9 million, or 11.2%, lower than the balance recorded at March 31, 2010. Non-performing assets were equivalent to 1.59% of total assets at the end of the second quarter, representing an 18-basis point increase from the December 31st measure but an 18-basis point improvement from the measure at March 31st.

Similarly, although non-performing loans rose $58.7 million since the end of last year, the balance declined $97.9 million, or 13.3%, from the balance recorded at March 31st. Non-performing loans totaled $636.8 million at the end of June and were equivalent to 2.26% of total loans, representing a 22-basis point increase from the December 31st measure but a 35-basis point improvement from the measure at March 31st. Included in the June 30th balance were non-accrual mortgage loans of $608.5 million and other non-accrual loans of $28.3 million.

A loan generally is classified as a non-accrual loan when it is over 90 days past due. When a loan is placed on non-accrual status, we cease the accrual of interest owed, and previously accrued interest is reversed and charged against interest income. A loan is generally returned to accrual status when the loan is less than 90 days past due and we have reasonable assurance that the loan will be fully collectible.

Multi-family loans accounted for $384.1 million of non-performing loans at the end of the second quarter, representing a three-month decline of $97.8 million, while CRE loans accounted for $111.8 million and were up $14.6 million during that time. Non-performing one- to four-family loans increased $2.1 million over the course of the quarter to $17.8 million, while ADC loans and other loans declined $15.3 million and $1.6 million to $94.8 million and $28.3 million, respectively.

Non-performing loans are reviewed regularly by management and reported on a monthly basis to the Mortgage Committee, the Credit Committee, and the Boards of Directors of the Banks. When necessary, non-performing loans are written down to their current appraised values, less certain transaction costs. Workout specialists from our Equity Recovery Group actively pursue borrowers who are delinquent in repaying their loans in an effort to collect payment. In addition, outside counsel with experience in foreclosure proceedings are retained to institute such action with regard to such borrowers.

Properties that are acquired through foreclosure are classified as OREO, and are recorded at the lower of the unpaid principal balance or fair value at the date of acquisition, less the estimated cost of selling the property. At June 30, 2010, OREO totaled $30.1 million, up $14.0 million and $14.9 million, respectively, from the balances recorded at March 31, 2010 and December 31, 2009.

It is our policy to require an appraisal and environmental assessment of properties classified as OREO before foreclosure, and to re-appraise the properties on an as-needed basis until they are sold. We dispose of such properties as quickly and prudently as possible, given current market conditions and the property s condition.

While the balance of OREO was up at June 30, 2010, the balance of loans 30 to 89 days past due at that date was down on a linked-quarter basis and from the level recorded at December 31, 2009. At June 30, 2010, loans 30 to 89 days past due totaled $154.6 million, representing a $63.3 million, or 29.0%, reduction over the course of the quarter and a $118.4 million, or 43.4%, reduction since December 31st. Included in loans 30 to 89 days past due at the end of June were multi-family loans of $41.0 million; CRE loans of $65.4 million; ADC loans of $30.1 million; one- to four-family loans of $6.3 million; and other loans of $11.7 million. The balance of multi-family loans 30 to 89 days past due was $114.7 million lower than the December 31st balance and $94.7 million lower than the balance at March 31st.

To mitigate the potential for credit risk, we underwrite our loans in accordance with credit standards that we consider prudent. In the case of multi-family and CRE loans, we look first at the consistency of the cash flows being generated by the property to determine its economic value, and then at the market value of the property that collateralizes the loan. The amount of the loan is then based on the lower of the two values, with the economic value more typically used.

The condition of the collateral property is another critical factor. Multi-family buildings and CRE properties are inspected from rooftop to basement as a prerequisite to approval by management and the Mortgage or Credit Committee, as applicable. A member of the Mortgage or Credit Committee participates in inspections on multi-family loans originated in excess of $4.0 million. Similarly, a member of the Mortgage or Credit Committee participates in inspections on CRE loans in excess of $2.5 million. Furthermore, independent appraisers, whose appraisals are carefully reviewed by our experienced in-house appraisal officers, perform appraisals on collateral properties.

In addition, we work with a select group of mortgage brokers who are familiar with our credit standards and whose track record with our lending officers is typically greater than ten years. In addition, in New York City, where the majority of the buildings securing our multi-family loans are located, the rents that tenants may be charged on certain apartments is typically restricted under certain rent-control or rent-stabilization laws. As a result, the rents that tenants pay in such apartments are generally lower than current market rents. Buildings with a preponderance of such rent-regulated apartments are less likely to experience vacancies in times of economic adversity.

To further manage our credit risk, our lending policies limit the amount of credit granted to any one borrower, and typically require a minimum debt service coverage ratio of 120% for multi-family loans and 130% for CRE loans. Although we typically will lend up to 75% of the appraised value on multi-family buildings and up to 65% on commercial properties, the average LTV ratios of such credits, as previously noted, were well below those amounts at June 30, 2010. Exceptions to these LTV limitations are reviewed on a case-by-case basis, requiring the approval of the Mortgage or Credit Committee, as applicable.

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

The Boards of Directors also take part in the ADC lending process, with all ADC loans requiring the approval of the Mortgage or Credit Committee, as applicable. In addition, a member of the pertinent committee participates in inspections when the loan amount exceeds $2.5 million. ADC loans primarily have been made to well-established builders who have worked with us or our merger partners in the past. We typically lend up to 75% of the estimated as-completed market value of multi-family and residential tract projects; in the case of home construction loans to individuals, the limit is 80%. With respect to commercial construction loans, which are not our primary focus, we typically lend up to 65% of the estimated as-completed market value of the property.

Credit risk is also managed through the loan disbursement process. Loan proceeds are disbursed periodically in increments as construction progresses, and as warranted by inspection reports provided to us by our own lending officers and/or consulting engineers.

C&I loans are typically underwritten on the basis of the cash flows produced by the borrower s business, and are generally collateralized by various business assets, including, but not limited to, inventory, equipment, and accounts receivable. As a result, the capacity of the borrower to repay is substantially dependent on the degree to which the business is successful. Furthermore, the collateral underlying the loan may depreciate over time, may not be conducive to appraisal, and may fluctuate in value, based upon the operating results of the business. Accordingly, personal guarantees are also a normal requirement for C&I loans.

Our loan portfolio has been structured to manage our exposure to both credit and interest rate risk. The vast majority of the loans in our portfolio are intermediate-term credits, with multi-family and CRE loans typically repaying or refinancing within three to five years of origination, and the duration of ADC loans ranging up to 36 months, with 18 to 24 months more the norm. Furthermore, our multi-family loans are largely secured by buildings with rent-regulated apartments that tend to maintain a high level of occupancy, regardless of economic conditions in our marketplace.

Net charge-offs rose $8.8 million on a linked-quarter basis, to $18.9 million, bringing the six-month total to $28.9 million. Nonetheless, net charge-offs represented a modest 0.07% of average loans in the current second quarter, as compared to 0.04% of average loans in each of the trailing and year-earlier three months.

Multi-family and CRE loans accounted for $8.7 million and $477,000, respectively, of second quarter 2010 net charge-offs, with ADC loans, one- to four-family loans, and other loans accounting for $2.2 million, $237,000, and $7.2 million, respectively. In the trailing quarter, multi-family loans represented $6.1 million of net charge-offs, with ADC and other loans accounting for $1.5 million and $2.5 million, respectively. There were no CRE or one- to four-family loans charged off in that period.

The procedures we follow with respect to delinquent loans are generally consistent across all categories, with late charges assessed, and notices mailed to the borrower, at specified dates. We attempt to reach the borrower by telephone to ascertain the reasons for delinquency and the prospects for repayment. When contact is made with a borrower at any time prior to foreclosure or recovery against collateral property, we attempt to obtain full payment, and will consider a repayment schedule to avoid taking such action. Delinquencies are addressed by our Equity Recovery Group and every effort is made to collect rather than initiate foreclosure proceedings.

While we strive to originate loans that will perform fully, the severity of the credit cycle has resulted in a greater number of loans transitioning to non-accrual status, and a greater number of net charge-offs, than has been the norm. Although non-performing loans and assets declined, and loans 30 to 89 days past due have also been declining, these improvements may not continue because the economy remains uncertain and unemployment remains high. In view of these factors, we increased our allowance for loan losses in the current second quarter to $140.6 million from $137.4 million and $127.5 million, respectively, at March 31, 2010 and December 31, 2009. In the three and six months ended June 30, 2010, we recorded loan loss provisions of $22.0 million and $42.0 million, which were equivalent to 116.6% and 145.3%, respectively, of net charge-offs during the respective periods.

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

Based upon all relevant and available information at June 30, 2010, management believes that the allowance for loan losses at that date was appropriate.

Historically, our level of charge-offs has been relatively low in adverse credit cycles, even when the volume of non-performing loans has increased. This distinction has largely been due to the nature of our primary lending niche (multi-family loans collateralized by non-luxury residential buildings in New York City that have a preponderance of apartments with below-market rents); and to our conservative underwriting practices that require, among other things, low LTV ratios.

Despite the year-over-year increase in non-performing multi-family loans, we would not expect to see a comparable increase in losses. This is primarily due to the strength of the underlying collateral for these loans and the collateral structure upon which these loans are based. Low LTV ratios provide a greater likelihood of full recovery and reduce the possibility of incurring a severe loss on a credit. Furthermore, in many cases, low LTV ratios result in our having fewer loans with a potential for the borrower to walk away from the property. Although borrowers may default on loan payments, they have a greater incentive to protect their equity in the collateral property and to return the loan to performing status.

Similarly, an increase in non-performing CRE loans would not necessarily be expected to result in a corresponding increase in our losses on such credits. At June 30, 2010, CRE loans represented 21.3% of non-covered loans outstanding and net charge-offs were a modest $477,000 in the three months ended at that date. We believe this favorable loan loss experience is due to our historical practice of underwriting CRE loans in accordance with standards similar to those we follow in underwriting our multi-family loans.

We continue to de-emphasize the production of ADC and other loans, as well as one- to four-family loans for portfolio, in order to mitigate credit risk. At June 30, 2010, ADC loans, other loans, and one- to four-family loans represented 2.6%, 3.0%, and 0.77%, respectively, of total non-covered loans, as compared to 2.9%, 3.3%, and 0.92%, respectively, at December 31, 2009. At June 30, 2010, 15.2%, 3.8%, and 9.4% of ADC loans, other loans, and one- to four-family loans were non-performing, respectively.

In view of these factors, we do not believe that the level of our non-performing loans will result in a comparable level of loan losses and will not necessarily require a significant increase in our loan loss provision or allowance in any given period. As indicated, while non-performing loans represented 2.26% of total non-covered loans at June 30, 2010, the ratio of net charge-offs to average loans for the three months ended at that date was 0.07%.

Covered Loans and OREO

Although the AmTrust and Desert Hills acquisitions increased our loan portfolio and, in the case of Desert Hills, added OREO, the credit risk associated with these acquired assets has been substantially mitigated by our loss sharing agreements with the FDIC. Under the terms of the loss sharing agreements, the FDIC will reimburse us for 80% of losses (and share in 80% of any recoveries) up to $907.0 million with respect to the loans acquired in the AmTrust transaction; and will reimburse us for 80% of losses (and share in 80% of any recoveries) up to $101.4 million with respect to the loans and OREO acquired in the Desert Hills transaction. In each case, the FDIC will reimburse us for 95% of any losses (and share in 95% of any recoveries) with respect to the acquired assets beyond these initial amounts. The loss sharing (and reimbursement) agreements applicable to one- to four-family mortgage loans and HELOCs are effective for a ten-year period. The loss sharing agreements applicable to other loans and OREO provide for the FDIC to reimburse us for losses for a five-year period; the period for sharing in recoveries on other loans and OREO extends for a period of eight years.

We consider our covered loans to be performing due to the application of the yield accretion method under Codification Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. Codification Topic 310-30 allows us to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Accordingly, loans that may have been classified as non-performing loans by AmTrust or Desert Hills are no longer classified as non-performing because, at the dates of acquisition, we believed that we would fully collect the new carrying value of these loans. The new carrying value represents the contractual balance, reduced by the portion expected to be uncollectible (referred to as the non-accretable difference) and by an accretable yield (discount) that is recognized as interest income. It is important to note that management s judgment is required in reclassifying loans subject to Codification Topic 310-30 as performing loans, and is dependent on having a reasonable expectation about the timing and amount of the cash flows to be collected, even if a loan is contractually past due.

In connection with the loss sharing agreements, we established FDIC loss share receivables of $740.0 million with regard to AmTrust and $62.6 million with regard to Desert Hills, which were the acquisition date fair values of the respective loss sharing agreements (i.e., the expected reimbursements from the FDIC over the terms of the agreements). The loss share receivables may increase if the losses increase, and may decrease if the losses fall short of the expected amounts. Gains and recoveries on covered assets will offset losses or be paid to the FDIC at the applicable loss share percentage at the time of recovery. The loss share receivables may also increase due to accretion, which was $22.9 million in the six months ended June 30, 2010. In addition, we received $3.2 million in reimbursements from the FDIC as of that date, which resulted in a decrease in the combined balance of the FDIC loss share receivables.

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The following table presents information regarding our consolidated allowance for loan losses, non-performing assets, and loans past due at June 30, 2010 and December 31, 2009. Covered loans are not reflected in any of the amounts provided in this table; please see the table on the following page for information regarding our non-performing assets and loans past due at June 30, 2010 and December 31, 2009 including covered loans.

(dollars in thousands)	At or For the Six Months Ended June 30, 2010 (1)(2)(3)	At or For the Year Ended December 31, 2009 (2)(3)
Allowance for Loan Losses:		
Balance at beginning of period	$ 127,491	$ 94,368
Provision for loan losses	42,000	63,000
Charge-offs:		
Multi-family	(15,041)	(15,261)
Commercial real estate	(478)	(530)
Acquisition, development, and construction	(3,687)	(5,990)
One- to four-family	(237)	(322)
Other loans	(9,667)	(7,828)
Total charge-offs	(29,110)	(29,931)
Recoveries	202	54
Balance at end of period	$ 140,583	$ 127,491
Non-Performing Assets:		
Non-accrual mortgage loans:		
Multi-family	$ 384,144	$ 393,113
Commercial real estate	111,764	70,618
Acquisition, development, and construction	94,783	79,228
One- to four-family	17,782	14,171
Total non-accrual mortgage loans	608,473	557,130
Other non-accrual loans	28,305	20,938
Total non-performing loans	636,778	578,068
Other real estate owned	30,128	15,205
Total non-performing assets	$ 666,906	$ 593,273
Ratios:		
Non-performing loans to total loans	2.26%	2.04%
Non-performing assets to total assets	1.59	1.41
Allowance for loan losses to non-performing loans	22.08	22.05
Allowance for loan losses to total loans	0.50	0.45
Net charge-offs to average loans	0.10 (4)	0.13
Loans 30-89 Days Past Due:		
Multi-family	$ 41,045	$ 155,790
Commercial real estate	65,383	42,324
Acquisition, development, and construction	30,123	48,838
One- to four-family	6,298	5,019

Other loans	11,747	21,036
Total loans 30-89 days past due	$ 154,596	$ 273,007

(1) Excludes OREO totaling $38.0 million at June 30, 2010 that is covered by an FDIC loss sharing agreement.
(2) Excludes loans 90 days or more past due of $266.3 million at June 30, 2010 and $56.2 million at December 31, 2009 that are covered by FDIC loss sharing agreements.
(3) Excludes loans 30-89 days past due of $153.4 million at June 30, 2010 and $110.1 million at December 31, 2009 that are covered by FDIC loss sharing agreements.
(4) Presented on a non-annualized basis.

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The following table presents information regarding our non-performing assets and loans past due at June 30, 2010 and December 31, 2009, including covered loans and covered OREO:

(dollars in thousands)	June 30, 2010	December 31, 2009
Non-Performing Assets (including covered assets):		
Non-accrual mortgage loans:		
Multi-family	$ 384,144	$ 393,113
Commercial real estate	111,764	70,618
Acquisition, development, and construction	94,783	79,228
One- to four-family	17,782	14,171
Total non-accrual mortgage loans	608,473	557,130
Other non-accrual loans	28,305	20,938
Total non-accrual loans	636,778	578,068
Covered loans 90 days or more past due:		
Multi-family	1,287	
Commercial real estate	12,228	
Acquisition, development, and construction	12,084	
One- to four-family	224,034	55,796
Other	16,682	370
Total non-performing loans	903,093	634,234
Non-covered other real estate owned	30,128	15,205
Covered other real estate owned	37,950	
Total non-performing assets	$ 971,171	$ 649,439
Ratios:		
Non-performing loans to total loans	3.20%	2.23%
Non-performing assets to total assets	2.31	1.54
Allowance for loan losses to non-performing loans	15.57	20.10
Loans 30-89 Days Past Due (including covered loans):		
Multi-family	$ 41,455	$ 155,790
Commercial real estate	68,974	42,324
Acquisition, development, and construction	33,419	48,838
One- to four-family	135,413	105,310
Other loans	28,690	30,804
Total loans 30-89 days past due	$ 307,951	$ 383,066

The following tables present the number and amount of non-accrual multi-family loans by originating bank:

As of June 30, 2010	Non-Performing Multi-Family Loans	
(dollars in thousands)	Number	Amount
New York Community Bank	146	$ 378,849
New York Commercial Bank	4	5,294

Total for New York Community Bancorp	150	$ 384,143

As of December 31, 2009 (dollars in thousands)	Non-Performing Multi-Family Loans Number	Amount
New York Community Bank	142	$ 380,029
New York Commercial Bank	4	13,084
Total for New York Community Bancorp	146	$ 393,113

In accordance with GAAP, we are required to account for certain loan modifications or restructurings as troubled debt restructurings (TDRs). In general, the modification or restructuring of a loan constitutes a TDR when we grant a concession to a borrower experiencing financial difficulty. Loans modified in TDRs are placed on non-accrual status until we determine that future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate performance according to the restructured terms for a period of at

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least six months. Loans modified in TDRs totaled $347.2 million at June 30, 2010 and $184.8 million at December 31, 2009, respectively. All of the loans modified as TDRs at December 31, 2009 were on non-accrual status. Of the loans modified as TDRs at June 30, 2010, $197.0 million were on non-accrual status and $150.3 million had been restored to accrual status as a result of their continued performance in accordance with their modified terms.

The following table presents additional information regarding the balance of loans modified as TDRs at June 30, 2010:

	June 30, 2010	
(in thousands)	**Accrual**	**Non-Accrual**
Multi-family	$ 146,342	$ 112,842
Commercial real estate	3,945	57,954
Acquisition, development, and construction		17,666
Commercial and industrial		6,968
One- to four-family		1,520
Total	$ 150,287	$ 196,950

In an effort to proactively deal with delinquent loans, we have selectively extended to certain borrowers concessions such as rate reductions, forbearance of arrears, extension of maturity dates, and conversion from amortizing to interest-only payments. As of June 30, 2010, concessions made with respect to rate reductions amounted to $257.8 million; maturity extensions amounted to $53.0 million; forbearance agreements amounted to $30.6 million; and loans converted from amortizing to interest-only payments amounted to $5.9 million. We thus far have found that TDRs involving rate reductions and/or forbearance of arrears have proven to be the most successful in allowing selected borrowers to emerge from delinquency and keep their loans current.

The eligibility of a borrower for work-out concessions of any nature depends upon the facts and circumstances of each transaction, which may change from period to period, and involve judgment by our personnel regarding the likelihood that the concession will result in the maximum recovery for the Company.

The following table presents information about our five largest non-performing loans as of June 30, 2010:

	Loan #1	Loan #2	Loan #3	Loan #4	Loan #5
Type of loan	Multi-family	Multi-family	Construction	Construction	Multi-family
Origination date	6/29/2005	1/12/2006	10/14/2005	12/21/2005	1/16/2009
Associated allowance for loan losses	None	None	None	None	None
Non-accrual date	02/2009	04/2010	06/2009	02/2010	04/2010
Underlying collateral	A multi-family complex containing residential and commercial units in Washington, D.C.	A multi-family complex containing residential and commercial units in Philadelphia, Pennsylvania	A development site in New York City	A vacant loft building in New York City	Ownership interest in and mortgages on multiple properties primarily in New York City
Last appraisal	4/2009	5/2010	12/2009	3/2010	2/2010 - 5/2010

Securities

Securities represented $4.7 billion, or 11.2%, of total assets at June 30, 2010, and were down $852.2 million, or 15.4%, from the March 31, 2010 balance and $1.0 billion, or 18.2%, from the balance recorded at December 31, 2009. GSE securities represented 90.7% of the securities portfolio at the second quarter-end.

In addition to maturities, the reduction in the balance of securities at the end of the second quarter was due to an increase in calls on GSE securities and accelerated repayments in the portfolio of GSE mortgage-related securities, both of which were triggered by the decline in market interest rates.

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Given the current interest rate environment, we expect that this trend of increased cash flows, primarily from our portfolio of callable GSE debentures, as well as from our mortgage-backed securities portfolio, will continue. As a result, we expect that a significant portion of our $1.7 billion portfolio of GSE debentures will be called in the third quarter of this year. In addition, it should be noted that in the current interest rate environment, reinvestment opportunities for these cash flows continue to be at lower interest rates than those provided by the securities that are being called.

Available-for-sale securities accounted for $931.9 million, or 19.8%, of total securities at the close of the second quarter, and were down $172.4 million, or 15.6%, from the March 31, 2010 balance and $586.7 million, or 38.6%, from the balance at December 31, 2009. Similarly, held-to-maturity securities declined $679.9 million and $458.3 million, respectively, from the trailing quarter- and year-end levels, to $3.8 billion at June 30, 2010.

Mortgage-related securities represented $598.0 million, or 64.2%, of available-for-sale securities and $1.8 billion, or 48.3%, of securities held to maturity at June 30, 2010. Other securities accounted for $334.0 million, or 35.8%, of available-for-sale securities and for $1.9 billion, or 51.7%, of held-to-maturity securities at that date. At June 30, 2010, the respective fair values of mortgage-related securities and other securities held to maturity were $1.9 billion and $2.0 billion, respectively, representing 104.8% and 100.5% of their respective carrying amounts.

The estimated weighted average life of the available-for-sale securities portfolio was 2.6 years at the close of the current second quarter, as compared to 2.7 years and 2.2 years, respectively, at March 31, 2010 and December 31, 2009. The estimated weighted average life of available-for-sale mortgage-related securities was 2.4 years at June 30, 2010, as compared to 2.6 years and 3.1 years, respectively, at the prior period-ends.

Sources of Funds

The Parent Company (i.e., the Company on an unconsolidated basis) has four primary funding sources for the payment of dividends, share repurchases, and other corporate uses: capital raised through the issuance of stock; dividends paid to the Company by the Banks; funding raised through the issuance of debt instruments; and repayments of, and income from, investment securities.

On a consolidated basis, our funding primarily stems from the deposits we acquire in our business combinations or gather through our branch network, as well as brokered deposits; the use of borrowed funds, primarily in the form of wholesale borrowings; the cash flows generated through the repayment of loans and securities; and the cash flows generated through the sale of loans and securities.

Primarily reflecting the infusion of cash and cash equivalents from the AmTrust and Desert Hills transactions, we had cash and cash equivalents of $2.6 billion at the close of the second quarter, as compared to $2.5 billion and $2.7 billion, respectively, at March 31, 2010 and December 31, 2009.

Cash flows from the sale of loans originated for sale totaled $3.0 billion in the current six-month period, and primarily stemmed from loans sold to GSEs. Securities generated cash flows of $2.4 billion, primarily from repayments, as sales of securities generated a modest $660,000.

Deposits

Deposits totaled $22.4 billion, representing 53.4% of total assets at the close of the second quarter, and were up $127.3 million from the December 31st balance and down $287.6 million from the balance at March 31. In addition to deposits assumed in the Desert Hills transaction, the six-month increase reflects organic deposit growth. The linked-quarter decline largely reflects a reduction in CDs.

Although the vast majority of our deposits, historically, have been acquired through business combinations or gathered through our branch network, our mix of deposits has also included brokered certificates of deposit (CDs) and brokered money market accounts. In the second quarter of 2010, we reduced our balance of brokered CDs to zero from $114.9 million at the end of March and $358.5 million at the end of December. Brokered money market accounts totaled $2.3 billion at the end of the second quarter, as compared to $2.4 billion and $2.6 billion, respectively, at the prior period-ends.

CDs accounted for $8.6 billion, or 38.5%, of total deposits at the end of the second quarter, and were down $550.4 million from the March 31st balance and $418.5 million from the balance at December 31st. In addition to the reduction in brokered CDs, the lower balance reflects our focus on reducing our funding costs. At June 30, 2010, CDs due to mature within one year totaled $6.9 billion, representing 79.6% of total CDs at that date.

Core deposits (defined as NOW and money market accounts, savings accounts, and non-interest-bearing accounts) represented the remaining $13.8 billion, or 61.5%, of total deposits at the close of the second quarter, signifying a $545.8 million increase from the balance at December 31st. Core deposit growth during this time was due to a $472.2 million increase in NOW and money market accounts to $8.2 billion and a $126.8 million increase in savings accounts to $3.9 billion, which exceeded the impact of a $53.2 million decline in non-interest-bearing accounts to $1.7 billion. On a linked-quarter basis, core deposits increased by $262.8 million, reflecting a $211.7 million increase in NOW and money market accounts, a $41.1 million increase in savings accounts, and a $10.0 million increase in non-interest-bearing accounts.

Borrowed Funds

Borrowed funds consist primarily of wholesale borrowings (i.e., FHLB advances, repurchase agreements, and federal funds purchased) and, to a lesser extent, junior subordinated debentures and other borrowed funds (consisting primarily of preferred stock of subsidiaries and senior notes).

Borrowed funds totaled $13.7 billion at the end of the second quarter, and were down $209.4 million from the March 31st balance and $498.2 million from the balance at December 31, 2009. Wholesale borrowings accounted for the bulk of the reductions, having fallen $209.4 million and $495.1 million, respectively, to $12.6 billion, from the balances recorded at the prior period-ends. The June 30, 2010 balance represented 30.0% of total assets, an improvement from 30.2% and 31.0%, respectively, at the earlier dates.

The reduction in wholesale borrowings was attributable to a decline in the balance of FHLB advances, to $8.5 billion from $8.7 billion and $9.0 billion, respectively, at March 31, 2010 and December 31, 2009. While the bulk of our FHLB advances are with the FHLB-NY, we also have FHLB-Cincinnati advances of $1.3 billion stemming from the AmTrust acquisition. The Community Bank and the Commercial Bank are both members of, and have lines of credit with, the FHLB-NY. Pursuant to blanket collateral agreements with the Banks, our FHLB advances and overnight line-of-credit borrowings are secured by a pledge of certain eligible collateral in the form of loans and securities.

Also included in wholesale borrowings at June 30, 2010 were repurchase agreements of $4.1 billion, equivalent to the balances at March 31st and December 31st. Repurchase agreements are contracts for the sale of securities owned or borrowed by the Banks with an agreement to repurchase those securities at an agreed-upon price and date. Our repurchase agreements are primarily collateralized by GSE obligations, and may be entered into with the FHLB-NY or certain brokerage firms. The brokerage firms we utilize are subject to our ongoing internal financial review to ensure that we borrow funds only from those dealers whose financial strength will minimize the risk of loss due to default. In addition, a master repurchase agreement must be executed and on file for the brokerage firms we use.

Junior subordinated debentures totaled $427.2 million at the end of June and were down modestly from the balances recorded at both March 31, 2010 and December 31, 2009. Similarly, other borrowings totaled $653.6 million at the close of the second quarter and were essentially consistent with the trailing quarter-end level and $2.9 million lower than the balance at December 31, 2009. The six-month reduction reflects our repurchase of certain REIT-preferred securities that had been issued by a merger partner prior to the merger date. Included in other borrowings at the end of June, March, and December were $602.0 million of fixed rate senior notes that were issued under the FDIC s Temporary Liquidity Guarantee Program in December 2008.

Asset and Liability Management and the Management of Interest Rate Risk

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

Market Risk

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

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

To manage our interest rate risk in the current second quarter, we continued to pursue the core components of our business model: (1) We emphasized the origination and retention of intermediate-term assets, primarily in the form of multi-family and CRE loans; (2) We utilized our cash flows to fund our loan production; (3) We capitalized on the historically low level of the target federal funds rate to reduce our retail funding costs; and (4) We capitalized on the infusion of retail deposits to reduce our balance of wholesale borrowings.

Our mortgage banking operation makes certain interest rate lock commitments (IRLCs) to fund residential mortgage loans at specified rates and for a specific period of time. When the loans are funded, they are typically held in inventory for approximately 15 days before being sold to GSEs. During the time an IRLC is outstanding, as well as during the time the funded loan is held in inventory, we are exposed to interest rate risk. To minimize this interest rate risk, we enter into forward commitments to sell mortgages, mostly with primary dealers. To the extent we are not able to deliver loans on the appropriate delivery dates, we may be required to pay a fee to the buyer. The forward commitments are used to offset interest rate risk on the IRLCs and loan inventory while options on U.S. Government treasuries are used to offset the delivery risk posed by the potential fall-out on the IRLCs. We may also use Eurodollar futures and other financial instruments to minimize these risks, depending on market conditions.

We may retain the servicing on loans that we sell, in which case we would recognize an MSR asset. We estimate prepayment rates based on current interest rate levels, other economic conditions, and market forecasts, as well as relevant characteristics of the servicing portfolio. Generally, when market interest rates decline, prepayments increase as customers refinance their existing mortgages under more favorable interest rate terms. When a mortgage prepays, or when loans are expected to prepay earlier than originally expected, the anticipated cash flows associated with servicing these loans are terminated or reduced, resulting in a reduction in the fair value of the capitalized MSRs. To mitigate the prepayment risk inherent in MSRs, we could sell the servicing of the loans we originate, and thus minimize the potential for earnings volatility.

We also invest in exchange-traded derivative financial instruments which are expected to experience opposite and offsetting changes in fair value as related to the value of the MSRs. MSRs are recorded at fair value, with changes in fair value recorded currently in earnings.

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Interest Rate Sensitivity Analysis

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

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

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

At June 30, 2010, our one-year gap was a positive 7.73%, as compared to a negative 1.01% at the end of March and a negative 1.63% at December 31, 2009. The movement in our one-year gap in the current second quarter reflects management s expectation that repayments of mortgage-related GSE securities will be accelerated and that more GSE securities will be called by the sponsoring agencies in view of the decline in market interest rates.

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at June 30, 2010 which, based on certain assumptions stemming from our historical experience, are expected to reprice or mature in each of the future time periods shown. Except as stated below, the amounts of assets and liabilities shown as repricing or maturing during a particular time period were determined in accordance with the earlier of (1) the term to repricing, or (2) the contractual terms of the asset or liability. The table provides an approximation of the projected repricing of assets and liabilities at June 30, 2010 on the basis of contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three-month period and subsequent selected time intervals. For loans and mortgage-related securities, prepayment rates were assumed to range up to 25% annually. Savings accounts, Super NOW accounts, and NOW accounts were assumed to decay at an annual rate of 5% for the first five years and 15% for the years thereafter. With the exception of those accounts having specified repricing dates, money market accounts were assumed to decay at an annual rate of 20% for the first five years and 50% in the years thereafter.

Prepayment and deposit decay rates can have a significant impact on our estimated gap. While we believe our assumptions to be reasonable, there can be no assurance that the assumed prepayment and decay rates noted above will approximate actual future loan prepayments and deposit withdrawal activity.

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Interest Rate Sensitivity Analysis

	At June 30, 2010						
(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	More Than 10 Years	Total
INTEREST-EARNING ASSETS:							
Mortgage and other loans[1]	$ 3,670,882	$ 5,930,808	$ 9,535,038	$ 6,858,922	$ 1,458,823	$ 1,058,814	$ 28,513,287
Mortgage-related securities[2][3]	286,821	594,196	907,082	301,465	248,052	79,832	2,417,448
Other securities and money market investments[2]	4,774,258	12,725	116,080	6,163	171,462	35,298	5,115,986
Total interest-earning assets	8,731,961	6,537,729	10,558,200	7,166,550	1,878,337	1,173,944	36,046,721
INTEREST-BEARING LIABILITIES:							
NOW and Super NOW accounts	22,586	67,757	167,360	151,042	777,760	620,348	1,806,853
Money market accounts	2,491,880	612,599	1,176,189	752,761	1,296,422	41,820	6,371,671
Savings accounts	527,527	128,641	317,744	286,764	1,476,632	1,177,775	3,915,083
Certificates of deposit	1,822,252	5,054,088	1,657,148	96,485	5,387		8,635,360
Borrowed funds	1,031,429	264,925	2,040,835	276,625	9,714,534	338,136	13,666,484
Total interest-bearing liabilities	5,895,674	6,128,010	5,359,276	1,563,677	13,270,735	2,178,079	34,395,451
Interest rate sensitivity gap per period[4]	$ 2,836,287	$ 409,719	$ 5,198,924	$ 5,602,873	$ (11,392,398)	$ (1,004,135)	$ 1,651,270
Cumulative interest sensitivity gap	$ 2,836,287	$ 3,246,006	$ 8,444,930	$ 14,047,803	$ 2,655,405	$ 1,651,270	
Cumulative interest sensitivity gap as a percentage of total assets	6.75%	7.73%	20.10%	33.44%	6.32%	3.93%	
Cumulative net interest-earning assets as a percentage of net interest-bearing liabilities	148.11%	127.00%	148.58%	174.14%	108.24%	104.80%	

(1) For the purpose of the gap analysis, non-performing loans and the allowance for loan losses have been excluded.
(2) Mortgage-related and other securities, including FHLB stock, are shown at their respective carrying amounts.
(3) Expected amount based, in part, on historical experience.
(4) The interest rate sensitivity gap per period represents the difference between interest-earning assets and interest-bearing liabilities.

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

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

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

Based on the information and assumptions in effect at June 30, 2010, the following table reflects the estimated percentage change in our NPV, assuming the changes in interest rates noted:

Change in Interest Rates (in basis points)[(1)]	**Estimated Percentage Change in Net Portfolio Value**
+200	(10.67)%
+100	(5.84)

(1) The impact of 100- and 200-basis point reductions 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 interest rate risk. The simulation incorporates various market-based assumptions regarding the impact of changing interest rates on future levels of our financial assets and liabilities. The assumptions used in the net interest income simulation are inherently uncertain. Actual results may differ significantly from those presented in the table below, due to the frequency, timing, and magnitude of changes in interest rates; changes in spreads between maturity and repricing categories; and prepayments, among other factors, coupled with any actions taken to counter the effects of any such changes.

Based on the information and assumptions in effect at June 30, 2010, the following table reflects the estimated percentage change in future net interest income for the next twelve months, assuming the changes in interest rates noted:

Change in Interest Rates (in basis points)[(1)(2)]	**Estimated Percentage Change in Future Net Interest Income**
+200 over one year	1.95%
+100 over one year	0.89

(1) In general, short- and long-term rates are assumed to increase in parallel fashion across all four quarters and then remain unchanged.
(2) The impact of 100- and 200-basis point reductions in interest rates is not presented in view of the current level of the federal funds rate and other short-term interest rates.

Future changes in our mix of assets and liabilities may result in greater changes to our gap, NPV, and/or net interest income simulation.

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Liquidity, Off-Balance-Sheet Arrangements and Contractual Commitments, and Capital Position

Liquidity

We manage our liquidity to ensure that cash flows are sufficient to support our operations, and to compensate for any temporary mismatches between sources and uses of funds caused by variable loan and deposit demand.

We monitor our liquidity daily to ensure that sufficient funds are available to meet our financial obligations. Our most liquid assets are cash and cash equivalents, which totaled $2.6 billion at June 30, 2010, as compared to $2.5 billion and $2.7 billion, respectively, at March 31, 2010 and December 31, 2009. In addition, our portfolio of available-for-sale securities totaled $931.9 million at the second quarter-end.

In the first six months of 2010, our loan and securities portfolios continued to be significant sources of liquidity, with proceeds from the sale of loans originated for sale totaling $3.0 billion, and the repayment and sale of securities generating cash flows of $2.4 billion and $660,000, respectively.

Additional liquidity stems from the deposits we acquire or gather through our branches and from our use of wholesale funding sources, including brokered deposits and wholesale borrowings. We also have access to the Banks approved lines of credit with various counterparties, including the FHLB.

Our primary investing activity is loan production, and in the first six months of 2010, the volume of loans originated exceeded the volume of loan repayments received. In the six months ended June 30, 2010, the net cash provided by investing activities totaled $1.2 billion. During this time, our financing activities used net cash of $992.1 million and our operating activities used net cash of $279.9 million.

CDs due to mature in one year or less from June 30, 2010 totaled $6.9 billion, representing 79.6% of total CDs at that date. Our ability to retain these CDs and to attract new deposits depends on numerous factors, including customer satisfaction, the rates of interest we pay on our deposits, the types of products we offer, and the attractiveness of their terms. There are times that we may choose not to compete for deposits, depending on the availability of lower-cost funding, the competitiveness of the market and its impact on pricing, and our need for such deposits to fund loan demand.

On a stand-alone basis, the Company is a separate legal entity from each of the Banks and must provide for its own liquidity. In addition to operating expenses and any share repurchases, the Company is responsible for paying any dividends declared to our shareholders. Dividends from the Banks are the Company s primary source of income. The amount of dividends that each Bank may declare and pay to the Company in any calendar year, without the receipt of prior approval from the New York Superintendent of Banks, cannot exceed the total of the respective Bank s net income for that year, combined with its retained profits for the preceding two calendar years, less prior dividends paid.

Off-Balance-Sheet Arrangements and Contractual Commitments

At June 30, 2010, we had outstanding loan commitments of $2.5 billion and outstanding letters of credit totaling $50.3 million. In addition, we continue to be obligated under numerous non-cancelable operating lease and license agreements. The amounts involved in our operating lease and license agreements at the close of the current quarter were comparable to the amounts at December 31, 2009, as disclosed in our 2009 Annual Report on Form 10-K.

In addition, we use various financial instruments, including derivatives, in connection with our strategies to reduce price risk resulting from changes in interest rates. Our derivative financial instruments consist of financial forward and futures contracts, interest rate lock commitments, swaps, and options. These derivatives relate to our mortgage banking operations, MSRs, and other risk management activities, and seek to mitigate or reduce our exposure to losses from adverse changes in interest rates. These activities will vary in scope, based on the level and volatility of interests rates, the types of assets held, and other changes in market conditions. At June 30, 2010, we held derivative financial instruments with a notional value of $4.1 billion.

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Capital Position

At June 30, 2010, stockholders equity totaled $5.4 billion, up $33.0 million from the March 31, 2010 balance and $79.5 million from the balance at December 31, 2009. Stockholders equity represented 12.96% of total assets at the close of the current second quarter, up 20 and 23 basis points, respectively, from the measures recorded at the prior period-ends. These increases occurred in tandem with an increase in book value per share to $12.51 from $12.44 at the end of the trailing quarter and from $12.40 at year-end 2009.

We calculate book value per share by subtracting the number of unallocated Employee Stock Ownership Plan (ESOP) shares at the end of a period from the number of shares outstanding at the same date, and then dividing our total stockholders equity by the resultant number of shares. At June 30, 2010, March 31, 2010, and December 31, 2009, unallocated ESOP shares numbered 149,624; 224,436; and 299,248, respectively, and our book value per share was calculated on the basis of 435,354,884; 435,216,657; and 432,898,084 shares, respectively. We calculate book value per share in this manner to be consistent with our calculations of basic and diluted earnings per share, both of which exclude unallocated ESOP shares from the number of shares outstanding.

Excluding goodwill and CDI from stockholders' equity, tangible stockholders equity totaled $2.9 billion at June 30, 2010, representing a $40.9 million increase from the March 31st balance and a $92.1 million increase from the balance at December 31, 2009. The June 30, 2010 amount was equivalent to tangible book value per share of $6.70, representing a $0.09 increase from the March 31st measure and a $0.17 increase from the measure at year-end. In addition, tangible stockholders' equity equaled 7.39% of tangible assets at the close of the second quarter and was 18 basis points higher than the March 31st measure and 26 basis points higher than the measure at December 31st.

Excluding AOCL from the calculation, the ratio of adjusted tangible stockholders equity to adjusted tangible assets rose 18 basis points from the March 31st measure and 26 basis points from the measure at year-end to 7.51% at June 30, 2010. In addition to the contribution of our 2010 earnings, the increase reflects our issuance of 1.8 million shares with a value of $28.9 million through the direct stock purchase feature of our Dividend Reinvestment and Stock Purchase Plan in the first quarter of 2010.

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

Consistent with our historical performance, our capital levels exceeded the minimum federal requirements for a bank holding company at June 30, 2010. On a consolidated basis, our leverage capital equaled $3.5 billion, representing 8.64% of adjusted average assets, and our Tier 1 and total risk-based capital equaled $3.5 billion and $3.6 billion, representing 13.75% and 14.30%, respectively, of risk-weighted assets. At March 31, 2010, our leverage capital, Tier 1 risk-based capital, and total risk-based capital amounted to $3.4 billion, $3.4 billion, and $3.6 billion, equivalent to 8.51% of adjusted average assets, 14.27% of risk-weighted assets, and 14.84% of risk-weighted assets, respectively. At December 31, 2009, our leverage capital, Tier 1 risk-based capital, and total risk-based capital amounted to $3.4 billion, $3.4 billion, and $3.5 billion, representing 10.03% of adjusted average assets, 14.48% of risk-weighted assets, and 15.03% of risk-weighted assets, respectively.

In addition, as of June 30, 2010, both the Community Bank and the Commercial Bank were categorized as well capitalized under the FDIC s regulatory framework for prompt corrective action. To be categorized as well capitalized, a bank must maintain a minimum leverage capital ratio of 5.00%, a minimum Tier 1 risk-based capital ratio of 6.00%, and a minimum total risk-based capital ratio of 10.00%.

The following regulatory capital analyses set forth the leverage, Tier 1 risk-based, and total risk-based capital levels at June 30, 2010 for the Company, the Community Bank, and the Commercial Bank, each in comparison with the minimum federal requirements.

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Regulatory Capital Analysis (the Company)

	At June 30, 2010					
			Risk-based Capital			
	Leverage Capital		Tier 1		Total	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$ 3,457,923	8.64%	$ 3,457,923	13.75%	$ 3,598,504	14.30%
Regulatory capital requirement	1,601,057	4.00	1,006,306	4.00	2,012,612	8.00
Excess	$ 1,856,866	4.64%	$ 2,451,617	9.75%	$ 1,585,892	6.30%

Regulatory Capital Analysis (New York Community Bank)

	At June 30, 2010					
			Risk-based Capital			
	Leverage Capital		Tier 1		Total	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$ 3,152,231	8.35%	$ 3,152,231	13.35%	$ 3,280,306	13.89%
Regulatory capital requirement	1,510,545	4.00	944,405	4.00	1,888,810	8.00
Excess	$ 1,641,686	4.35%	$ 2,207,826	9.35%	$ 1,391,496	5.89%

Regulatory Capital Analysis (New York Commercial Bank)

	At June 30, 2010					
			Risk-based Capital			
	Leverage Capital		Tier 1		Total	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital	$ 284,340	12.37%	$ 284,340	15.70%	$ 297,595	16.43%
Regulatory capital requirement	91,981	4.00	72,451	4.00	144,903	8.00
Excess	$ 192,359	8.37%	$ 211,889	11.70%	$ 152,692	8.43%

Earnings Summary for the Three Months Ended June 30, 2010

Our second quarter 2010 earnings largely reflect the benefit of three months combined operations with both AmTrust and Desert Hills. Earnings growth was also due to organic loan production and to a significant decline in our funding costs.

Net income totaled $136.3 million in the current second quarter, representing a 9.8% increase from $124.1 million in the trailing quarter and a 141.4% increase from $56.4 million in the three months ended June 30, 2009. The second quarter 2010 amount was equivalent to $0.31 on a diluted per share basis, an increase from $0.29 per diluted share in the trailing quarter and from $0.16 per diluted share in the year-earlier three months.

The year-over-year increase in second quarter 2010 earnings was driven by a $174.7 million increase in combined revenues from net interest income and non-interest income, which included an after-tax gain on acquisition of $6.6 million, or $0.01 per diluted share, stemming from Desert Hills. This after-tax gain more than offset the impact of after-tax acquisition-related expenses totaling $279,000 that stemmed from the acquisitions of both AmTrust and Desert Hills. The increase in revenues was only partly offset by a $10.0 million increase in the provision for loan losses and a $34.0 million increase in non-interest expense. Reflecting the resultant increase in pre-tax income, income tax expense rose $51.0 million in the current second quarter from the level recorded in the year-earlier three months.

In addition, our earnings in the second quarter of 2009 were reduced by an after-tax OTTI loss on securities of $24.2 million, or $0.07 per diluted share, and an after-tax FDIC special assessment of $8.4 million, or $0.03 per diluted share. In contrast, OTTI losses were immaterial in the three months ended June 30 and March 31, 2010.

The linked-quarter rise in second quarter 2010 net income was attributable to a $25.0 million increase in combined revenues from net interest income and non-interest income, which included the aforementioned after-tax gain on the Desert Hills acquisition. These contributing factors exceeded the impact of a $2.0 million increase in the loan loss provision and a $4.6 million increase in non-interest expense. Furthermore, while acquisition-related expenses amounted to $279,000 after-tax in the current second quarter, such expenses were $1.7 million in the first quarter of 2010. Reflecting the resultant rise in pre-tax income, income tax expense rose $6.3 million over the three-month period.

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Net Interest Income

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

The cost of our deposits and borrowed funds is largely based on short-term rates of interest, the level of which is partially impacted by the actions of the FOMC. The FOMC reduces, maintains, or increases the target federal funds rate the rate at which banks borrow funds overnight from one another as it deems necessary. Since the fourth quarter of 2008, the target federal funds rate has been maintained at an historically low range of zero to 0.25%.

While the federal funds rate generally impacts the cost of our short-term borrowings and deposits, the yields on our loans and other interest-earning assets are typically impacted by intermediate-term market interest rates. The average yield on the multi-family and CRE loans we originated during the second quarter of 2010 was 5.56%, as compared to 5.66% and 6.03%, respectively, in the trailing and year-earlier quarters. The average five-year CMT was 2.25%, 2.43%, and 2.24%, respectively, during the three months ended June 30, 2010, March 31, 2010, and June 30, 2009.

Net interest income is also influenced by the level of prepayment penalty income recorded, primarily in connection with the prepayment of multi-family and CRE loans. Since prepayment penalty income is recorded as interest income, an increase or decrease in its level will also be reflected in the average yields on our loans and interest-earning assets, and therefore, in our interest rate spread and net interest margin. With refinancing activity significantly constrained by market conditions over the past several quarters, prepayment penalty income was a modest $2.3 million in the current second quarter, and $1.3 million and $2.1 million, respectively, in the three months ended March 31, 2010 and June 30, 2009. A more meaningful increase in prepayment penalty income is not expected until market conditions become more conducive to an increase in refinancing activity.

In the second quarter of 2010, we generated net interest income of $294.2 million, a year-over-year increase of $76.6 million, or 35.2%. The increase was driven by an $81.5 million rise in interest income to $483.2 million, which far exceeded the impact of a $4.9 million rise in interest expense to $189.0 million. On a linked-quarter basis, our net interest income declined a modest $383,000, as an $809,000 increase in interest income was exceeded by a $1.2 million increase in interest expense.

Year-over-Year Comparison

In the second quarter of 2010, the growth of interest income was driven by a $6.0 billion increase in interest-earning assets to $34.4 billion, and tempered by a three-basis point decline in the average yield to 5.62%. Average interest-earning asset growth was largely driven by the AmTrust acquisition and, to a lesser extent, organic loan production and the acquisition of Desert Hills.

The average balance of loans rose $6.2 billion year-over-year to $28.6 billion, while the average yield on such assets rose nine basis points to 5.84%. As a result, the interest income generated by loans rose $95.5 million, or 29.7%, year-over-year to $417.2 million from the level recorded in the second quarter of 2009.

Interest income growth was somewhat tempered by a $14.0 million decline in the interest income produced by securities and money market investments, as the average balance declined $195.4 million year-over-year to $5.8 billion and the average yield declined 79 basis points to 4.52%. In addition to maturities, the decline in the average balance was due to GSE securities that were called by the sponsoring agencies and accelerated repayments of GSE mortgage-related securities as market interest rates declined.

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The increase in interest expense was the net effect of an $8.2 billion rise in the average balance of interest-bearing liabilities to $34.9 billion and a 59-basis point decline in the average cost of funds to 2.17%. The growth of the average balance largely reflects the deposits assumed in the AmTrust and Desert Hills transactions, together with organic deposit growth. The reduction in the average cost reflects the historically low level of short-term interest rates.

Although the average balance of interest-bearing deposits rose $8.1 billion year-over-year to $21.1 billion, the impact was substantially tempered by a 58-basis point decline in the average cost of such funds to 1.13%. As a result, the interest expense generated by interest-bearing deposits rose a modest $4.0 million from the year-earlier level to $59.5 million in the three months ended June 30, 2010.

CDs accounted for $37.3 million of the interest expense produced by interest-bearing deposits, down $7.3 million from the level produced in the second quarter of 2009. Although the average balance of CDs rose $2.7 billion year-over-year to $9.0 billion, the impact was more than offset by a 118-basis point reduction in the average cost of such funds to 1.66%. The benefit of the decline in interest expense produced by CDs was exceeded by the impact of an $11.3 million increase in the interest expense produced by core deposits to $22.2 million, as the average balance of such funds rose $6.0 billion and the average cost rose nine basis points to 0.64%.

The interest expense generated by borrowed funds also increased year-over-year, by $831,000, to $129.4 million, as the average balance of such funds rose $47.4 million to $13.7 billion, and the average cost rose one basis point to 3.78%.

Linked-Quarter Comparison

The linked-quarter increase in interest income was driven by a $62.7 million rise in the average balance of interest-earning assets, as the average yield held steady over the course of the quarter at 5.62%. Although the interest income produced by loans rose $3.5 million during this time, the increase was largely tempered by a $2.7 million decline in the interest income produced by securities and money market investments. In the three months ended June 30, 2010, the average balance of loans rose $266.6 million, while the average balance of securities fell $204.0 million. During this time, the average yield on loans fell one basis point and the average yield on securities and money market investments fell three basis points.

The linked-quarter increase in interest expense was largely due to an increase in the average cost of borrowed funds over the three-month period. Although the average balance declined by $165.6 million linked-quarter, the average cost of borrowed funds rose five basis points during this time. As a result, the interest expense produced by borrowed funds rose $1.4 million, exceeding the benefit of a $189,000 decline in the interest expense produced by interest-bearing deposits. The latter decline was the result of a $21.5 million drop in the average balance of interest-bearing deposits and a one-basis point drop in the average cost of such funds.

The interest expense produced by CDs fell $226,000 on a linked-quarter basis, as an $18.5 million decline in the average balance combined with a four-basis point drop in the average cost of such funds. The interest expense produced by core deposits was essentially flat on a linked-quarter basis, as a $47.7 million rise in the average balance was tempered by a one-basis point decline in the average cost of such funds.

Reflecting these factors, the average balance of interest-bearing liabilities declined by $187.1 million linked-quarter, and the average cost of funds held steady at 2.17%.

Interest Rate Spread and Net Interest Margin

The same factors that contributed to the year-over-year growth of our net interest income contributed to the growth of our interest rate spread and net interest margin during this time. At 3.45%, our spread was 56 basis points wider than the year-earlier measure; at 3.42%, our margin was wider by 36 basis points.

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Reflecting the same factors that contributed to the modest linked-quarter decline in our second quarter 2010 net interest income, our spread was consistent with the trailing-quarter measure and our margin rose one basis point over the three-month period.

The following tables set forth certain information regarding our average balance sheets for the periods indicated, including the average yields on our interest-earning assets and the average costs of our interest-bearing liabilities. Average yields are calculated by dividing the interest income produced by the average balance of interest-earning assets. Average costs are calculated by dividing the interest expense produced by the average balance of interest-bearing liabilities. The average balances for the period are derived from average balances that are calculated daily. The average yields and costs include fees that are considered adjustments to such average yields and costs.

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

(dollars in thousands)

	For the Three Months Ended June 30,					
	2010			2009		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-earning assets:						
Mortgage and other loans, net [1]	$ 28,556,327	$ 417,168	5.84%	$ 22,382,786	$ 321,640	5.75%
Securities and money market investments[2][3]	5,840,583	66,019	4.52	6,035,990	80,056	5.31
Total interest-earning assets	34,396,910	483,187	5.62	28,418,776	401,696	5.65
Non-interest-earning assets	8,043,269			3,958,436		
Total assets	$ 42,440,179			$ 32,377,212		
Liabilities and Stockholders Equity:						
Interest-bearing deposits:						
NOW and money market accounts	$ 8,225,442	$ 16,413	0.80%	$ 4,038,172	$ 7,314	0.73%
Savings accounts	3,918,920	5,800	0.59	2,699,431	3,565	0.53
Certificates of deposit	8,995,990	37,327	1.66	6,295,936	44,617	2.84
Total interest-bearing deposits	21,140,352	59,540	1.13	13,033,539	55,496	1.71
Borrowed funds	13,743,459	129,446	3.78	13,696,028	128,615	3.77
Total interest-bearing liabilities	34,883,811	188,986	2.17	26,729,567	184,111	2.76
Non-interest-bearing deposits	1,783,907			1,217,281		
Other liabilities	436,113			239,840		
Total liabilities	37,103,831			28,186,688		
Stockholders equity	5,336,348			4,190,524		
Total liabilities and stockholders equity	$ 42,440,179			$ 32,377,212		
Net interest income/interest rate spread		$ 294,201	3.45%		$ 217,585	2.89%
Net interest margin			3.42%			3.06%
Ratio of interest-earning assets to interest-bearing liabilities			0.99x			1.06x

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

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Net Interest Income Analysis (Linked-Quarter Comparison)

(dollars in thousands)

	For the Three Months Ended					
	June 30, 2010			March 31, 2010		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-earning assets:						
Mortgage and other loans, net [1]	$ 28,556,327	$ 417,168	5.84%	$ 28,289,706	$ 413,675	5.85%
Securities and money market investments[2][3]	5,840,583	66,019	4.52	6,044,545	68,703	4.55
Total interest-earning assets	34,396,910	483,187	5.62	34,334,251	482,378	5.62
Non-interest-earning assets	8,043,269			8,178,813		
Total assets	$ 42,440,179			$ 42,513,064		
Liabilities and Stockholders Equity:						
Interest-bearing deposits:						
NOW and money market accounts	$ 8,225,442	$ 16,413	0.80%	$ 8,363,939	$ 16,431	0.80%
Savings accounts	3,918,920	5,800	0.59	3,820,433	5,745	0.61
Certificates of deposit	8,995,990	37,327	1.66	8,977,527	37,553	1.70
Total interest-bearing deposits	21,140,352	59,540	1.13	21,161,899	59,729	1.14
Borrowed funds	13,743,459	129,446	3.78	13,909,058	128,065	3.73
Total interest-bearing liabilities	34,883,811	188,986	2.17	35,070,957	187,794	2.17
Non-interest-bearing deposits	1,783,907			1,696,176		
Other liabilities	436,113			381,693		
Total liabilities	37,103,831			37,148,826		
Stockholders equity	5,336,348			5,364,238		
Total liabilities and stockholders equity	$ 42,440,179			$ 42,513,064		
Net interest income/interest rate spread		$ 294,201	3.45%		$ 294,584	3.45%
Net interest margin			3.42%			3.41%
Ratio of interest-earning assets to interest-bearing liabilities			0.99x			0.98x

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

Provision for Loan Losses

The provision for loan losses is based on management s assessment of the adequacy of the loan loss allowance which, in turn, is based on its evaluation of inherent losses in the loan portfolio in accordance with GAAP. This evaluation considers several factors, including the current and historical performance of the loan portfolio; its inherent risk characteristics; the level of non-performing loans and charge-offs; delinquency levels and trends; local economic and market conditions; declines in real estate values; and the levels of unemployment and vacancy rates.

In the second quarter of 2010, we recorded a loan loss provision of $22.0 million, representing 116.6% of net charge-offs, a $2.0 million increase from the trailing-quarter level and a $10.0 million increase from the level recorded in the second quarter of 2009. Reflecting the $22.0 million provision and net charge-offs of $18.9 million, the allowance for loan losses rose $3.1 million from the March 31, 2010 balance to $140.6 million at June 30, 2010. The latter amount was $13.1 million higher than the balance at the end of December, as net charge-offs totaled $28.9 million, and were exceeded by loan loss provisions of $42.0 million, in the six months ended June 30, 2010.

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

Non-Interest Income

We have three primary sources of non-interest income: fee income, income from bank-owned life insurance (BOLI), and other income. In addition to revenues generated by our investment advisory firm, Peter B. Cannell & Co., Inc, (PBC) and revenues generated through the sale of third-party investment products, other income largely consists of mortgage banking income produced by our mortgage banking operation, which was acquired in the AmTrust transaction.

Mortgage banking income includes the gain or loss on the sale of loans, the value of IRLCs outstanding, net hedging activity results, fees collected from servicing loans for others, and the fair market value fluctuations of residential MSRs. All derivatives used to hedge mortgage banking activity are carried at fair value with all net activity included in mortgage banking income.

The combined revenues from our three primary sources of non-interest income rose 26.3% to $70.1 million in the current second quarter from $55.5 million in the first quarter of 2010. The linked-quarter increase was essentially due to a $15.1 million rise in other income to $49.2 million, as BOLI income fell $626,000 to $6.8 million and fee income, at $14.1 million, was essentially flat. Mortgage banking income rose $12.0 million linked-quarter to $39.5 million, with servicing income representing $15.4 million of the second quarter 2010 amount.

In addition, the level of non-interest income recorded in the current second quarter includes a $10.8 million gain on the acquisition of certain assets and liabilities of Desert Hills. Including this gain, non-interest income totaled $80.4 million in the three months ended June 30, 2010 and was $25.4 million higher than the amount recorded in the three months ended March 31, 2010.

In contrast to the non-interest income recorded in the current second quarter, we recorded a non-interest loss of $17.7 million in the three months ended June 30, 2009. Although we generated fee income of $9.3 million and BOLI income of $6.7 million during that quarter, the combination was substantially exceeded by a $39.7 million OTTI loss on securities. In the three months ended June 30 and March 31, 2010, OTTI losses on securities were substantially more modest, amounting to $422,000 and $723,000, respectively.

The following table summarizes the components of non-interest income (loss) for the three months ended June 30, 2010, March 31, 2010, and June 30, 2009:

	For the Three Months Ended		
(in thousands)	**June 30, 2010**	**March 31, 2010**	**June 30, 2009**
Fee income	$ 14,088	$ 13,965	$ 9,282
BOLI income	6,775	7,401	6,728
Net loss on sale of securities		(8)	
Gain on debt repurchase		293	
Gain on business acquisition	10,780		
Loss on OTTI of securities	(422)	(723)	(39,728)
Other income:			
Mortgage banking income	39,499	27,533	
PBC	2,921	3,180	2,509
Third-party investment product sales	3,028	1,857	2,732
Other	3,744	1,546	766
Total other income	49,192	34,116	6,007
Total non-interest income (loss)	$ 80,413	$ 55,044	$ (17,711)

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Non-Interest Expense

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

Non-interest expense totaled $141.4 million in the current second quarter, representing a year-over-year increase of $34.0 million and a linked-quarter increase of $4.6 million. Operating expenses accounted for $133.5 million of the second quarter 2010 total, and CDI amortization accounted for the remaining $7.9 million.

Primarily reflecting three months combined operations with both AmTrust and Desert Hills, operating expenses were $4.6 million and $31.6 million higher in the current second quarter than they were in the three months ended March 31, 2010 and June 30, 2009, respectively.

Compensation and benefits expense totaled $67.8 million in the current second quarter, representing a linked-quarter increase of $897,000 and a $22.8 million increase year-over-year. The increase was largely driven by our acquisition-related expansion and the resultant increase in branch and back-office staff. Occupancy and equipment expense rose $450,000 and $4.2 million, respectively, from the prior-period levels, to $22.1 million, as we added 66 branches in the AmTrust transaction in December and another six branches in the Desert Hills transaction on March 26th. The increase in occupancy and equipment expense was only partly offset by the subsequent consolidation of four branches in Arizona into the remaining 14 branches we acquired in that state through our FDIC-assisted transactions.

G&A expense totaled $43.6 million in the current second quarter, and was up $3.3 million linked-quarter and $4.6 million year-over-year. In addition to the full-quarter impact of the Desert Hills transaction, the linked-quarter increase in G&A expense reflects an increase in legal fees and other expenses stemming from OREO. In addition, we recorded acquisition-related expenses of $456,000 in G&A expense in the current second quarter; in the first quarter of 2010, such expenses accounted for $2.7 million of G&A expense. In the second quarter of 2009, G&A expense was increased by an FDIC special assessment of $14.0 million.

Income Tax Expense

Income tax expense consists of federal, state, and local taxes, and rose to $75.0 million in the current second quarter from $24.0 million in the three months ended June 30, 2009. The year-over-year difference was attributable to a $130.8 million increase in pre-tax income to $211.2 million and an increase in the effective tax rate to 35.50% from 29.85%. The effective tax rate was reduced in the year-earlier second quarter by the aforementioned OTTI loss on securities.

On a linked-quarter basis, income tax expense rose $6.3 million, the result of an $18.4 million increase in pre-tax income and a 13-basis point reduction in the effective tax rate.

For additional information about our income tax expense, please see the discussion entitled Income Taxes under Critical Accounting Policies earlier in this report.

Earnings Summary for the Six Months Ended June 30, 2010

For the six months ended June 30, 2010, we reported earnings of $260.4 million, representing a $115.3 million, or 79.4%, increase from the year-earlier level and an $0.18, or 42.9%, increase in diluted earnings per share to $0.60.

In addition to increased net interest income and non-interest income, the year-over-year rise in our six-month 2010 earnings reflects the aforementioned after-tax gain on the Desert Hills transaction of $6.6 million, or $0.01 per diluted share. In addition, our earnings in the first six months of the prior year were reduced by a $24.2 million, or $0.07 per diluted share, after-tax OTTI loss on securities and an $8.4 million, or $0.03 per diluted share, after-tax FDIC special assessment charge.

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Although our six-month 2010 earnings also reflected an increase in the provision for loan losses and higher non-interest expense, including after-tax acquisition-related expenses of $2.0 million, the revenue growth we realized in the current six-month period was more than sufficient to offset the impact of the expenses recorded during that time.

Net Interest Income

Net interest income rose $164.3 million, or 38.7%, year-over-year to $588.8 million in the first six months of 2010. The increase was fueled by a $163.8 million, or 20.4%, rise in interest income to $965.6 million, while interest expense dropped a modest $522,000, to $376.8 million.

Interest Income

Interest income growth was driven by a $6.0 billion rise in the average balance of interest-earning assets to $34.4 billion, which far exceeded the impact of a four-basis point decline in the average yield to 5.62%. In addition to loans acquired in the AmTrust and Desert Hills transactions, the higher average balance reflects organic loan production. The decline in yield was largely due to a reduction in the average balance and yield on securities and money market investments during the current six-month period.

In the first six months of 2010, the interest income produced by loans rose $187.5 million, or 29.1%, to $830.8 million, as the average balance of loans rose $6.2 billion to $28.4 million, and the average yield on such assets rose six basis points, to 5.85%. Prepayment penalty income contributed $3.6 million to interest income on loans in the current six-month period, as compared to $3.3 million in the year-earlier six months.

The increase in the interest income produced by loans was tempered by a $23.7 million decline in the interest income produced by securities and money market investments to $134.7 million. The 15.0% reduction was attributable to a $175.9 million decline in the average balance of such assets to $5.9 billion and a 65-basis point decline in the average yield to 4.53%.

Interest Expense

Although the average balance of interest-bearing liabilities rose $8.3 billion year-over-year to $35.0 billion in the current six-month period, the impact was exceeded by a 68-basis point reduction in the average cost of funds to 2.17%.

Largely reflecting the historically low level of short-term interest rates, the interest expense produced by interest-bearing deposits fell $729,000 year-over-year to $119.3 million, as the impact of an $8.3 billion increase in the average balance to $21.2 billion was more than offset by a 74-basis point decline in the average cost of such funds.

Although the average balance of CDs rose $2.6 billion year-over-year, to $9.0 billion, the increase occurred in tandem with a 141-basis point decline in the average cost to 1.68%. As a result, the interest expense produced by CDs fell $22.5 million year-over-year to $74.9 million in the six months ended June 30, 2010.

The decline in interest expense produced by CDs was largely tempered by a $21.7 million increase in the interest expense produced by core deposits to $44.4 million, as the average balance of such funds rose $6.2 billion year-over-year, to $13.9 billion, and the average cost of such funds rose five basis points to 0.64%. The higher average balance and cost were largely attributable to the infusion of core deposits stemming from the AmTrust and Desert Hills transactions.

The decline in the interest expense produced by interest-bearing deposits was modestly tempered by a $207,000 increase in the interest expense produced by borrowed funds during the current six-month period. Although the average balance of such funds fell $42.0 million year-over-year, to $13.8 billion, the average cost rose one basis point to 3.75% during this time.

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Net Interest Income and Interest Rate Spread

Reflecting the same factors that contributed to the year-over-year increase in net interest income, we realized a 64-basis point increase in our interest rate spread to 3.45%, and a 43-basis point increase in our net interest margin to 3.41% in the first six months of 2010.

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

Net Interest Income Analysis

(dollars in thousands)

	Six Months Ended June 30,					
	2010			2009		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Assets:						
Interest-earning assets:						
Mortgage and other loans, net[1]	$ 28,423,753	$ 830,843	5.85%	$ 22,246,474	$ 643,357	5.79%
Securities and money market investments[2][3]	5,942,000	134,722	4.53	6,117,928	158,445	5.18
Total interest-earning assets	34,365,753	965,565	5.62	28,364,402	801,802	5.66
Non-interest-earning assets	8,110,667			3,923,162		
Total assets	$ 42,476,420			$ 32,287,564		
Liabilities and Stockholders Equity:						
Interest-bearing deposits:						
NOW and money market accounts	$ 8,294,307	$ 32,844	0.80%	$ 3,851,583	$ 14,877	0.78%
Savings accounts	3,869,949	11,545	0.60	2,651,010	7,781	0.59
Certificates of deposit	8,986,810	74,880	1.68	6,343,033	97,340	3.09
Total interest-bearing deposits	21,151,066	119,269	1.14	12,845,626	119,998	1.88
Borrowed funds	13,825,801	257,511	3.75	13,867,820	257,304	3.74
Total interest-bearing liabilities	34,976,867	376,780	2.17	26,713,446	377,302	2.85
Non-interest-bearing deposits	1,740,284			1,180,841		
Other liabilities	409,053			216,831		
Total liabilities	37,126,204			28,111,118		
Stockholders equity	5,350,216			4,176,446		
Total liabilities and stockholders equity	$ 42,476,420			$ 32,287,564		
Net interest income/interest rate spread		$ 588,785	3.45%		$ 424,500	2.81%
Net interest-earning assets/net interest margin			3.41%			2.98%
Ratio of interest-earning assets to interest-bearing liabilities			0.98x			1.06x

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

Provision for Loan Losses

The loan loss provision rose $24.0 million year-over-year to $42.0 million in the current six-month period and exceeded the net charge-offs recorded during this time by $13.1 million, or 145.3%. As a result, the allowance for loan losses rose to $140.6 million at the end of June from $127.5 million at the end of December, and represented 22.08% of non-performing loans and 0.50% of total loans. The increased provision is indicative of management's assessment of the allowance for loan losses, which included consideration of the factors that were previously noted in the discussion of the provision for loan losses in the second quarter of 2010.

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Non-Interest Income

Non-interest income totaled $135.5 million in the current six-month period, in contrast to $4.5 million in the first six months of 2009. The increase was attributable to a combination of factors, including a $71.3 million increase in other income to $83.3 million; a $9.5 million increase in fee income to $28.1 million; and a $10.8 million gain on the Desert Hills acquisition. Furthermore, the level of non-interest income was reduced in the first six months of 2009 by an OTTI loss on securities of $39.7 million, whereas OTTI losses were a far more modest $1.1 million in the first six months of 2010.

The increase in other income was largely due to the addition of AmTrust's mortgage banking operation, which generated mortgage banking income of $67.0 million, including servicing income of $26.3 million, in the current six-month period.

The following table summarizes the sources and amounts of non-interest income in the six months ended June 30, 2010 and 2009:

(in thousands)	For the Six Months Ended June 30, 2010	2009
Fee income	$ 28,053	$ 18,573
BOLI	14,176	13,568
Net loss on sale of securities	(8)	
Gain on debt repurchase	293	
Loss on OTTI of securities	(1,145)	(39,728)
Gain on business acquisition	10,780	
Other income:		
Mortgage banking income	67,032	
PBC	6,101	4,735
Third-party investment product sales	4,886	5,493
Other	5,289	1,824
Total other income	83,308	12,052
Total non-interest income	$ 135,457	$ 4,465

Non-Interest Expense

Largely reflecting the magnitude of our acquisition-driven expansion, non-interest expense for the six months ended June 30, 2010 rose significantly year-over-year. In addition to a $4.6 million increase in CDI amortization to $15.8 million, operating expenses rose $76.5 million from the year-earlier level to $262.3 million during the six months ended June 30, 2010.

The increase in six-month operating expenses stemmed from all three categories, including a $47.2 million increase in compensation and benefits expense to $134.7 million; a $7.1 million increase in occupancy and equipment expense to $43.8 million; and a $22.1 million increase in G&A expense to $83.9 million.

In addition to a meaningful increase in staff, the rise in compensation and benefits expense reflects normal salary increases as well as grants of certain shareholder-approved incentive stock awards. The rise in occupancy and equipment expense largely reflects the addition of the AmTrust and Desert Hills branches to our franchise.

In addition to franchise expansion, the year-over-year increase in G&A expense was due to acquisition-related expenses of $3.1 million stemming from the AmTrust and Desert Hills transactions, and an increase in legal fees and expenses incurred in connection with OREO. In the six months ended June 30, 2009, G&A expense was increased by the aforementioned FDIC special assessment.

Income Tax Expense

In the first six months of 2010, income tax expense rose $74.9 million year-over-year to $143.7 million, as pre-tax income rose $190.2 million to $404.1 million and the effective tax rate rose to 35.56% from 32.17%. The lower effective tax rate in the first six months of 2009 reflects the impact of the $39.7 million OTTI loss on securities recorded in the second quarter of that year.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about the Company s market risk were presented on pages 86 90 of our 2009 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the SEC) on March 1, 2010. Subsequent changes in the Company s market risk profile and interest rate sensitivity are detailed in the discussion entitled Asset and Liability Management and the Management of 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, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures pursuant to Rule 13a-15(b), as adopted by the SEC under the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this report in ensuring that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms.

(b) Internal Control over Financial Reporting

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

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NEW YORK COMMUNITY BANCORP, INC.

PART II OTHER INFORMATION

Item 1. Legal Proceedings
None.

Item 1A. Risk Factors
In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors, in the Company s Annual Report on Form 10-K for the year ended December 31, 2009, as such factors could materially affect the Company s business, financial condition, or future results. Other than as noted below, there were no material changes to the risk factors disclosed in the Company s 2009 Annual Report on Form 10-K. The risks described in the Annual Report on Form 10-K are not the only risks that the Company faces. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, also may have a material adverse impact on the Company s business, financial condition, or results.

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act restructures the regulation of depository institutions, and contains various provisions designed to enhance the regulation of depository institutions and prevent the recurrence of a financial crisis such as occurred in 2008-2009. Also included is the creation of a new federal agency to administer and enforce consumer and fair lending laws, a function that is now performed by depository institution regulators. The federal preemption of state laws currently accorded federally chartered depository institutions will be reduced as well. The full impact of the Dodd-Frank Act on our business and operations will not be known for years, until regulations implementing the statute are written and adopted. The Dodd-Frank Act may have a material impact on our operations, particularly through increased compliance costs resulting from possible future consumer and fair lending regulations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Share Repurchase Program

During the three months ended June 30, 2010, the Company allocated $1.1 million toward the 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 Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs(2)
Month #1:				
April 1, 2010 through April 30, 2010	56,774	$ 17.80	56,774	1,063,150
Month #2:				
May 1, 2010 through May 31, 2010	85	16.27	85	1,063,065
Month #3:	2,612	15.65	2,612	1,060,453

June 1, 2010 through June 30, 2010			
Total	59,471	$ 17.70	59,471

(1) All shares were purchased in privately negotiated transactions.

(2) On April 20, 2004, the Board authorized the repurchase of up to an additional five million shares. Of this amount, 1,060,453 shares were still available for repurchase at June 30, 2010. Under said authorization, shares may be repurchased on the open market or in privately negotiated transactions.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Removed and Reserved

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 Incorporation (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 the rights of holders of long-term debt instruments of the registrant and its consolidated subsidiaries.
Exhibit 31.1:	Certification pursuant to Rule 13a-14(a)/15d-14(a)
Exhibit 31.2:	Certification pursuant to Rule 13a-14(a)/15d-14(a)
Exhibit 32:	Certifications pursuant to 18 U.S.C. 1350
Exhibit 101*:	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income and Comprehensive Income, (iii) the Consolidated Statements of Changes in Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.

* Furnished, not filed.

(1) Incorporated by reference to Exhibits filed with the Company s Form 10-Q filed with the Securities 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 ended December 31, 2003 (File No. 001-31565).

(3) Incorporated by reference to Exhibits filed with the Company s Form 8-K filed with the Securities and Exchange Commission on June 20, 2007 (File No. 001-31565).

(4) Incorporated by reference to Exhibits filed with the Company s Registration Statement on Form S-1 (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 caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	New York Community Bancorp, Inc. (Registrant)	
DATE: August 9, 2010	BY:	/s/ JOSEPH R. FICALORA **Joseph R. Ficalora** **Chairman, President, and** **Chief Executive Officer**
DATE: August 9, 2010	BY:	/s/ THOMAS R. CANGEMI **Thomas R. Cangemi** **Senior Executive Vice President** **and Chief Financial Officer**