NEW YORK COMMUNITY BANCORP INC
Form 10-K
March 02, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of

the Securities Exchange Act of 1934

For the fiscal year ended: December 31, 2008

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.01 par value	
and	
Bifurcated Option Note Unit SecuritiES[SM]	**New York Stock Exchange**
(Title of Class)	**(Name of exchange on which registered)**
Haven Capital Trust II 10.25% Capital Securities	**The NASDAQ Stock Market, LLC**
(Title of Class)	**(Name of exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 accelerated filer, large 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 Act). Yes ¨ No x

As of June 30, 2008, the aggregate market value of the shares of common stock outstanding of the registrant was \$5.85 billion, excluding 15,825,408 shares held by all directors and executive officers of the registrant. This figure is based on the closing price of the registrant s common stock on June 30, 2008, \$17.84, as reported by the New York Stock Exchange.

The number of shares of the registrant s common stock outstanding as of February 23, 2009 was 344,944,331 shares.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 10, 2009 are incorporated by reference into Part III.

Table of Contents

CROSS REFERENCE INDEX

Table of Contents

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

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISK FACTORS

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

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

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

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

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

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

Our ability to retain key members of management;

Changes in legislation, regulation, and policies, including, but not limited to, those pertaining to banking, securities, taxation, environmental protection, and insurance, and the ability to comply with such changes in a timely manner;

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

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

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

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

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

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

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

Table of Contents

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

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

War or terrorist activities; and

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

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

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

Please see Item 1A, Risk Factors, for a further discussion of factors that could affect the actual outcome of future events.

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.

Table of Contents

GLOSSARY

BASIS POINT

Throughout this filing, the year-over-year or linked-quarter changes that occur in certain financial measures are reported in terms of basis points. Each basis point is equal to one hundredth of a percentage point, or 0.01%.

BOOK VALUE PER SHARE

As we define it, book value per share refers to the amount of stockholders equity attributable to each outstanding share of common stock, after the unallocated shares held by our Employee Stock Ownership Plan (ESOP) have been subtracted from the total number of shares outstanding. Book value per share is determined by dividing total stockholders equity at the end of a period by the adjusted number of shares at the same date. The following table indicates the number of shares outstanding both before and after the total number of unallocated ESOP shares have been subtracted at December 31,

	2008	2007	2006	2005	2004
Shares outstanding	344,985,111	323,812,639	295,350,936	269,776,791	265,190,635
Less: Unallocated ESOP shares	(631,303)	(977,800)	(1,460,564)	(2,182,398)	(4,656,851)
Shares used for book value per share computation	344,353,808	322,834,839	293,890,372	267,594,393	260,533,784

BROKERED DEPOSITS

Refers to funds obtained, directly or indirectly, by or through deposit brokers that are then deposited into one or more deposit accounts at a bank.

CHARGE-OFFS

Refers to loan balances that have been written off against the allowance for loan losses.

CORE DEPOSIT INTANGIBLE (CDI)

Refers to the intangible asset related to the value of core deposit accounts acquired in a merger or acquisition.

CORE DEPOSITS

All deposits other than certificates of deposit (i.e., NOW and money market accounts, savings accounts, and non-interest-bearing deposits) are collectively referred to as core deposits.

COST OF FUNDS

The interest expense associated with interest-bearing liabilities, typically expressed as a ratio of interest expense to the average balance of interest-bearing liabilities for a given period.

DIVIDEND PAYOUT RATIO

The percentage of our earnings that is paid out to shareholders in the form of dividends. It is determined by dividing the dividend paid per share during a period by our diluted earnings per share during the same period of time.

DIVIDEND YIELD

Refers to the yield generated on a shareholder s investment in the form of dividends. The current dividend yield is calculated by annualizing the current quarterly cash dividend and dividing that amount by the current stock price.

EFFICIENCY RATIO

Measures total operating expenses as a percentage of the sum of net interest income and non-interest income (loss).

GAAP

This abbreviation is used to refer to U.S. generally accepted accounting principles, on the basis of which financial statements are prepared and presented.

Table of Contents

GOODWILL

Refers to the difference between the purchase price and the fair value of an acquired company s assets, net of the liabilities assumed. Goodwill is reflected as an asset on the balance sheet and is tested at least annually for impairment.

GOVERNMENT-SPONSORED ENTERPRISES (GSEs)

Refers to a group of financial services corporations that were created by the United States Congress to enhance the availability, and reduce the cost, of credit to certain targeted borrowing sectors, including home finance. The GSEs include, but are not limited to, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the twelve Federal Home Loan Banks. On September 7, 2008, the U.S. Government placed Fannie Mae and Freddie Mac into conservatorship.

GSE OBLIGATIONS

Refers to GSE mortgage-related securities (both certificates and collateralized mortgage obligations) and GSE debentures.

INTEREST RATE SENSITIVITY

Refers to the likelihood that the interest earned on assets and the interest paid on liabilities will change as a result of fluctuations in market interest rates.

INTEREST RATE SPREAD

The difference between the yield earned on average interest-earning assets and the cost of average interest-bearing liabilities.

LOAN-TO-VALUE RATIO

Measures the current balance of a loan as a percentage of the original appraised value of the underlying property.

MULTI-FAMILY LOAN

A mortgage loan secured by a rental or cooperative apartment building with more than four units.

NET INTEREST INCOME

The difference between the interest and dividends earned on interest-earning assets and the interest paid or payable on interest-bearing liabilities.

NET INTEREST MARGIN

Measures net interest income as a percentage of average interest-earning assets.

NON-ACCRUAL LOAN

A loan generally is classified as a non-accrual loan when it is 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 generally is 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.

NON-PERFORMING ASSETS

Consists of non-accrual loans, loans 90 days or more delinquent and still accruing interest, and other real estate owned.

RENT-CONTROL/RENT-STABILIZATION

In New York City, where the vast majority of the properties securing our multi-family loans are located, the amount of rent that tenants may be charged on the apartments in certain buildings is restricted under certain rent-control or rent-stabilization laws. Rent-control laws apply to apartments in buildings that were constructed prior to February 1947. An apartment is said to be rent-controlled if the tenant has been living continuously in the apartment for a period of time beginning prior to July 1971. When a rent-controlled apartment is vacated, it typically becomes rent-stabilized. Rent-stabilized apartments are generally located in buildings with six or more units that were built between February 1947 and January 1974. Rent-controlled and -stabilized apartments tend to be more affordable to live in because of the applicable regulations, and buildings with a preponderance of such rent-regulated apartments are therefore less likely to experience vacancies in times of economic adversity.

Table of Contents

REPURCHASE AGREEMENTS

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. The Banks repurchase agreements are primarily collateralized by GSE obligations and other mortgage-related securities, and are entered into with either the Federal Home Loan Bank of New York (the FHLB-NY) or various brokerage firms.

RETURN ON AVERAGE ASSETS

A measure of profitability determined by dividing net income by average assets.

RETURN ON AVERAGE STOCKHOLDERS EQUITY

A measure of profitability determined by dividing net income by average stockholders equity.

WHOLESALE BORROWINGS

Refers to advances drawn by the Banks against their respective lines of credit with the FHLB-NY, their repurchase agreements with the FHLB-NY and various brokerage firms, and federal funds purchased.

YIELD

The interest income associated with interest-earning assets, typically expressed as a ratio of interest income to the average balance of interest-earning assets for a given period.

YIELD CURVE

Considered a key economic indicator, the yield curve is a graph that illustrates the difference between long-term and short-term interest rates over a period of time. The greater the difference, the steeper the yield curve; the lesser the difference, the flatter the yield curve. When short-term interest rates exceed long-term interest rates, the result is an inverted yield curve.

Table of Contents

PART I

ITEM 1. BUSINESS

General

With total assets of $32.5 billion at December 31, 2008, we are the 25th largest publicly traded bank holding company in the nation, and operate the nation s second largest thrift. Reflecting our growth through a series of eight business combinations between 2000 and 2007, we currently have 215 banking offices serving customers in all five boroughs of New York City, Long Island, and Westchester County in New York, and Essex, Hudson, Mercer, Middlesex, Monmouth, Ocean, and Union counties in New Jersey.

We are organized under Delaware Law as a multi-bank holding company and have two primary subsidiaries: New York Community Bank and New York Commercial Bank (hereinafter referred to as the Community Bank and the Commercial Bank, respectively, and collectively as the Banks).

Established in 1859, the Community Bank is a New York State-chartered savings bank with 178 locations that currently operate through six divisional banks. In New York, we serve our customers through Roslyn Savings Bank, with 56 locations on Long Island, a suburban market east of New York City comprised of Nassau and Suffolk counties; Queens County Savings Bank, with 34 locations in the New York City borough of Queens; Richmond County Savings Bank, with 22 locations in the borough of Staten Island; and Roosevelt Savings Bank, with eight branches in the borough of Brooklyn. In the Bronx and Westchester County, we currently have four branches that operate directly under the name New York Community Bank.

In New Jersey, we serve our customers through 54 locations, including 35 that operate through our Garden State Community Bank division and 19 that currently operate under the name Synergy Bank. The latter branches will commence operations under the Garden State Community Bank name by the end of the second quarter, when we expect to complete the conversion of all 178 of our Community Bank branches to a common core processing system.

In a market that is currently served by 205 banks and savings institutions, we compete for customers by emphasizing convenience and service, and by offering a comprehensive menu of traditional and non-traditional products and services. All but five of our Community Bank branches feature weekend hours, including 45 branches that are located inside supermarkets or drugstores. The combination of traditional and in-store branches enables us to offer 70 to 80 hours a week of in-branch banking in many of the communities we serve. The Community Bank also offers 24-hour banking online and by phone.

The Commercial Bank is a New York State-chartered commercial bank and was established in connection with our acquisition of Long Island Financial Corp. (Long Island Financial) on December 30, 2005. Reflecting that acquisition, and our subsequent acquisitions of Atlantic Bank of New York (Atlantic Bank) and of Doral Bank, FSB s New York City-based branch network, we currently serve our Commercial Bank customers through 37 branches in Manhattan, Queens, Brooklyn, Westchester County, and Long Island, including 18 that operate under the name Atlantic Bank.

The Commercial Bank competes for customers by emphasizing personal service and by addressing the needs of small and mid-size businesses, professional associations, and government agencies with a comprehensive menu of business solutions, including installment loans, revolving lines of credit, and cash management services. In addition to featuring up to 52.5 hours per week of in-branch service, the Commercial Bank offers 24-hour banking online and by phone.

Customers of the Community Bank and the Commercial Bank also have 24-hour access to their accounts through 197 of our 225 ATM locations. In addition, with the conversion of the Commercial Bank to the Community Bank s core processing system slated for September, our customers will be able to transact their banking business within any branch of the Community or the Commercial Bank.

We also serve our customers through our websites: www.myNYCB.com, www.NewYorkCommercialBank.com, and www.NYCBfamily.com. In addition to providing our customers with 24-hour access to their accounts, and information regarding our products and services, hours of service, and locations, these websites provide extensive

8

information about the Company for the investment community. Earnings releases, dividend announcements, and other press releases are posted upon issuance to the Investor Relations portion of our websites. In addition, our filings with the U.S. Securities and Exchange Commission (the SEC) (including our annual report on Form 10-K; our quarterly reports on Form 10-Q; and our current reports on Form 8-K), and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available without charge, typically within minutes of being filed. The websites also provide information regarding our Board of Directors and management team and the number of Company shares held by these insiders, as well as certain Board Committee charters and our corporate governance policies. The content of our websites shall not be deemed to be incorporated by reference into this Annual Report.

Overview

Multi-family Lending: Multi-family loans are our principal asset. At December 31, 2008, our multi-family loans totaled $15.7 billion and represented 70.9% of loans outstanding at that date.

We are a leading producer of multi-family loans in New York City, with an emphasis on loans secured by apartment buildings where the apartments are largely rent-controlled or rent-stabilized. As reported by the Rent Guidelines Board, such rent-regulated apartments represented 52% of New York City s housing market as recently as 2005.

The loans we produce are typically based on the cash flows produced by the buildings, and are generally made to long-term property owners with a history of growing cash flows over time. The property owners typically use the funds we provide to make improvements to the buildings and the apartments within them, thus increasing the value of the buildings and the amount of rent they may charge. As improvements are made, the building s rent roll increases, prompting the borrower to seek additional funds by refinancing the loan. Our typical loan has a term of ten years, with a fixed rate of interest in years one through five and a rate that either adjusts annually or is fixed for the five years that follow. However, the vast majority of our loans tend to refinance within the first five years.

Loans that prepay in the first five years generate prepayment penalties ranging from five percentage points to one percentage point of the then-current loan balance, depending on the remaining term of the loan. Reflecting the structure of our multi-family credits, the average multi-family loan had an expected weighted average life of 3.8 years at December 31, 2008.

Commercial Real Estate (CRE) Lending: At December 31, 2008, CRE loans totaled $4.6 billion and represented 20.5% of our loan portfolio. The CRE loans we produce are similar in structure to our multi-family credits, and had a weighted average life of 3.4 years at December 31, 2008. In addition, our CRE loans are largely secured by properties in New York City, with Manhattan accounting for the largest share.

Acquisition, Development, and Construction (ADC) Lending: Our ADC loan portfolio largely consists of loans of 18 to 24 months duration for land acquisition, development, and construction of multi-family and residential tract projects in New York City and Long Island, and, to a lesser extent, for the construction of owner-occupied one- to four-family homes and commercial properties. ADC loans represented $778.4 million, or 3.5%, of total loans at the end of December, reflecting a decline in production in a year when home inventories increased, real estate values declined, and unemployment rose.

Commercial and Industrial (C&I) Lending: Included in other loans in our Consolidated Statements of Condition, C&I loans represented $713.1 million, or 3.2%, of total loans at December 31, 2008. A broad range of loans is available to small and mid-size businesses for working capital (including inventory and receivables), business expansion, and the purchase of equipment and machinery.

Loan Production: The acquisition of certain competitors and the exit of certain others from our market enabled us to increase our loan production significantly in 2008. Originations totaled $5.9 billion during the year, and included multi-family loans of $3.2 billion; CRE loans of $1.1 billion; ADC loans of $373.0 million; and $1.1 billion of C&I loans. Reflecting the volume of loans produced and repayments of $4.1 billion, the loan portfolio rose from $20.4 billion at December 31, 2007 to $22.2 billion at December 31, 2008. The respective amounts were equivalent to 66.6% and 68.4% of total assets at the corresponding dates.

Table of Contents

Funding Sources: On a consolidated basis, we have four primary funding sources: cash flows produced by the repayment of loans; cash flows produced by securities sales and repayments; the deposits we ve added through our acquisitions or gathered organically through our branch network, as well as brokered deposits; and the use of wholesale borrowings, primarily in the form of Federal Home Loan Bank of New York (FHLB-NY) advances and repurchase agreements with the FHLB-NY and various brokerage firms.

While loan repayments declined to $4.1 billion as refinancing activity weakened, securities sales and repayments generated cash flows of $2.5 billion in 2008. Deposits rose to $14.3 billion at the end of 2008 from $13.2 billion at year-end 2007, primarily reflecting an increase in lower-cost brokered money market accounts and, to a lesser extent, savings accounts. Consistent with our practice of running off higher-cost retail funds when wholesale funds present a more attractively priced source of funding, we reduced our balance of certificates of deposit (CDs) to $6.8 billion.

Our balance of borrowed funds rose $581.0 million year-over-year to $13.5 billion, as we increased our use of wholesale borrowings, and issued $602.0 million in fixed rate senior notes under the FDIC s Temporary Liquidity Guarantee Program.

Asset Quality: Although the Metro New York region fared better in 2008 than many other parts of the country, our marketplace was nonetheless impacted by the widespread economic decline. Home prices fell 9.2% year-over-year in the region, and unemployment in New York City, Long Island, and New Jersey rose from 5.2%, 3.8%, and 4.1% in December 2007 to 7.2%, 5.8%, and 6.8%, respectively, in December 2008. In addition, office vacancies in Manhattan rose from 7.1% at year-end 2007 to 10.2% at year-end 2008.

Against this backdrop, our net charge-offs rose to $6.1 million in 2008 from $431,000 in 2007, representing a modest 0.029% and 0.002% of average loans, respectively. Similarly, non-performing loans totaled $113.7 million at the end of 2008, an increase from $22.2 million at the end of 2007, representing a modest 0.51% and 0.11% of total loans at the respective dates. Our ability to maintain this level of asset quality in a year when so many banks suffered significant loan losses was largely due to the nature of our underwriting standards, the structure of our loan portfolio, and the rigorous approval process to which our loans are subject.

In view of the declining economy and the related rise in non-performing loans and charge-offs, we recorded a loan loss provision of $7.7 million in 2008. Reflecting this provision and the aforementioned net charge-offs, our allowance for loan losses rose $1.6 million year-over-year to $94.4 million, representing 83.0% of non-performing loans and 0.43% of loans, net, at December 31, 2008.

An extended period of economic weakness, resulting from a further contraction of real estate values and/or an increase in office vacancies, bankruptcies, and unemployment could result in our experiencing a further increase in charge-offs and/or an increase in our loan loss provision, either of which could have an adverse impact on our earnings in the period ahead.

Efficiency: The efficiency of our operation has long been a distinguishing characteristic, driven by our focus on multi-family lending, which is entirely broker-driven, and by the expansion of our franchise through acquisitions rather than de novo growth. In 2008, we continued to rank among the most efficient bank holding companies in the nation, with an efficiency ratio of 46.43%.

Accretive Merger Transactions: Although accretive merger transactions are a key component of our business model, we chose not to consummate any transactions in 2008 in view of the significant weakness in the U.S. and local economies.

Revenues: Our primary source of income is net interest income, which is the difference between the interest income generated by the loans we produce and the securities we invest in, and the interest expense generated by our interest-bearing deposits and borrowed funds. The level of net interest income we generate is influenced by a variety of factors, some of which are within our control (e.g., our mix of interest-earning assets and interest-bearing liabilities); and some of which are not (e.g., the level of prepayment penalty income we receive, the level of short-term interest rates and market rates of interest, and the degree of competition we face for deposits and loans).

While net interest income is our primary source of income, it is supplemented by the non-interest income we produce. The fee income we generate on deposits and, to a lesser extent, loans is complemented by revenues from a variety of sources, including the sale of third-party investment products and the sale of one- to four-family loans to a third-party conduit. We also generate other income through our investment in bank-owned life insurance (BOLI) and through our investment advisory firm, Peter B. Cannell & Co., Inc., which had $1.0 billion of assets under management at December 31, 2008.

Market Area and Competition

The combined population of our marketplace is 16.5 million, including 5.6 million residents of Nassau, Queens, Richmond, and Suffolk Counties, where 132 of our 215 branch offices are located, and 1.3 million residents of Essex and Union Counties in New Jersey, where we operate 29 branches, combined.

With assets of $32.5 billion at December 31, 2008, we are the 25th largest bank holding company in the nation, and operate the second largest thrift in the United States.

With deposits of $14.3 billion at year-end, we ranked tenth among all bank and thrift depositories in the 15 counties comprising our market, and second among all thrift depositories in the four New York counties mentioned above. In Essex and Union Counties, we ranked third and fifth, respectively, among thrift institutions on the basis of our deposit market share. (Market share information was provided by SNL Financial.)

With 205 banks and thrifts currently serving our region, we face a significant level of competition for deposits and, to a lesser extent, for loans. We not only vie for business with the many banks and thrifts within our local market, but also with credit unions, Internet banks, mortgage banks, and brokerage firms. Many of the institutions we compete with have greater financial resources than we do, and serve a broader market, which enables them to promote their products more extensively than we can.

Unlike larger financial institutions that serve a broader market, we are focused on serving customers in the Metro New York/New Jersey region. Accordingly, our success is substantially tied to the economic health of New York City, Long Island, Westchester County, and the seven counties in New Jersey we serve. Local economic conditions have a significant impact on loan demand, the value of the collateral securing our credits, and the ability of our borrowers to repay their loans. In addition, our ability to attract and retain deposits is not only a function of short-term interest rates and industry consolidation, but also the competitiveness of the rates being offered by other financial institutions within our marketplace.

Competition for Deposits

Our drive to compete for deposits is influenced by several factors, including the opportunity to acquire deposits through business combinations, the availability of attractively priced wholesale funding, and the cash flows produced through loan and securities repayments and sales. In addition, the degree to which we compete for deposits is influenced by the liquidity needed to fund our loan production and other outstanding commitments, and by the interest rates on the products offered by the banks and thrifts with whom we compete.

We vie for deposits and customers by placing an emphasis on convenience and service, with 178 Community Bank locations, 37 Commercial Bank locations, and 225 ATM locations, including 197 that operate 24 hours a day. Our customers also have 24-hour access to their accounts through our bank-by-phone service and online through our three websites, www.myNYCB.com, www.NewYorkCommercialBank.com, and www.NYCBfamily.com.

In addition to 125 traditional brick & mortar branches, three customer service centers, and five campus locations, our Community Bank currently has 45 branch offices that are located in-store. Our in-store branch network ranks among the largest in-store franchises in the New York metropolitan region, and is also one of the largest in the Northeast. Because of their proximity to our traditional Community Bank branches, our in-store branches enable us to offer 70 to 80 hours of service a week to those who bank with us within a number of communities. This service model is a key component of our efforts to attract and maintain deposits in a highly competitive marketplace.

We also compete by complementing our broad selection of traditional banking products with an extensive menu of alternative financial services, including insurance, annuities, and mutual funds of various third-party service providers. In addition, our practice of originating loans through a third-party mortgage originator enables us to offer our customers a variety of one- to four-family mortgage loans.

Table of Contents

In addition to checking and savings accounts, Individual Retirement Accounts, and CDs for both businesses and consumers, the Commercial Bank offers a variety of cash management products to address the needs of small and mid-size businesses, municipal and county governments, school districts, and professional associations.

Another competitive advantage is our strong community presence, with April 14, 2009 marking the 150th anniversary of our forebear, Queens County Savings Bank. At a time when depositors are in significant need of reassurance, our longevity, strength, and stability are important qualities.

Competition for Loans

We are a leading producer of multi-family loans in New York City, and compete for such loans both on the basis of timely service and the expertise that stems from being a specialist in our field. The majority of our multi-family loans are secured by buildings that have a preponderance of rent-regulated apartments, a niche that we have focused on for more than 30 years.

While multi-family loans represent our principal asset, our loan portfolio also includes a sizeable portfolio of CRE credits, together with much smaller portfolios of ADC, one- to four-family, and C&I loans.

In 2008, our ability to compete for multi-family and CRE loans was enhanced by the demise or acquisition of certain investment banks and savings institutions, and the conservatorship of Fannie Mae and Freddie Mac. With the exit of the conduit lenders and certain other major competitors from our local market, we increased our production of multi-family and CRE loans over the past four quarters, and grew our loan portfolio significantly.

While we anticipate that competition for multi-family loans will continue in the future, the volume of loans produced in 2008, and that are in our current pipeline, are indicative of our enhanced ability to compete effectively. That said, no assurances can be made that we will be able to sustain our 2008 level of loan production, given the extent to which it is influenced not only by competition, but also by such factors as the level of market interest rates, the availability and cost of funding, real estate values, market conditions, and the state of the local economy.

Environmental Issues

We encounter certain environmental risks in our lending activities. The existence of hazardous materials may make it unattractive for a lender to foreclose on the properties securing its loans. In addition, under certain conditions, lenders may become liable for the costs of cleaning up hazardous materials found on such properties. We attempt to mitigate such environmental risks by requiring either that a borrower purchase environmental insurance or that an appropriate environmental site assessment be completed as part of our underwriting review on the initial granting of CRE and ADC loans, regardless of location, and of all out-of-state multi-family loans. In addition, we typically maintain ownership of real estate we acquire through foreclosure in separately incorporated subsidiaries.

Our attention to environmental risks also applies to the properties and facilities that house our bank operations. Prior to acquiring a large-scale property, a Phase 1 Environmental Property Assessment is typically performed by a licensed professional engineer to determine the integrity of, and/or the potential risk associated with, the facility and the property on which it is built. Properties and facilities of a smaller scale are evaluated by qualified in-house assessors, as well as by industry experts in environmental testing and remediation. This two-pronged approach identifies potential risks associated with asbestos-containing material, above and underground storage tanks, radon, electrical transformers (which may contain PCBs), ground water flow, storm and sanitary discharge, and mold, among other environmental risks. These processes assist us in mitigating environmental risk by enabling us to identify potential issues prior to, and following, our acquisition of bank properties.

Table of Contents

Subsidiary Activities

The Community Bank has formed, or acquired through merger transactions, 33 active subsidiary corporations. Of these, 20 are direct subsidiaries of the Community Bank and 13 are subsidiaries of Community Bank-owned entities.

The 20 direct subsidiaries of the Community Bank are:

Name	Jurisdiction of Organization	Purpose
Mt. Sinai Ventures, LLC	Delaware	A joint venture partner in the development, construction, and sale of a 177-unit golf course community in Mt. Sinai, New York, all the units of which were sold by December 31, 2006
NYCB Community Development Corp.	Delaware	Formed to invest in community development activities
Roslyn National Mortgage Corporation	Delaware	Formerly operated as a mortgage loan originator and servicer and currently holds an interest in its former office space
Eagle Rock Investment Corp.	New Jersey	Formed to hold and manage investment portfolios for the Company
Pacific Urban Renewal, Inc.	New Jersey	Owns a branch building
Penn Savings Insurance Agency, Inc.	New Jersey	Sells non-deposit investment products
Somerset Manor Holding Corp.	New Jersey	Holding company for four subsidiaries that owned and operated two assisted-living facilities in New Jersey in 2005
Synergy Capital Investments, Inc.	New Jersey	Formed to hold and manage investment portfolios for the Company
1400 Corp.	New York	Manages properties acquired by foreclosure while they are being marketed for sale
BSR 1400 Corp.	New York	Organized to own interests in real estate
Bellingham Corp.	New York	Organized to own interests in real estate
Blizzard Realty Corp.	New York	Organized to own interests in real estate
CFS Investments, Inc.	New York	Sells non-deposit investment products
MFO Holding Corp.	New York	Organized to own interests in real estate
Main Omni Realty Corp.	New York	Organized to own interests in real estate
O.B. Ventures, LLC	New York	A joint venture partner in a 370-unit residential community in Plainview, New York, all the units of which were sold by December 31, 2004
RCBK Mortgage Corp.	New York	Organized to own interests in certain multi-family loans
RCSB Corporation	New York	Owns a branch building, Ferry Development Holding Company, and Woodhaven Investments, Inc.
RSB Agency, Inc.	New York	Sells non-deposit investment products
Richmond Enterprises, Inc.	New York	Holding company for Peter B. Cannell & Co., Inc.

Table of Contents

The 13 subsidiaries of Community Bank-owned entities are:

Name	Jurisdiction of Organization	Purpose
Columbia Preferred Capital Corporation	Delaware	A real estate investment trust (REIT) organized for the purpose of investing in mortgage-related assets
Ferry Development Holding Company	Delaware	Formed to hold and manage investment portfolios for the Company
Peter B. Cannell & Co., Inc.	Delaware	Advises high net worth individuals and institutions on the management of their assets
Roslyn Real Estate Asset Corp.	Delaware	A REIT organized for the purpose of investing in mortgage-related assets
Woodhaven Investments, Inc.	Delaware	Holding company for Roslyn Real Estate Asset Corp. and Ironbound Investment Company, Inc.
Ironbound Investment Company, Inc.	New Jersey	A REIT organized for the purpose of investing in mortgage-related assets that also is the principal shareholder of Richmond County Capital Corp.
Somerset Manor North Operating Holding Company, LLC	New Jersey	Established to own or operate assisted-living facilities in New Jersey that were sold in 2005
Somerset Manor North Realty Holding Company, LLC	New Jersey	Established to own or operate assisted-living facilities in New Jersey that were sold in 2005
Somerset Manor South Operating Company, LLC	New Jersey	Established to own or operate assisted-living facilities in New Jersey that were sold in 2005
Somerset Manor South Realty Company, LLC	New Jersey	Established to own or operate assisted-living facilities in New Jersey that were sold in 2005
Richmond County Capital Corporation	New York	A REIT organized for the purpose of investing in mortgage-related assets that also is the principal shareholder of Columbia Preferred Capital Corp.
The Hamlet at Olde Oyster Bay, LLC	New York	Organized as a joint venture, part-owned by O.B. Ventures, LLC
The Hamlet at Willow Creek, LLC	New York	Organized as a joint venture, part-owned by Mt. Sinai Ventures, LLC

In addition, the Community Bank maintains two inactive corporations organized in New Jersey, including Bayonne Service Corp. and PennFed Title Service Corporation, and two inactive corporations organized in New York, including Residential Mortgage Banking, Inc. and VBF Holding Corporation.

The Commercial Bank has six active subsidiary corporations, three of which are subsidiaries of Commercial Bank-owned entities.

The three direct subsidiaries of the Commercial Bank are:

Name	Jurisdiction of Organization	Purpose
Beta Investments, Inc.	Delaware	Holding company for Omega Commercial Mortgage Corp. and Long Island Commercial Capital Corp.
Gramercy Leasing Services, Inc.	New York	Provides equipment lease financing
Standard Funding Corp.	New York	Provides insurance premium financing

The three subsidiaries of Commercial Bank-owned entities are:

Name	Jurisdiction of Organization	Purpose
Standard Funding of California, Inc.	California	Provides insurance premium financing
Omega Commercial Mortgage Corp.	Delaware	A REIT organized for the purpose of investing in mortgage-related assets
Long Island Commercial Capital Corp.	New York	A REIT organized for the purpose of investing in mortgage-related assets

Table of Contents

The Company owns nine active special business trusts that were formed for the purpose of issuing capital and common securities and investing the proceeds thereof in the junior subordinated debentures issued by the Company. Please see Note 8 to the Consolidated Financial Statements, Borrowed Funds, within Item 8, Financial Statements and Supplementary Data, for a further discussion of the Company s special business trusts.

The Company also has three non-banking subsidiaries: one that was acquired in the Long Island Financial transaction to provide private banking; one that was acquired in the Synergy Financial Group, Inc. transaction to sell non-deposit investment products; and one that was established in connection with the acquisition of Atlantic Bank.

Personnel

At December 31, 2008, the number of full-time equivalent employees was 2,699. Our employees are not represented by a collective bargaining unit, and we consider our relationship with our employees to be good.

Federal, State, and Local Taxation

Federal Taxation

Generally, the Company and its subsidiaries report their income on a consolidated basis for tax purposes, using a calendar year and the accrual method of accounting. With some minor exceptions, the Company and its subsidiaries are subject to federal income taxation in the same manner as other corporations.

Frozen Bad Debt Reserve Subject to Recapture. Commercial banks and thrift institutions with assets in excess of $500 million deduct loan losses when realized, and are not permitted a deduction based on a &#