METLIFE INC
Form 11-K
June 26, 2009

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

FORM 11-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________________ to ____________________

Commission file number: 001-15787

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

New England Life Insurance Company 401(k) Savings Plan and Trust

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

MetLife, Inc.
200 Park Avenue
New York, New York 10166-0188

NEW ENGLAND LIFE INSURANCE COMPANY 401(k)
SAVINGS PLAN AND TRUST
TABLE OF CONTENTS

NOTE: Supplemental schedules not listed are omitted due to the absence of conditions under which they are required.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustee and Participants of the
New England Life Insurance Company 401(k) Savings Plan and Trust

We have audited the accompanying statement of net assets available for benefits of New England Life Insurance Company 401(k) Savings Plan and Trust (the Plan) as of December 31, 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008, and the changes in net assets available for benefits for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Form 5500 Schedule H, Part IV, Line 4i, Schedule of Assets (Held at End of the Year) as of December 31, 2008 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2008 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2008 financial statements taken as a whole.

/s/ Deloitte & Touche LLP
Certified Public Accountants
Tampa, Florida
June 19, 2009

Table of Contents

NEW ENGLAND LIFE INSURANCE COMPANY 401(k)
SAVINGS PLAN AND TRUST
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2008

	2008
Assets:	
Participant directed investments at estimated fair value (see Note 3)	$ 4,719,669
Adjustment from estimated fair value to contract value for fully benefit-responsive investment contract	17,999
Net assets available for benefits	**$ 4,737,668**

See accompanying notes to financial statements.

2

Table of Contents

NEW ENGLAND LIFE INSURANCE COMPANY 401(k)
SAVINGS PLAN AND TRUST
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008
Additions to net assets attributed to:	
Contributions:	
Participant contributions	$ 2,988,666
Employer contributions	2,172,833
Rollover contributions	848,663
Total contributions	6,010,162
Investment income	120,663
Total additions	**6,130,825**
Deductions from net assets attributed to:	
Net depreciation in estimated fair value of investments (see Note 4)	1,336,131
Benefit payments to participants	56,719
Other expenses	307
Total deductions	**1,393,157**
Net increase in net assets	**4,737,668**
Net assets available for benefits:	
Beginning of year	
End of year	**$ 4,737,668**

See accompanying notes to financial statements.

Table of Contents

NEW ENGLAND LIFE INSURANCE COMPANY 401(k)
SAVINGS PLAN AND TRUST
NOTES TO FINANCIAL STATEMENTS

1. Description of the Plan

The following description of the New England Life Insurance Company 401(k) Savings Plan and Trust (the Plan) is provided for general information purposes only. Participants (as defined below) should refer to the Plan document for a more complete description of the Plan.

General Information

The Plan, a defined contribution plan, became effective on January 1, 2008 and, as subsequently amended, is designed to comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The administrator of the Plan (the Plan Administrator) is New England Life Insurance Company (the Company), which has delegated that duty to an officer of an affiliate, Metropolitan Life Insurance Company (MetLife). Recordkeeping services are performed for the Plan by an independent third party.

The Plan consists of three categories of investment options Target Retirement Funds, Individual Core Investment Funds and a Self-Directed Brokerage Account (SDB). The Target Retirement Funds, the Individual Core Investment Funds (with the exception of the MetLife Company Stock Fund), and the SDB are held in trust by Orchard Trust Company, LLC, as trustee. Following are the fund choices within the Target Retirement Funds and Individual Core Investment Funds categories:

Target Retirement Funds	**Individual Core Investment Funds**
Target Retirement Income Fund	NEF Stable Value Fund
Target Retirement 2010 Fund	Vanguard Total Bond Market Index Inst Fund
Target Retirement 2015 Fund	Goldman Sachs Large Cap Value Fund
Target Retirement 2020 Fund	Vanguard Institutional Index Fund
Target Retirement 2025 Fund	T. Rowe Price Blue Chip Growth Fund
Target Retirement 2030 Fund	CGM Capital Growth Account
Target Retirement 2035 Fund	Vanguard Mid Capitalization Index Ins Fund
Target Retirement 2040 Fund	Vanguard Small Cap Index Fund
Target Retirement 2045 Fund	Loomis Sayles Small Cap Growth Instl Fund
Target Retirement 2050 Fund	Artio International Equity II-I Fund
	MetLife Company Stock Fund

Table of Contents

The Target Retirement Funds and the Individual Core Investment Funds together constitute the core investment options of the Plan (Core Funds). To supplement the Core Funds, the Plan offers to all participants the ability to transfer funds out of the Core Funds into a SDB. The SDB works like a personal brokerage account by providing participants with direct access to a wide variety of mutual funds that are available to the public through many well-known mutual fund families.

Upon notification by the Plan Administrator, a participant may make an affirmative election whether to contribute before-tax 401(k) savings contributions to the Plan. If a participant does not make an affirmative election within the 30-day period identified on his or her eligibility notification, the participant will be automatically enrolled to make before-tax 401(k) contributions equal to 3% of his or her eligible compensation and the participant s account will be automatically invested in the Target Retirement Fund corresponding to the year of his or her birth. If a participant is automatically enrolled in the Plan and makes an investment fund election or if a participant affirmatively elects to make contributions to the Plan and makes an investment fund election, he or she may elect to invest his or her contributions in any one or more of the Core Funds, including a fund holding primarily shares of common stock of MetLife, Inc., known as the MetLife Company Stock Fund. The MetLife Company Stock Fund is held in the New England Life Insurance Company Defined Contribution Plans Master Trust (the New England Master Trust) (see Note 5) by The Bank of New York Mellon, as trustee.

Effective August 1, 2008, a frozen fund (the RGA Frozen Fund) was established to primarily hold shares of the Class B common stock of Reinsurance Group of America, Incorporated (RGA) issued in connection with the exchange offer of shares of MetLife, Inc. common stock held in the MetLife Company Stock Fund (a frozen fund is one into which participants may neither direct contributions nor transfer balances from other funds.) On November 25, 2008, RGA reclassified its shares of common stock, including Class B, into a single class. The RGA Frozen Fund is also held in the New England Master Trust (see Note 5).

Participation

The following classifications of employees of the Company are eligible to participate in the Plan on the employee s date of hire and may immediately make contributions into the Plan: an agency administrative employee, a managing associate, a brokerage manager, specialist or developmental managing partner, with the exception of certain groups of individuals performing services for the Company (e.g., individuals classified by the Company as leased employees and independent contractors, as well as any individual who is hired by the Company on or after June 1, 2008 and is classified as a cooperative student or an intern). Generally, each participant is eligible for matching contributions as of the first payroll period in which the participant elects or is deemed to have elected to make before-tax 401(k) savings contributions to the Plan.

Participant Accounts

The recordkeeper maintains individual account balances for each employee of the Company who participates, including those who are deemed to have elected to participate, in the Plan (each such employee, a participant). Each participant s account is credited with

Table of Contents

contributions, as discussed below, charged with withdrawals and allocated investment earnings and losses, as provided by the Plan document. A participant is entitled to the benefits that generally are equal to the participant s vested account balance determined in accordance with the Plan document and as described below.

Contributions

Contributions consist of that portion of a participant s before-tax 401(k) savings contributions which are matched by the Company (such Company matching contributions, matching contributions), and that portion of a participant s before-tax 401(k) savings contributions which are not matched by the Company. Under the Plan, neither Roth 401(k) contributions, nor after-tax employee contributions, are permitted. Contributions of the participants and matching contributions are credited to the Core Funds in the manner elected by the participants and as provided by the Plan. Pursuant to the terms of the Plan, matching contributions may be reduced to reflect forfeiture of non-vested matching contributions.

All participants may contribute from 1% up to 60% of their eligible compensation (as defined in the Plan) subject to certain United States Internal Revenue Code (IRC) and Plan-imposed limitations. Participants who were age 50 or older during the plan year were permitted to make additional catch-up contributions in excess of the regular IRC and Plan-imposed limitations (up to $5,000 for the year ended December 31, 2008). The Company makes a matching contribution equal to 100% of the participant s before-tax 401(k) savings contributions not in excess of 5% of such participant s eligible compensation. Subject to the approval of the Plan Administrator, participants may also rollover into the Plan amounts representing distributions from (i) traditional individual retirement accounts (IRAs) (if the participant did not make nondeductible contributions), (ii) qualified defined benefit plans, (iii) qualified defined contribution plans, (iv) 403(b) plans, or (v) governmental 457(b) plans. A rollover occurs when a participant transfers funds distributed from an eligible source, such as another qualified plan or certain other plans, into the Plan.

For participants who are automatically enrolled in the Plan to contribute 3% of their eligible compensation, beginning in January of their first full year of participation in the Plan, their contribution rate will be increased by an additional 1% per year until their contribution rate reaches 6%.

Withdrawals and Distributions

A participant may request withdrawals from the Plan under the conditions set forth in the Plan document. Distributions from the Plan are generally made upon a participant s or beneficiary s request in connection with his or her retirement, death, or other termination of employment from the Company or a member of the Company s control group (as defined in the IRC), or receipt of disability benefits for more than 24 months.

Table of Contents

Vesting

Participant contributions vest immediately. Matching contributions become fully vested upon the participant s completion of two years of service, as well as upon the occurrence of the events triggering acceleration of vesting described below. A participant becomes fully vested when the participant: (i) attains age 65, (ii) dies, (iii) has been receiving disability benefits for more than 24 months after the date of his or her initial disability payment, or (iv) upon complete discontinuance of matching contributions under the Plan or the complete or partial termination of the Plan. For purposes of (ii) of the preceding sentence, a participant who dies during a military absence while performing qualified military service (as defined in the IRC) is fully vested at death.

Forfeited Accounts

A participant forfeits non-vested employer matching contributions upon the earlier of (i) the date the participant receives a distribution of the vested portion of his or her account balance, or (ii) the occurrence of five consecutive one-year periods of severance (a period of severance is a twelve-month period during which the participant has not been credited with a single hour of service). If a participant who has forfeited non-vested employer matching contributions (in accordance with (i) of the preceding sentence) is rehired by a company in the Company s control group (as defined in the IRC), such participant has the right to have the forfeited portion of matching contributions restored to his or her account, if such participant repays to the Plan any before-tax 401(k) savings contributions previously distributed prior to the earlier of (i) five years after the date such participant is rehired, or (ii) the close of a period of severance equal to at least five consecutive years commencing after such participant received a distribution of his or her vested matching contributions. Matching contribution forfeitures are held in the NEF Stable Value Fund and are used to reduce future matching contributions and to pay certain Plan administrative expenses. The Plan s non-vested matching contribution forfeitures totaled $5,492 at December 31, 2008.

Loans

A participant may borrow from his or her account up to a maximum of $50,000 (reduced by the highest outstanding balance of loans during the one-year period ending the day before the date a loan is to be made) or 50% of the participant s account balance (reduced by outstanding loans on the date of the loan), whichever is less. The loans are secured by the balance in the participant s account and bear interest at rates commensurate with local prevailing rates at the time funds are borrowed, as determined quarterly by the Plan Administrator. The principal of and interest on the loans are paid ratably through monthly deductions from the bank account specified by the participant. Loan repayments are made to the Core Funds in accordance with the participant s contribution investment allocation at the time of repayment. The loan balance outstanding as of December 31, 2008 was $80,207.

Plan Amendments

For the year ended December 31, 2008, the following material Plan amendments were adopted and became effective:

Effective with respect to tender or exchange offers of MetLife, Inc. common stock made on or after September 1, 2008, the Plan Administrator has the discretion to decline any instruction if the instruction would result in the participant s account holding shares of stock of any corporation not a member of the Company s control group (as defined in the IRC) and/or which would require the Plan Administrator to maintain a separate fund intended to be invested primarily in the stock of the offeror. However, if as a result of the tender or exchange offer, the offeror becomes or is expected to become a member of the Company s control group, the Plan Administrator may not decline such instruction.

Effective August 1, 2008, the RGA Frozen Fund was added to the Plan. See -General Information.

Any individual who is hired by the Company on or after June 1, 2008, as a cooperative student or an intern shall not become an eligible employee.

2. Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Plan:

Basis of Accounting

The financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Plan Administrator to adopt accounting policies and make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan utilizes various investment vehicles, including mutual funds and investment contracts with insurance companies. Such investments, in general, are exposed to various risks, such as overall market volatility, interest rate risk, and credit risk. Conditions in the equity and credit markets resulted in unprecedented market dislocations and volatility during the year ended December 31, 2008.

Table of Contents

While these conditions did result in a substantial decrease in the estimated fair value of the Plan s investments, there was no direct impact on the Plan s ability to effect transactions at prices then currently available or amounts otherwise contractually required. Further volatility in the equity and credit markets could materially affect the value of the Plan s investments reported in the financial statements.

Investment Valuation and Income Recognition

The Plan s investments are stated at estimated fair value. The NEF Stable Value Fund, which represents a fully benefit-responsive investment in the general account of MetLife (see Note 7) is stated at estimated fair value and then adjusted to contract value as a single amount reflected separately in the statement of net assets available for benefits. The statement of changes in net assets available for benefits, as it relates to the NEF Stable Value Fund, is presented on a contract value basis.

The Plan follows the provisions of Statement of Financial Accounting Standards 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. When quoted prices are not used to determine fair value, SFAS 157 requires consideration of three broad valuation techniques: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The approaches are not new, but SFAS 157 requires that entities determine the most appropriate valuation technique to use, given what is being measured and the availability of sufficient inputs. SFAS 157 prioritizes the inputs to fair valuation techniques and allows for the use of unobservable inputs to the extent that observable inputs are not available. The Plan has categorized its investments into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique (see Note 6). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset s (or liability s) classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. SFAS 157 defines the input levels as follows:

Table of Contents

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity s own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The estimated fair value of the Core Funds (excluding the CGM Capital Growth Account and the MetLife Company Stock Fund), which represents investments in publicly available mutual funds is determined using the net asset value published by the respective fund managers on the applicable reporting date.

The estimated fair value of the CGM Capital Growth Account, a pooled separate account offered under a group annuity contract with MetLife, is determined by reference to the underlying assets of the separate account. The underlying assets of the separate account are principally comprised of shares of a publicly available mutual fund managed by The CGM Funds. The underlying assets of the separate account reflect accumulated contributions, dividends and realized and unrealized investment gains or losses apportioned to such contributions, less withdrawals, distributions, loans to participants, allocable expenses relating to the purchase, sale and maintenance of the assets, and an allocable part of investment-related expenses. The estimated fair value of the separate account is expressed in the form of a unit value. Unit values are calculated and provided daily by the Company and represent the price at which participant-directed contributions and transfers are effected.

The estimated fair value of the funds held in the SDB is determined by reference to the underlying shares of the publicly available mutual funds, other than the Core Funds, held within each participant s respective account. Such estimated fair value is based on the net asset value published by the respective fund managers on the applicable reporting date.

The NEF Stable Value Fund represents the Plan s fully benefit-responsive investment in the general account of MetLife (see Note 7). Estimated fair value of the NEF Stable Value Fund was calculated by discounting the contract value, which is payable in ten

Table of Contents

annual installments upon termination of the contract by the Plan, using the yield of the Moody s Baa Industrial Bond Index on the appropriate valuation dates.

The estimated fair value of the Plan s interest in the New England Master Trust (see Note 5) is determined by reference to the underlying assets held in the trust. These underlying assets represent accumulated contributions, dividends and realized and unrealized investment gains or losses apportioned to such contributions, less withdrawals, distributions, loans to participants, allocable expenses relating to the purchase, sale and maintenance of the assets, and an allocable part of investment-related expenses. At December 31, 2008, the Plan s interest in the net assets of the New England Master Trust was approximately 12%. The underlying assets of the New England Master Trust at December 31, 2008 were principally comprised of the MetLife Company Stock Fund and the RGA Frozen Fund, each of which is a proprietary fund managed by the Company and is described more fully in the General Information section of Note 1. The estimated fair value of the MetLife Company Stock Fund and the RGA Frozen Fund was determined by reference to the common stock of MetLife, Inc. and RGA, respectively, each of which is traded on the New York Stock Exchange.

Loans to participants are carried at the outstanding loan balance, which approximates estimated fair value.

Contributions are recognized when due and withdrawals and distributions are recognized when incurred. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Plan for investments are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses for investments are reflected as a reduction of return on such investments.

Interest, dividends, and administrative expenses relating to the New England Master Trust are allocated to each participating defined contribution plan based upon average daily balances invested by each plan.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Excess Contributions Payable

The Plan is required to return contributions received during the plan year in excess of IRC limits applicable to such contributions. An immaterial amount of such excess contributions was required to be returned to participants for the year ended December 31, 2008.

Other Expenses

Except for a limited amount of fees related to participant transactions, expenses of the Plan are paid by the Company. Investment management fees are paid out of the assets of the Core Funds and are deducted from investment income on a daily basis and are not separately reflected. Consequently, investment management fees and operating expenses for investments in such mutual funds are reflected as a reduction of return on such investments.

Table of Contents

3. Investments

The Plan s investments were as follows at December 31, 2008:

	December 31, 2008
Target Retirement Funds:	
Vanguard Target Retirement 2025 Fund	$ 510,171*
Vanguard Target Retirement 2035 Fund	498,458*
Vanguard Target Retirement 2030 Fund	424,341*
Vanguard Target Retirement 2015 Fund	321,419*
Vanguard Target Retirement 2020 Fund	303,559*
Vanguard Target Retirement 2040 Fund	257,271*
Vanguard Target Retirement 2045 Fund	241,195*
Vanguard Target Retirement 2010 Fund	188,317
Vanguard Target Retirement 2050 Fund	150,861
Vanguard Target Retirement Income Fund	43,789
Total Target Retirement Funds	**2,939,381**
Individual Core Investment Funds (excluding the MetLife Company Stock Fund):	
NEF Stable Value Fund	325,743*
Artio International Equity II -I Fund	286,360*
CGM Capital Growth Account	245,954*
T. Rowe Price Blue Chip Growth Fund	158,007
Loomis Sayles Small Cap Growth Instl Fund	106,466
Goldman Sachs Large Cap Value Fund	103,794
Vanguard Mid Capitalization Index Ins Fund	99,857
Vanguard Small Cap Index Fund	75,373
Vanguard Total Bond Market Index Inst Fund	51,532
Vanguard Institutional Index Fund	38,199
Total Individual Core Investment Funds	**1,491,285**
Plan s interest in the New England Master Trust (see Note 5)	**201,909**
SDB	**6,887**
Participant Loans	**80,207**
Total Investments	**$ 4,719,669**

* Represents 5% or more of the net assets available for benefits.

Table of Contents

4. Net Depreciation in Estimated Fair Value of Investments

The Plan s net depreciation in the estimated fair value of investments (including realized and unrealized gains and losses) was as follows for the year ended December 31, 2008:

	December 31, 2008
Target Retirement Funds	$ (845,375)
Individual Core Investment Funds (excluding the MetLife Company Stock Fund)	(432,054)
Plan s interest in the New England Master Trust (see Note 5)	(47,598)
SDB	(11,104)
Net depreciation in estimated fair value of investments	**$ (1,336,131)**

5. Interest in Master Trust

The New England Master Trust was established to hold certain investments of several Company-sponsored defined contribution plans, including the Plan. Each participating defined contribution plan has an undivided interest in the New England Master Trust. At December 31, 2008, the Plan s interest in the net assets of the New England Master Trust was approximately 12%.

The New England Master Trust s investments were as follows at December 31, 2008:

	December 31, 2008
Investments:	
MetLife Company Stock Fund	$ 1,651,209
RGA Frozen Fund	16,228
Total Investments	**1,667,437**
Receivable for securities sold	7,826
Interest receivable	13
Cash payable	(3,946)
Payable for securities purchased	(3,385)
Total net assets available in New England Master Trust	**$ 1,667,945**
Plan s interest in the New England Master Trust	**$ 201,909**

Table of Contents

The New England Master Trust s net depreciation in the estimated fair value of investments (including realized and unrealized gains and losses) was as follows for the year ended December 31, 2008:

	Year Ended December 31, 2008
Net depreciation in fair value of investments:	
MetLife Company Stock Fund	$ (249,862)
RGA Frozen Fund	(1,482)
Net depreciation in estimated fair value of investments	**$ (251,344)**
Plan s share of net depreciation in estimated fair value of investments	**$ (47,598)**

Table of Contents

6. Fair Value Measurements

Plan assets have been classified in their entirety within a level of the fair value hierarchy based on the lowest level of input that is significant to the estimated fair value measurement, as set forth below:

		Assets Held Outside the New England Master Trust Estimated Fair Value Measurements at December 31, 2008		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Vanguard Target Retirement 2010 Fund	$ 188,317	$ 188,317	$	$
Vanguard Target Retirement 2015 Fund	321,419	321,419		
Vanguard Target Retirement 2020 Fund	303,559	303,559		
Vanguard Target Retirement 2025 Fund	510,171	510,171		
Vanguard Target Retirement 2030 Fund	424,341	424,341		
Vanguard Target Retirement 2035 Fund	498,458	498,458		
Vanguard Target Retirement 2040 Fund	257,271	257,271		
Vanguard Target Retirement 2045 Fund	241,195	241,195		
Vanguard Target Retirement 2050 Fund	150,861	150,861		
Vanguard Target Retirement Income Fund	43,789	43,789		
NEF Stable Value Fund	325,743		325,743	
Artio International Equity II -I Fund	286,360	286,360		
CGM Capital Growth Account	245,954		245,954	
T. Rowe Price Blue Chip Growth Fund	158,007	158,007		
Loomis Sayles Small Cap Growth Instl Fund	106,466	106,466		
Goldman Sachs Large Cap Value Fund	103,794	103,794		
Vanguard Mid Capitalization Index Ins Fund	99,857	99,857		
Vanguard Small Cap Index Fund	75,373	75,373		
Vanguard Total Bond Market Index Inst Fund	51,532	51,532		
Vanguard Institutional Index Fund	38,199	38,199		
SDB	6,887		6,887	
Participant Loans	80,207		80,207	
Total Assets, excluding the Plan s Interest in the New England Master Trust*	**$ 4,517,760**	**$ 3,858,969**	**$ 658,791**	**$**

* Excludes the MetLife Company Stock Fund and the RGA Frozen

Fund

Table of Contents

		Assets Held Inside the New England Master Trust Estimated Fair Value Measurements at December 31, 2008		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
MetLife Company Stock Fund	$ 1,651,209	$	$ 1,651,209	$
RGA Frozen Fund	16,228		16,228	
Total Assets Held Inside the New England Master Trust	**$ 1,667,437**	**$**	**$ 1,667,437**	**$**

7. Fully Benefit-Responsive Investment with MetLife

The NEF Stable Value Fund represents a fully benefit-responsive investment in the general account of MetLife through which participants may direct contributions made on their behalf into the general account of MetLife. The Plan s assets invested in the NEF Stable Value Fund are included in the Plan s financial statements at estimated fair value and then adjusted to contract value as a single amount reflected separately in the statement of net assets available for benefits. Contract value represents accumulated contributions directed to the investment, plus interest credited, less participant withdrawals and expenses. Participants may direct the withdrawal for benefit payments or loans or transfer all or a portion of their investment to other investments offered under the Plan at contract value. The crediting interest rate is established annually by MetLife in a manner consistent with its practices for determining such rates, but which may not be less than zero percent. The crediting interest rate for participants and average yield for the NEF Stable Value Fund were 6.75% for the year ended December 31, 2008. There are no reserves against the reported contract value for credit risk of MetLife or otherwise.

The Plan s investment in the NEF Stable Value Fund had a contract value of $343,742 at December 31, 2008. The estimated fair market value of these investments was $325,743 at December 31, 2008. The estimated fair value is presented for measurement and disclosure purposes. Upon termination of the underlying contract by the Plan, proceeds will be paid for the benefit of the participants at the contract value, determined on the date of termination, in ten equal annual installments plus additional interest credited.

While the Plan may elect to do so at any time, it does not currently intend to terminate the contract underlying this investment. There are no reserves against the reported contract value for credit risk of the Company, as the issuer of the contract that constitutes this fully benefit-responsive investment.

Table of Contents

8. Related-Party Transactions

The Plan invests in the NEF Stable Value Fund, which is a fully benefit-responsive investment in the general account of MetLife. The estimated fair value of these investments was $325,743 at December 31, 2008. Total investment income was $8,115 for the year ended December 31, 2008.

At December 31, 2008, the New England Master Trust held approximately 47,300 shares of common stock of MetLife, Inc. in the MetLife Company Stock Fund invested through the New England Master Trust with a cost basis of approximately $1,900,000 of which approximately 12% was allocable to the Plan. During the year ended December 31, 2008, the New England Master Trust recorded dividend income on MetLife, Inc. common stock of approximately $25,000, of which approximately 12% was allocable to the Plan.

The CGM Capital Growth Account is a pooled separate account managed by MetLife. The balance of these investments was $245,954 at December 31, 2008. Total net depreciation, including realized and unrealized gains and losses, for these investments was ($103,560) for the year ended December 31, 2008. As discussed in Note 2, management fees and operating expenses charged to the Plan for the CGM Capital Growth Account by MetLife are deducted from income earned on a daily basis and reflected as a reduction in the reported investment returns. Based on a weighted-average rate of 0.88% charged for the fund, such management and operating expenses included as a reduction of earned income totaled approximately $1,720 for the year ended December 31, 2008. Since the Company is the sponsor of the Plan, these transactions with MetLife qualify as permitted party-in-interest transactions specifically covered in the exemptions from prohibited party-in-interest transactions under ERISA.

9. Termination of the Plan

While the Company intends that the Plan be permanent, it has the right to amend or discontinue it. In the event of such termination, each participant would be fully vested in matching contributions made to the Plan, and generally has a right to receive a distribution of his or her interest, in accordance with the provisions of the Plan.

10. Federal Income Tax Status

An application was submitted to the Internal Revenue Service (IRS) for a determination that the Plan is designed in accordance with the applicable requirements of the IRC. On February 9, 2009, the IRS issued a favorable determination letter approving the Plan s qualification. The Plan has been amended since receiving such determination letter. The Plan Administrator believes that the Plan is designed and being operated in material compliance with the applicable requirements of the IRC and the Plan document, and continues to be tax-exempt under the IRC. Therefore, no provision for income taxes has been included in the Plan s financial statements for the year ended December 31, 2008.

Table of Contents

11. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to net assets per the Form 5500, Schedule H, Part I, Asset and Liability Statement, as of December 31, 2008:

	2008
Net assets available for benefits per the financial statements	$ 4,737,668
Adjustment from contract value to estimated fair value for fully benefit-responsive contracts	(17,999)
Net assets per Form 5500, Schedule H, Part I, Line l	**$ 4,719,669**

The following is a reconciliation of the increase in net assets per the financial statements to net income per Form 5500, Schedule H, Part II, as of December 31, 2008:

	2008
Net increase in net assets per the financial statements	$ 4,737,668
Adjustment from contract value to estimated fair value for fully benefit-responsive contracts	(17,999)
Net Income per Form 5500, Schedule H, Part II, line k	**$ 4,719,669**

12. Subsequent Event

Effective January 1, 2009, the Plan was amended to provided that when a participant terminates employment with eligibility under the New England Life Insurance Company Severance Plan, the participant becomes fully vested in matching contributions under the Plan.

******

Table of Contents

NEW ENGLAND LIFE INSURANCE COMPANY 401(k)
SAVINGS PLAN AND TRUST
Form 5500, Schedule H, Part IV, Line 4i, Schedule of Assets (Held at End of Year)
As of December 31, 2008

(a)	(b) Identity of Issuer, Borrower, Including Lessor, or Similar Party	(c) Description of Investment, Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost***	(e) Current Value
		Target Retirement Funds:		
		Vanguard Target Retirement 2025 Fund	***	$ 510,171
		Vanguard Target Retirement 2035 Fund	***	498,458
		Vanguard Target Retirement 2030 Fund	***	424,341
		Vanguard Target Retirement 2015 Fund	***	321,419
		Vanguard Target Retirement 2020 Fund	***	303,559
		Vanguard Target Retirement 2040 Fund	***	257,271
		Vanguard Target Retirement 2045 Fund	***	241,195
		Vanguard Target Retirement 2010 Fund	***	188,317
		Vanguard Target Retirement 2050 Fund	***	150,861
		Vanguard Target Retirement Income Fund	***	43,789
		Total Target Retirement Funds		**2,939,381**
		Individual Core Investment Funds (excluding the MetLife Company Stock Fund):		
*	Metropolitan Life Insurance Company	NEF Stable Value Fund **	***	325,743
		Artio International Equity II -I Fund	***	286,360
		T. Rowe Price Blue Chip Growth Fund	***	158,007
		Loomis Sayles Small Cap Growth Instl Fund	***	106,466
		Goldman Sachs Large Cap Value Fund	***	103,794
		Vanguard Mid Capitalization Index Ins Fund	***	99,857
		Vanguard Small Cap Index Fund	***	75,373
		Vanguard Total Bond Market Index Inst Fund	***	51,532
		Vanguard Institutional Index Fund	***	38,199
		CGM Capital Growth Account	***	245,954
		Total Individual Core Investment Funds		**1,491,285**
*	New England Life Insurance	Plan interest in the New England Master Trust		**201,909**

	Company			
*	Various Participants	Participant loans-various principal amounts maturing through 8/13/2018, interest rates ranging from 5.0% to 6.25%	***	**80,207**
		SDB	***	**6,887**
		**Participant-directed investments ** **		$ **4,719,669**

* Permitted party-in-interest.

** At estimated fair value.

*** Cost has been omitted with respect to participant-directed investments.

Table of Contents

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

New England Life Insurance Company 401(k) Savings Plan and Trust

By: /s/ Margery Brittain
Name: Margery Brittain
Title: Plan Administrator

Date: June 26, 2009

Table of Contents

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT NAME
23.1	Consent of Independent Registered Public Accounting Firm

22

lign="top" width="40%">

Sr. V.P. Chief Operating Officer	100,000
Peter S. Garcia Chief Financial Officer	100,000
William P. Tew Chief Commercial Officer	100,000

The stock options were granted under the new Equity Incentive Plan and are conditioned upon shareholder approval of the Plan.

Severance and Change of Control Payments

The employment agreements of our executive officers contain provisions entitling them to severance benefits in the event that their employment is terminated by us or following a “Change of Control” of BioTime.

If we terminate Dr. West’s or Mr. Peabody’s employment without “cause” as defined in their respective employment agreements the terminated executive will be entitled to severance benefits, consisting of payment of six months base salary, and 50% of his then unvested BioTime stock options will vest. However, if a termination of the executive’s employment without “cause” occurs within twelve months following a “Change of Control,” he will be entitled to twelve months base salary, and 100% of his then unvested BioTime options will vest.

If we terminate Mr. Garcia’s employment without “cause” as defined in his employment agreement, he will be entitled to severance benefits consisting of payment of six months base salary which may be paid in a lump sum or, at the election of the BioTime, in installments consistent with the payment of his salary while employed by the BioTime, and 50% of his then unvested BioTime stock options will vest. However, if a termination of the Mr. Garcia’s employment without “cause” occurs within twelve months following a “Change of Control,” he will be entitled to twelve months base salary, and 100% of his then unvested BioTime options will vest.

If we terminate Dr. Tew's employment without "cause" as defined in his employment agreement, he will be entitled to severance benefits consisting of payment of six months base salary which may be paid in a lump sum or, at the election of BioTime, in installments consistent with the payment of his salary while employed by BioTime.

In order to receive the severance benefits, the executive must execute a general release of all claims against BioTime and must return all BioTime property in the executive's possession.

"Change of Control" means (A) the acquisition of our voting securities by a person or an Affiliated Group entitling the holder to elect a majority of our directors; provided, that an increase in the amount of voting securities held by a person or Affiliated Group who on the date of the Employment Agreement beneficially owned (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended, and the regulations thereunder) more than 10% of our voting securities shall not constitute a Change of Control; and provided, further, that an acquisition of voting securities by one or more persons acting as an underwriter in connection with a sale or distribution of voting securities shall not constitute a Change of Control, (B) the sale of all or substantially all of our assets; or (C) a merger or consolidation in which we merge or consolidate into another corporation or entity in which our shareholders immediately before the merger or consolidation do not own, in the aggregate, voting securities of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity) entitling them, in the aggregate (and without regard to whether they constitute an Affiliated Group) to elect a majority of the directors or persons holding similar powers of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity). A Change of Control shall not be deemed to have occurred if all of the persons acquiring our voting securities or assets, or merging or consolidating with us, are one or more of our direct or indirect subsidiaries or parent corporations. "Affiliated Group" means (A) a person and one or more other persons in control of, controlled by, or under common control with, such person; and (B) two or more persons who, by written agreement among them, act in concert to acquire voting securities entitling them to elect a majority of our directors. "Person" includes both people and entities.

The following tables show certain information relating to the compensation of our Chief Executive Officer and our Chief Financial Officer, and our Senior Vice-President and Chief Operating Officer, and Chief Commercial Officer who were our only other executive officers whose compensation exceeded $100,000 during 2012, who are collectively referred to as the "Named Executive Officers."

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary	Bonus	Option Awards(1)	All other compensation	Total
Michael D. West	2012	$ 660,500	$ 100,000 (2)		$ 24,500 (5)	$ 785,000
Chief Executive Officer	2011	$ 560,500	$ 266,000 (2)	$ 10,664 (3)	$ 19,038 (5)	$ 856,202
	2010	$ 350,000	$ 215,750 (2)	$ 6,978 (4)	$ 16,500 (5)	$ 589,228
Robert W. Peabody	2012	$ 386,900	$ 45,000 (2)		$ 12,500 (9)	$ 444,400
Senior Vice-President, and	2011	$ 336,900	$ 156,000 (2)	$ 5,332 (7)	$ 12,467 (9)	$ 510,699
Chief Operating Officer(6)	2010	$ 230,000	$ 105,750 (2)	$ 3,489 (8)	$ 11,500 (9)	$ 350,739
Peter S. Garcia	2012	$ 324,000	$ 100,000 (2)		$ 12,500 (9)	$ 436,500
	2011	$ 81,000	$ 6,000 (2)	$ 703,204 (10)	$ 3,475 (9)	$ 793,679

Chief Financial Officer(10)														
William Tew	2012	$	237,500	$	20,000	(2)				$	11,146	(9)	$	268,646
Chief Commercial Officer(11)	2011	$	145,000	$	26,000	(2)	$	177,078	(11)	$	7,300	(9)	$	355,378

13

---

(1) The options must be reported here at the aggregate grant date fair value, as if all options were fully vested and exercisable at the date of grant. We use the Black-Scholes-Merton Pricing Model to compute option fair values.

(2) As a result of BioTime receiving a certain research grant, Dr. West and Mr. Peabody earned bonuses of $65,000 and $45,000, respectively, during 2012, 2011 and in 2010under the terms of their employment agreements. During December, 2012, 2011, and 2010, respectively, the following annual incentive bonuses were awarded to the executives named in the table: to Dr. West $35,000 in 2012, $200,000 in 2011, and $75,000 in 2010; to Mr. Peabody $100,000 in 2011 and $50,000 in 2010; to Mr. Garcia $100,000 in 2012 and $5,000 in 2011; and to Dr. Tew $20,000 in 2012 and $25,000 in 2011. An annual bonus may be earned by each executive officer based upon the performance of the executive, as determined by the Board of Directors upon recommendation of the Compensation Committee. Supplemental incentive bonuses in the amount of $10,000 were awarded to Mr. Peabody in March 2011, $75,000 to Dr. West in July 2010, and $10,000 to Mr. Peabody in June 2010. As part of company-wide bonus awards, Dr. West, Mr. Peabody, Mr. Garcia, and Dr. Tew also each received $1,000 in 2011, and Dr. West and Mr. Peabody each received $750 in 2010.

(3) During March 2011, Dr. West received 625,000 stock options from LifeMap Sciences, Inc. These options will vest and become exercisable in equal monthly installments over a 42 month period, but must be reported here at the aggregate grant date fair value, as if all options were fully vested and exercisable at the date of grant. We used the following variables to compute the option fair values: stock price of $0.08333, exercise price of 0.08333, expected term of 7 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%.

(4) During December 2010, Dr. West received the following stock options under the stock option plans of certain of our subsidiaries: 500,000 options from ReCyte Therapeutics, Inc.; 500,000 options from OncoCyte Corporation; 500,000 options from OrthoCyte Corporation; and 200 options from BioTime Asia, Limited. Each option has an exercise price not less than the fair market value of the subsidiary common stock on the date of grant as determined by the subsidiary board of directors based on an independent valuation. The options vested and became exercisable in equal monthly installments over a four-year period. The assumptions underlying the valuation of these stock options are as follows: OncoCyte Corporation--stock price of $0.08, exercise price of $0.67, expected term of 10 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%; OrthoCyte Corporation--stock price of $0.05, exercise price of $0.05, expected term of 10 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%; ReCyte Therapeutics, Inc.--stock price of $0.09, exercise price of $2.05, expected term of 10 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%; BioTime Asia, Limited--stock price of $0.0000001, exercise price of $0.01, expected term of 10 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%.

(5) During 2012, 2011, and 2010, Dr. West received other compensation that included a $1,000 per month car allowance and employer contributions of $12,500, $7,038, and $4,500, respectively, to his 401(k) plan.

(6) Mr. Peabody served as our Chief Financial Officer on an interim basis from September 2010 to October 2011.

(7) During March 2011, Mr. Peabody received 321,500 stock options from LifeMap Sciences, Inc. These options will vest and become exercisable in equal monthly installments over a 42 month period, but must be reported here at the aggregate grant date fair value, as if all options were fully vested and exercisable at the date of grant. We used the following variables to compute the option fair values: stock price of $0.08333, exercise price of 0.08333, expected term of 7 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%.

(8)

During December 2010, Mr. Peabody received the following stock options under the stock option plans of certain of our subsidiaries: 250,000 options from ReCyte Therapeutics, Inc; 250,000 options from OncoCyte Corporation; 250,000 options from OrthoCyte Corporation; and 100 options from BioTime Asia, Limited. Each option has an exercise price not less than the fair market value of the subsidiary common stock on the date of grant as determined by the subsidiary board of directors based on an independent valuation. The options vested and became exercisable in equal monthly installments over a four-year period. The assumptions underlying the valuation of these stock options are as follows: OncoCyte Corporation--stock price of $0.08, exercise price of $0.67, expected term of 10 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%; OrthoCyte Corporation--stock price of $0.05, exercise price of $0.05, expected term of 10 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%; ReCyte Therapeutics, Inc.--stock price of $0.09, exercise price of $2.05, expected term of 10 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%; BioTime Asia, Limited--stock price of $0.0000001, exercise price of $0.01, expected term of 10 years, volatility of 1.0%, and a bond equivalent yield discount rate of 3.3%.

(9) Other compensation to Mr. Peabody during 2012, 2011 and 2010, and to Mr. Garcia and Dr. Tew during 2012 and 2011 consist entirely of employer contributions to their 401(k) plans.

(10) Mr. Garcia became our Chief Financial Officer in October 2011 and received stock option awards under our 2002 Stock Option Plan and the stock option plans of certain of our subsidiaries as follows: 200,000 options from BioTime; 50,000 options from OncoCyte Corporation; 50,000 options from OrthoCyte Corporation; and 50,000 options from ReCyte Therapeutics, Inc. The assumptions underlying the valuation of these stock options are as follows: BioTime--stock price of $4.17, exercise price of $4.17, expected term of 7 years, volatility of 106.31, and a bond equivalent yield discount rate of 1.33%; OncoCyte Corporation--stock price of $0.08, exercise price of $1.00, expected term of 7 years, volatility of 1.0%, and a bond equivalent yield discount rate of 1.55%; OrthoCyte Corporation--stock price of $0.05, exercise price of $0.08, expected term of 7 years, volatility of 1.0%, and a bond equivalent yield discount rate of 1.33%; ReCyte Therapeutics, Inc.--stock price of $0.09, exercise price of $2.05, expected term of 7 years, volatility of 1.0%, and a bond equivalent yield discount rate of 1.33%.

(11) Dr. Tew became the Vice President of Business Development of OrthoCyte Corporation in March 2011 and was subsequently promoted to Chief Commercial Officer of BioTime in June 2011. He received stock option awards entitling him to purchase 25,000 options from BioTime and 200,000 options from OrthoCyte Corporation in March 2011. The assumptions underlying the valuation of the 25,000 BioTime options are as follows--stock price of $7.56, exercise price of $7.47, expected term of 7 years, volatility of 105.31%, and a bond equivalent yield discount rate of 2.72%. OrthoCyte Corporation options were subsequently canceled and BioTime granted him 3,850 additional BioTime options in October 2011. The assumptions underlying the valuation of these BioTime options are as follows--stock price of $4.17, exercise price of $4.22, expected term of 7 years, volatility of 106.27%, and a bond equivalent yield discount rate of 1.35%

Grants of Plan-Based Awards

No options or other plan based awards were granted by BioTime or by any of our subsidiaries to our Named Executive Officers during the year ended December 31, 2012 other than cash contributions to their 401(k) plans.

Stock Options Outstanding at Year End

The following table summarizes certain information concerning BioTime stock options and options to purchase common stock or ordinary shares in certain BioTime subsidiaries granted under the subsidiary stock option plans (as footnoted below), and held as of December 31, 2012 by our Named Executive Officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

BioTime and Subsidiary Option Awards

Name	Stock Option Plan Name	Number of Securities Underlying Unexercised Options Exercisable		Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price		Option Expiration Date
Michael West	BioTime 2002 Stock Option Plan	1,470,400	(1)		$	0.50	October 9, 2014
	OncoCyte Corporation 2011 Stock Option Plan	250,000	(2)	250,000	$	0.67	December 28, 2020
	OrthoCyte Corporation 2010 Stock Option Plan	250,000	(3)	250,000	$	0.05	December 28, 2020
	ReCyte Therapeutics, Inc. 2011 Stock Option Plan	250,000	(4)	250,000	$	2.05	December 28, 2020
	BioTime Asia, Limited 2011 Stock Option Plan	100	(5)	100	$	0.01	December 28, 2020
	LifeMap Sciences, Inc. 2011 Stock Option Plan	22,321	(6)	22,321	$	0.50	March 28, 2018
Robert W. Peabody	BioTime 2002 Stock Option Plan	500,000	(1)		$	0.50	October 9, 2014
	OncoCyte Corporation 2011 Stock Option Plan	125,000	(7)	125,000	$	0.67	December 28, 2020
	OrthoCyte Corporation 2010 Stock Option Plan	125,000	(8)	125,000	$	0.05	December 28, 2020

	ReCyte Therapeutics, Inc. 2011 Stock Option Plan	125,000	(9)	125,000	$	2.05	December 28, 2020
	BioTime Asia, Limited 2011 Stock Option Plan	50	(10)	50	$	0.01	December 28, 2020
	LifeMap Sciences, Inc. 2011 Stock Option Plan	11,161	(11)	11,160	$	0.50	March 28, 2018
Peter S. Garcia	BioTime 2002 Stock Option Plan	58,338	(12)	141,667	$	4.17	October 2, 2018
	OncoCyte Corporation 2011 Stock Option Plan	14,583	(12)	35,417	$	1.00	November 30, 2018
	OrthoCyte Corporation 2010 Stock Option Plan	14,583	(12)	35,417	$	0.08	November 30, 2018
	ReCyte Therapeutics, Inc. 2011 Stock Option Plan	14,583	(12)	35,417	$	2.05	November 30, 2018
William P. Tew	BioTime 2002 Stock Option Plan	10,937	(13)	14,063	$	7.47	March 20, 2018
	BioTime 2002 Stock Option Plan	1,122	(13)	3,850	$	4.17	October 3, 2018
	OncoCyte Corporation 2011 Stock Option Plan	2,500	(13)	7,500	$	1.00	November 30, 2018

15

---

(1) These options were granted upon his employment with BioTime and were fully vested and exercisable as of December 31, 2012.

(2) These options become exercisable in equal monthly installments from the date of grant over a four year period provided that Dr. West remains an employee or director of OncoCyte or BioTime.

(3) These options become exercisable in equal monthly installments from the date of grant over a four year period provided that Dr. West remains an employee or director of OrthoCyte or BioTime.

(4) These options become exercisable in equal monthly installments from the date of grant over a four year period provided that Dr. West remains an employee or director of ReCyte Therapeutics or BioTime.

(5) These options become exercisable in equal monthly installments from the date of grant over a four year period provided that Dr. West remains an employee or director of BioTime Asia or BioTime.

(6) These options become exercisable in equal monthly installments from the date of grant over a forty-two month period provided that Dr. West remains an employee or director of LifeMap Sciences, Inc. or BioTime. The LifeMap Sciences stock option plan originally authorized the sale of up to 8,000,000 shares of its common stock through the exercise of stock options or under restricted stock purchase agreements. During 2012, the LifeMap Sciences stock option plan was amended to reflect a 1 for 4 reverse stock split and a change in the plan that resulted in the reduction of certain options granted. As a result, the total number of shares that may be issued under the plan was adjusted to 1,842,269. Dr. West was originally granted 625,000 options under the LifeMap Sciences stock option plan. However as a result of the 1 for 4 reverse stock split and the change in the plan aforementioned, the 625,000 options originally granted at an exercise price of $0.08333 per share were adjusted to 44,642 options at an exercise price of $0.50 per share.

(7) These options become exercisable in equal monthly installments from the date of grant over a four year period provided that Mr. Peabody remains an employee or director of OncoCyte or BioTime.

(8) These options become exercisable in equal monthly installments from the date of grant over a four year period provided that Mr. Peabody remains an employee or director of OrthoCyte or BioTime.

(9) These options become exercisable in equal monthly installments from the date of grant over a four year period provided that Mr. Peabody remains an employee or director of ReCyte Therapeutics or BioTime.

(10) These options become exercisable in equal monthly installments from the date of grant over a four year period provided that Mr. Peabody remains an employee or director of BioTime Asia or BioTime.

(11) These options become exercisable in equal monthly installments from the date of grant over a forty-two month period provided that Mr. Peabody remains an employee or director of LifeMap Sciences, Inc. or BioTime. The LifeMap Sciences stock option plan originally authorized the sale of up to 8,000,000 shares of its common stock through the exercise of stock options or under restricted stock purchase agreements. During 2012, the LifeMap Sciences stock option plan was amended to reflect a 1 for 4 reverse stock split and a change in the plan that resulted in the reduction of certain options granted. As a result, the total number of shares that may be issued under the plan was adjusted to 1,842,269. Mr. Peabody was originally granted 312,500 options under the LifeMap Sciences stock option plan. However as a result of the 1 for 4 reverse stock split and the change in the plan aforementioned, the 312,500 options originally granted at an exercise price of $0.08333 per share were

adjusted to 22,321 options at an exercise price of $0.50 per share.

(12) These options become exercisable in equal monthly installments from the date of grant over a four year period during the term of Mr. Garcia's employment.

(13) These options become exercisable in equal monthly installments from the date of grant over a four year period during the term of Dr. Tew's employment.

Option Exercises and Stock Awards Vested in 2012

The following table includes certain information with respect to BioTime stock options exercised by our Named Executive Officers during the year ended December 31, 2012.

	Option Awards	
Name	Number of Shares Acquired On Exercise (#)	Value Realized on Exercise ($)
Michael D. West	20,000	$ 78,800
Robert W. Peabody	-	$ -
Peter S. Garcia	-	$ -
William P. Tew	-	$ -

Potential Payments Upon Termination or Change in Control

As discussed above, under the terms of their employment agreements, certain BioTime executive officers may receive severance payments upon termination of their employment without "cause" or following a "Change of Control" of BioTime. The table below summarizes the potential severance payments under the individual employment agreements for those executive officers if a termination without "cause" or a Change of Control event occurred on December 31, 2012.

Officer and Position	Benefit	Before Change in Control Termination w/o Cause (1)	After Change of Control Termination w/o Cause
Michael D. West, Chief Executive Officer	Cash Payment(1)	$ 180,250	$ 360,500
	Option Vesting(2)	-	-
Robert W. Peabody, Senior Vice President and Chief Operating Officer	Cash Payment(1)	$ 118,450	$ 236,900
	Option Vesting(2)	-	-
Peter S. Garcia, Chief Financial Officer	Cash Payment (1)	$ 81,000	$ 324,000
	Option Vesting(2)	-	-
William P. Tew, Chief Commercial Officer	Cash Payment(1)	$ 59,375	$ 59,375
	Option Vesting(2)	-	-

(1) Amounts represent lump sum severance payments that could be paid to the executive officer under such executive's employment agreement as of December 31, 2012.

(2) Amounts represent an estimate of the intrinsic value of options that would become fully vested and exercisable based on a market value of $3.14 per common share as of December 31, 2012. The estimated value for Dr. West and Mr. Peabody are zero as their options were fully vested. The estimated value for Mr. Garcia and Dr. Tew are zero as their exercise price is greater than the closing stock price on December 31, 2012.

Other Compensation Plans

We do not have any pension plans, defined benefit plans, or non-qualified deferred compensation plans. We do make contributions to 401(k) plans for participating executive officers and other employees.

Consideration of Shareholder Advisory Vote on Executive Compensation.

The results of our last advisory vote on executive compensation showed that 99% of the shares that voted approved the compensation we provided to our "Named Executive Officers" during 2010. Our Compensation Committee is pleased that our shareholders have express satisfaction with the Committee's compensation decisions. The compensation policies applied by the Compensation Committee in determining the compensation of our executive officers during 2012 were consistent with those applied in setting the compensation amounts for 2010 that were approved by our shareholders' advisory vote last year.

Risk Considerations and Recoupment Policies

The Compensation Committee considers, in establishing and reviewing the executive compensation program, whether the program encourages unnecessary or excessive risk taking. Our executive compensation arrangements include a fixed salary that provides a steady income so that executives do not feel pressured to focus exclusively on stock price performance or short term financial targets to the detriment of our long-term operational and strategic objectives. We supplement fixed salaries with discretionary bonus awards based on the executive's performance as well as the performance of BioTime and its subsidiaries, and bonus awards based on BioTime's receipt of research grant funding. The stock options that we have granted to our executive officers under the Equity Incentive Plan vest over four years, assuring that the executives take a long-term perspective in viewing their equity ownership.

Because BioTime has not adopted compensation plans, or made incentive awards, based on quantified financial performance measures, we have not adopted specific policies regarding the adjustment or recovery of awards or payments if the relevant performance measures are restated or otherwise adjusted in a manner that would reduce the size of an award or payment. We may adopt such policies, however, if we adopt incentive compensation plans or grant incentive bonuses based on financial performance measures.

Tax Considerations

Section 162(m) of the Internal Revenue Code places a $1 million limit on the amount of compensation that a company can deduct in any one year for compensation paid to its chief executive officer and the three most highly-compensated executive officers employed by the company at the end of the year, other than the company's chief financial officer. The $1 million deduction limit does not apply to compensation that is performance-based and provided under a shareholder-approved plan. The Compensation Committee has never awarded cash compensation, in the form of salary and bonuses, in excess of the $1 million limit. BioTime's stock option awards are designed to qualify for tax deductibility. Notwithstanding the foregoing, we may elect to pay compensation to executive officers that may not be fully deductible if we believe that is necessary to attract, retain and reward high-performing executives.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

PRINCIPAL SHAREHOLDERS

The following table sets forth information as of March 28, 2013 concerning beneficial ownership of common shares by each shareholder known by us to be the beneficial owner of 5% or more of our common shares. Information concerning certain beneficial owners of more than 5% of the common shares is based upon information disclosed by such owners in their reports on Schedule 13D or Schedule 13G.

Security Ownership of Certain Beneficial Owners

	Number of Shares	Percent of Total	
Alfred D. Kingsley (1) Greenbelt Corp. Greenway Partners, L.P. 150 E. 57th Street New York, NY 10022	9,335,411	16.9	%
Neal C. Bradsher (2) Broadwood Partners, L.P. Broadwood Capital, Inc. 724 Fifth Avenue, 9th Floor New York, NY 10019	8,940,128	16.3	%
George Karfunkel 126 East 56th St. New York, NY 10022	4,997,217	9.1	%

---

(1) Includes 1,682,505 Common Shares presently owned by Greenbelt Corp, 375,351 Common Shares owned by Greenway Partners, L.P., 7,090,055 shares owned solely by Alfred D. Kingsley, and 187,500 Common Shares that may be acquired by Mr. Kingsley upon the exercise of certain stock options that are presently exercisable or may become exercisable within 60 days. Excludes 12,500 Common Shares that may be acquired by Mr. Kingsley upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within

60 days. Mr. Kingsley controls Greenbelt Corp. and Greenway Partners, L.P. and may be deemed to beneficially own the shares that Greenbelt Corp. and Greenway Partners, L.P. own.

(2) Includes 8,822,220 Common Shares owned by Broadwood Partners, L.P., 42,908 Common Shares owned by Neal C. Bradsher, and 75,000 Common Shares that may be acquired upon the exercise of certain stock options that are presently exercisable or may become exercisable within 60 days. Excludes 5,000 Common Shares that may be acquired by Mr. Bradsher upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days. Broadwood Capital, Inc. is the general partner of Broadwood Partners, L.P., and Mr. Bradsher is the President of Broadwood Capital, Inc. Mr. Bradsher and Broadwood Capital, Inc. may be deemed to beneficially own the shares that Broadwood Partners, L.P. owns.

Security Ownership of Management

The following table sets forth information as of March 28, 2013 concerning beneficial ownership of common shares by each member of the Board of Directors, certain executive officers, and all officers and directors as a group.

	Number of Shares	Percent of Total	
Alfred D. Kingsley (1)	9,335,411	16.9	%
Neal C. Bradsher (2)	8,940,128	16.3	%
Michael D. West (3)	1,596,666	2.8	%
Judith Segall (4)	598,811	1.1	%
Robert W. Peabody (5)	513,733	1.0	%
William P. Tew (6)	99,769	*	
Arnold I. Burns (7)	90,000	*	
Pedro Lichtinger (8)	81,250	*	
Peter S. Garcia (9)	94,449	*	
Andrew C. von Eschenbach (10)	35,000	*	
Stephen C. Farrell (11)	5,000	*	
All officers and directors as a group (11 persons) (12)	21,390,267	37.2	%

* Less than 1%

(1) Includes 1,682,505 Common Shares presently owned by Greenbelt Corp, 375,351 Common Shares owned by Greenway Partners, L.P., 7,090,055 Common Shares owned solely by Alfred D. Kingsley, and 187,500 Common Shares that may be acquired by Mr. Kingsley upon the exercise of certain stock options that are presently exercisable or that may become exercisable within 60 days. Excludes 12,500 Common Shares that may be acquired by Mr. Kingsley upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days. Mr. Kingsley controls Greenbelt Corp. and Greenway Partners, L.P. and may be deemed to beneficially own the Common Shares that Greenbelt Corp. and Greenway Partners, L.P. own.

(2) Includes 8,822,220 Common Shares owned by Broadwood Partners, L.P. 42,908 shares owned by Neal C. Bradsher, and 75,000 Common shares that may be acquired upon the exercise of certain stock options. that are presently exercisable or that may become exercisable within 60 days. Excludes 5,000 Common Shares that may be acquired by Mr. Bradsher upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days. Broadwood Capital, Inc. is the general partner of Broadwood Partners,

L.P., and Mr. Bradsher is the President of Broadwood Capital, Inc. Mr. Bradsher and Broadwood Capital, Inc. may be deemed to beneficially own the shares that Broadwood Partners, L.P. owns.

(3) Includes 1,487,066 Common Shares that may be acquired upon the exercise of certain stock options that are presently exercisable or that may become exercisable within 60 days. Excludes 183,334 Common Shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(4) Includes 4,166 Common Shares that may be acquired upon the exercise of certain stock options that are presently exerciseable or that may become exercisable within 60 days. Excludes 45,834 Common Shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(5) Includes 508,333 Common Shares that may be acquired upon the exercise of certain stock options that are presently exercisable or that may become exercisable within 60 days. Excludes 91,677 Common Shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(6) Includes 23,397 Common Shares that may be acquired upon the exercise of certain options and 29,247 Common Shares that may be acquired upon the exercise of certain warrants that are presently exercisable or that may become exercisable within 60 days. Excludes 105,453 Common Shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(7) Includes 75,000 Common Shares that may be acquired upon the exercise of certain options that are presently exercisable or that may become exercisable within 60 days. Excludes 5,000 Common Shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(8) Includes 75,000 Common Shares that may be acquired upon the exercise of certain options that are presently exercisable or that may become exercisable within 60 days. Excludes 5,000 Common Shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(9) Includes 87,499 Common Shares that may be acquired upon the exercise of certain options that are presently exercisable or that may become exercisable within 60 days. Excludes 212,501 Common Shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(10) Includes 35,000 Common Shares that may be acquired upon the exercise of certain options that are presently exercisable or that may become exercisable within 60 days. Excludes 5,000 Common Shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days

(11) Includes 5,000 Common Shares that may be acquired upon the exercise of certain options that may become exercisable within 60 days. Excludes 15,000 Common Shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(12) Includes 2,562,961 Common Shares that may be acquired upon the exercise of certain options and 29,247 Common Shares that may be acquired upon the exercise of certain warrants that are presently exercisable or that may become exercisable within 60 days. Excludes 686,289 Common Shares that may be acquired upon the exercise of certain options that are not presently exercisable and will not become exercisable within 60 days.

Item 13. Certain Relationships and Related Transactions and Director Independence

Certain Transactions

Since July 1 2009, Alfred D. Kingsley has made available to us the use of approximately 900 square feet of office space in New York City. We pay the office building owner $5,050 per month for the use of the space.

During July 2012, Alfred D. Kingsley and his affiliate Greenway Partners, L.P. entered into a Share Exchange and Contribution Agreement (the "LifeMap Agreement") with our subsidiary LifeMap Sciences, Inc. pursuant to which Mr. Kingsley and Greenway agreed to contribute to LifeMap Sciences, in the aggregate, BioTime common shares having an aggregate value of not less than $2,000,000 and not more than $3,000,000 (determined as provided in the LifeMap Agreement) in exchange for shares of LifeMap Sciences common stock, no par value, at an initial price of $1.75 per LifeMap Sciences share. Pursuant to the LifeMap Agreement, during July 2012, Mr. Kingsley contributed 140,000 BioTime common shares and Greenway contributed 280,000 BioTime common shares to LifeMap Sciences and received in exchange, respectively, 381,288 and 762,576 shares of LifeMap Sciences common stock. The number of shares of LifeMap Sciences common stock issued was determined by multiplying the number of BioTime common shares contributed by the highest weighted average closing price per share on the NYSE MKT for any ten trading days during the period from June 15, 2012 through July 31, 2012 (the "First Outside Date"), and dividing that amount by $1.75 which was the agreed Exchange Price Per Share of LifeMap Sciences common stock.

The LifeMap Agreement provided that if the BioTime common shares contributed to LifeMap Sciences by Mr. Kingsley and Greenway were valued at less than $3,000,000 on the First Outside Date, they could contribute additional BioTime common shares to LifeMap Sciences so that the total number of BioTime common shares so contributed would have a total value of $3,000,000. Any additional BioTime common shares so contributed would be valued as of September 30, 2012 (the "Second Outside Date") at the highest weighted average closing price per share on the NYSE MKT for any ten trading days during the period from August 1, 2012 through the Second Outside Date. The LifeMap Agreement was subsequently amended to extend the Second Outside Date to December 14, 2012. On December 14, 2012, Mr. Kingsley and Greenway contributed, respectively, 57,511 and 115,022 additional BioTime common shares to LifeMap Sciences and received, respectively, 142,522 and 285,044 shares of LifeMap Sciences common stock. The additional BioTime common shares so contributed were valued as of December 14, 2012 at the highest weighted average closing price per share on the NYSE MKT for any ten trading days during the period from August 1, 2012 through December 14, 2012.

Under the LifeMap Agreement, the Exchange Price Per Share was subject to reduction, and additional shares of LifeMap Sciences common stock would have been issued in exchange for the BioTime common shares received by LifeMap Sciences, if on or before December 31, 2012 LifeMap Sciences sold shares of its common stock or other securities exercisable or exchangeable for, or convertible into, its common stock for a price per share of common stock lower than $1.75, other than pursuant to options granted under LifeMap Sciences' stock option plan. However, no sales of LifeMap Sciences common stock or other securities at prices lower than $1.75 occurred prior to that date and no such adjustment was made.

We have filed a registration statement to register the BioTime common shares received by LifeMap Sciences for resale under the Securities Act, and LifeMap Sciences may then sell some or all of those shares from time to time to finance its operations.

As a result of the exchange of BioTime common shares for shares of LifeMap Sciences common stock by Mr. Kinglsey and Greenway, and by virtue of the grant of options to purchase 22,321 shares of LifeMap Sciences common stock to Mr. Kinglsey during March 2011 which vest in equal monthly installments over a four-year period, Mr. Kingsley beneficially owned 13.5% of the outstanding shares of LifeMap Sciences common stock as of April 29, 2013. Mr. Kingsley is the Chairman of our Board of Directors and is a member of the Board of Directors of LifeMap Sciences. The LifeMap Agreement was approved by LifeMap Sciences' Board of Directors, without the vote of Mr. Kingsley, and by our Audit Committee pursuant to our Related Person Transaction Policy.

Related Person Transaction Policy

During April 2011, we adopted a Related Person Transaction Policy that applies to transactions exceeding $120,000 in which any of our officers, directors, beneficial owners of more than 5% of our common shares, or any member of their immediate family, has a direct or indirect material interest, determined in accordance with the policy (a "Related Party Transaction"). A Related Party Transaction must be reported to our outside legal counsel, our Chief Operating Officer, and our Chief Financial Officer, and will be subject to review and approval by our Audit Committee prior to effectiveness or consummation, to the extent practical. In addition, any Related Party Transaction that is ongoing in nature will be reviewed by the Audit Committee annually to ensure that the transaction has been conducted in accordance with any previous approval and that all required disclosures regarding the transaction are made.

As appropriate for the circumstances, the Audit Committee will review and consider:

- the interest of the officer, director, beneficial owner of more than 5% of our common shares, or any member of their immediate family ("Related Person") in the Related Person Transaction;
- the approximate dollar value of the amount involved in the Related Person Transaction;
- the approximate dollar value of the amount of the Related Person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the transaction with the Related Person is proposed to be, or was, entered into on terms no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to the transaction to us; and
- any other information regarding the Related Person Transaction or the Related Person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The Audit Committee will review all relevant information available to it about a Related Person Transaction. The Audit Committee may approve or ratify the Related Person Transaction only if the Audit Committee determines that, under all of the circumstances, the transaction is in, or is not in conflict with, our best interests. The Audit Committee may, in its sole discretion, impose such conditions as it deems appropriate on us or the Related Person in connection with approval of the Related Person Transaction.

A copy of our Related Person Transaction Policy can be found on our website at www.biotimeinc.com.

Director Independence

Our Board of Directors has determined that Neal C. Bradsher, Arnold I. Burns, Stephen C. Farrell, Pedro Lichtinger, and Andrew C. von Eschenbach qualify as "independent" in accordance with Section 803(A) of the NYSE MKT Company Guide. The members of our Audit Committee and our Compensation Committee also meet the independence standards under Section 803(B)(2) of the NYSE MKT Company Guide and Section 10A-3 under the Securities Exchange Act of 1934, as amended. Abraham E. Cohen, who served as a director and member of our Audit Committee, our Compensation Committee, and our Nominating/Corporate Governance Committee until his death during November 2012, was also "independent" under those standards.

The only compensation or remuneration that BioTime has provided to Mr. Bradsher, Mr. Burns, Mr. Farrell, Mr. Lichtinger, and Dr. von Eschenbach during their tenure as directors has been, and for Mr. Cohen was, compensation as non-employee directors. None of these directors, nor any of the members of their families, have participated in any transaction with us that would disqualify them as "independent" directors under the standard described above.

Michael D. West and Judith Segall do not qualify as "independent" because they are our full-time employees. Alfred D. Kingsley does not qualify as "independent" because he receives compensation for serving in an executive role as Chairman of certain of our subsidiaries.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than ten percent (10%) of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common shares and other BioTime equity securities. Officers, directors and greater than ten percent beneficial owners are required by SEC regulations to furnish us with copies of all reports they file under Section 16(a).

To our knowledge, based solely on our review of the copies of such reports furnished to us, all Section 16(a) filing requirements applicable to our officers, directors, and greater than ten percent beneficial owners were complied with during the fiscal year ended December 31, 2012.

Item 14. Principal Accounting Fees and Services

Rothstein Kass has served as our independent registered public accountants since February 2007 and audited our annual financial statements for the fiscal years ended December 31, 2012 and December 31, 2011.

Audit and Quarterly Review Fees. Rothstein Kass billed us $323,500 in 2012 and $203,000 in 2011, respectively, for the audit of our annual financial statements and for the review of our financial statements included in our quarterly reports on Form 10-Q.

Tax Fees. Rothstein Kass billed us $65,000 and $62,000, respectively, for review and preparation of U.S. federal, state, and local tax returns during the fiscal years ended December 31, 2012 and December 31, 2011.

The prior approval of the Board of Directors or Audit Committee is required for the engagement of our auditors to perform any non-audit services for us. Other than de minimis services incidental to audit services, non-audit services shall generally be limited to tax services such as advice and planning and financial due diligence services. All fees for such non-audit services must be approved by the Board of Directors or Audit Committee, except to the extent otherwise permitted by applicable SEC regulations.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Item 15(a) The following documents of BioTime, Inc. were filed as part of the Annual Report on Form 10-K that was filed in March 18, 2013.

(1) Financial Statements.

Consolidated balance sheets
Consolidated statements of operations
Consolidated statements of shareholders' deficit
Consolidated statements of cash flows

Notes to Financial Statements

(2) Financial Statement Schedules

All schedules are omitted because the required information is inapplicable or the information is presented in the financial statements or the notes thereto.

(3) Exhibits.

Exhibit Numbers	Description
2.1	Equity and Note Purchase Agreement entered into as of April 28, 2010 by and between ES Cell Australia Limited, Pharmbio Growth Fund Pte. Ltd., and Biomedical Sciences Investment Fund Pte. Ltd. 19
2.2	Transfer Agreement dated May 3, 2010 between BioTime, Inc. and certain shareholders of ES Cell International Pte. Ltd. 19
2.3	Agreement and Plan of Merger, dated February 11, 2010, between Glycosan BioSystems, Inc., OrthoCyte Corporation, and BioTime, Inc. 22
2.4	Agreement and Plan of Merger, dated April 19, 2012, by and among XenneX, Inc., LifeMap Sciences, Inc., BioTime, Inc. and the stockholders of XenneX, Inc. named therein. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment). 26
2.5	Asset Contribution Agreement, dated January 4, 2013, by and among BioTime, Inc., BioTime Acquisition Corporation, and Geron Corporation 29
3.1	Articles of Incorporation with all amendments. 18
3.2	By-Laws, As Amended. 2
4.1	Specimen of Common Share Certificate. 1

4.2	Warrant Agreement between BioTime, Inc., Broadwood Partners, L.P., and George Karfunkel. 16
4.3	Form of Warrant. 16
4.4	Warrant Agreement between BioTime, Inc. and Biomedical Sciences Investment Fund Pte. Ltd. 19
4.5	Share Exchange and Contribution Agreement, dated July 24, 2012, among LifeMap Sciences, Inc., Alfred D. Kingsley, and Greenway Partners, L.P. 27
4.6	Warrant Agreement between BioTime, Inc. and Romulus Films, Ltd. *
4.7	Form of Warrant (included in Exhibit 4.6). *
10.1	Intellectual Property Agreement between BioTime, Inc. and Hal Sternberg. 1
10.2	Intellectual Property Agreement between BioTime, Inc. and Judith Segall. 1
10.3	2002 Stock Option Plan, as amended. 18
10.4	Exclusive License Agreement between Abbott Laboratories and BioTime, Inc. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment). 3
10.5	Modification of Exclusive License Agreement between Abbott Laboratories and BioTime, Inc. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment). 4
10.6	Exclusive License Agreement between BioTime, Inc. and CJ Corp. 5
10.7	Hextend® and PentaLyte® Collaboration Agreement between BioTime, Inc. and Summit Pharmaceuticals International Corporation.6
10.8	Addendum to Hextend® and PentaLyte® Collaboration Agreement Between BioTime Inc. and Summit Pharmaceuticals International Corporation. 7

25

10.9	Amendment to Exclusive License Agreement Between BioTime, Inc. and Hospira, Inc. 8
10.10	Hextend® and PentaLyte® China License Agreement Between BioTime, Inc. and Summit Pharmaceuticals International Corporation. 9
10.11	Employment Agreement, dated October 10, 2007, between BioTime, Inc. and Michael D. West. 11
10.12	Commercial License and Option Agreement between BioTime and Wisconsin Alumni Research Foundation. 10
10.13	License, Product Production, and Distribution Agreement, dated June 19, 2008, among Lifeline Cell Technology, LLC, BioTime, Inc., and Embryome Sciences, Inc. 12
10.14	License Agreement, dated July 10, 2008, between Embryome Sciences, Inc. and Advanced Cell Technology, Inc. 12
10.15	License Agreement, dated August 15, 2008 between Embryome Sciences, Inc. and Advanced Cell Technology, Inc. 13
10.16	Sublicense Agreement, dated August 15, 2008 between Embryome Sciences, Inc. and Advanced Cell Technology, Inc. 13
10.17	Stem Cell Agreement, dated February 23, 2009, between Embryome Sciences, Inc. and Reproductive Genetics Institute. 14
10.18	First Amendment of Commercial License and Option Agreement, dated March 11, 2009, between BioTime and Wisconsin Alumni Research Foundation. 14
10.19	Employment Agreement, dated October 10, 2007, between BioTime, Inc. and Robert Peabody. 14
10.20	Fifth Amendment of Revolving Line of Credit Agreement, dated April 15, 2009. 15
10.21	Form of Amendment of Revolving Credit Note. 15
10.22	Fifth Amendment of Security Agreement, dated April 15, 2009. 15
10.23	Stock and Warrant Purchase Agreement between BioTime, Inc. and George Karfunkel. 16
10.24	Stock and Warrant Purchase Agreement between BioTime, Inc. and Broadwood Partners, L.P. 16
10.25	Registration Rights Agreement between BioTime, Inc., Broadwood Partners, L.P. and George Karfunkel.16
10.26	Co-Exclusive OEM Supply Agreement, date July 7, 2009, between Embryome Sciences, Inc. and Millipore Corporation (Portions of this exhibit have been omitted pursuant to a request for confidential treatment). 17
10.27	Stock Purchase Agreement between OncoCyte Corporation and George Karfunkel. 18

10.28	Registration Rights Agreement between OncoCyte Corporation and George Karfunkel. 18
10.29	Employment Agreement, dated August 3, 2009, between BioTime, Inc. and Walter Funk. 19
10.30	Sublease Agreement for 20 Biopolis #05-05/06 Centros, Singapore between Bioprocessing Technology Institute, Biomedical Sciences Institutes and ES Cell International Pte. Ltd. 20
10.31	Share Purchase Agreement, dated October 7, 2010, by and among Cell Cure Neurosciences, Limited, Teva Pharmaceutical Industries, Ltd, HBL-Hadasit Bio-Holdings, Ltd., and BioTime, Inc. 21

26

10.32	Amended and Restated Shareholders Agreement, dated October 7, 2010, by and among ES Cell International Pte. Ltd, BioTime, Inc., Teva Pharmaceutical Industries, Limited, HBL-Hadasit Bio-Holdings, Ltd., and Cell Cure Neurosciences Ltd. 22
10.33	Research and Exclusive License Option Agreement, dated October 7, 2010, between Teva Pharmaceutical Industries, Ltd. and Cell Cure Neurosciences Ltd. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment).22
10.34	Amended and Restated Research and License Agreement, dated October 7, 2010, between Hadasit Medical Research Services and Development Ltd. and Cell Cure Neurosciences Ltd. 22
10.35	Additional Research Agreement, dated October 7, 2010, between Hadasit Medical Research Services and Development Ltd. and Cell Cure Neurosciences Ltd. 22
10.36	Exclusive License Agreement, dated November 20, 2007, between Cell Targeting, Inc. and Burnham Institute for Medical Research. 22
10.37	Stock Purchase Agreement, dated December 29, 2010, between Embryome Sciences, Inc. and Life Extension Foundation. 22
10.38	Stock Purchase Agreement, dated December 30, 2010, between Embryome Sciences, Inc. and Geothermal Coring, S.A. 22
10.39	Co-Exclusive Supply Agreement, dated December 8, 2010, between BioTime Asia Limited and Shanghai Genext Medical Technology Co. Ltd. 22
10.40	OncoCyte Corporation 2010 Stock Option Plan; Form of OncoCyte Corporation Stock Option Agreement. 22
10.41	OrthoCyte Corporation 2010 Stock Option Plan; Form of OrthoCyte Corporation Stock Option Agreement. 22
10.42	BioTime Asia, Limited 2010 Stock Option Plan; Form of BioTime Asia Limited Stock Option Agreement. 22
10.43	ReCyte Therapeutics, Inc. 2010 Stock Option Plan; Form of ReCyte Therapeutics, Inc. Stock Option Agreement. 22
10.44	Lease, dated October 28, 2010, between SKS Harbor Bay Associates, LLC and BioTime, Inc. 22
10.45	Memorandum of Tenancy, Renewal of Tenancy and letters of offer and acceptance of renewal of tenancy between ES Cell International Pte. Ltd. and Jurong Town Corporation. 22
10.46	Genome Office Tenancy Renewal, Renewal of Tenancy and letters of offer and acceptance of renewal of tenancy between ES Cell International Pte. Ltd. and Jurong Town Corporation. 22
10.47	Employment Agreement, dated June 28, 2011, between Biotime, Inc., OrthoCyte Corporation, and William P. Tew. 23

10.48	License Agreement between BioTime, Inc. and Cornell University (Portions of this exhibit have been omitted pursuant to a request for confidential treatment). 24
10.49	Employment Agreement, dated October 3, 2011, between BioTime, Inc. and Peter S. Garcia. 24
10.50	License Option Agreement, dated December 15, 2011 between BioTime, Inc. and USCN Life Sciences, Inc. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment). 25

10.51	LifeMap, Inc. 2011 Stock Option Plan; Form of LifeMap, Inc. Stock Option Agreement. 25
10.52	Exclusive License Agreement, dated February 15, 2006, between Glycosan BioSystems, Inc. and the University of Utah Research Foundation, as amended. 28
10.53	Amendment to Share Exchange and Contribution Agreement, dated September 28, 2012, by and among LifeMap Sciences, Inc., Alfred D. Kingsley, and Greenway Partners, L.P. 28
10.54	Share Purchase Agreement, dated November 1, 2012, between Cell Cure Neurosciences, Ltd. and BioTime, Inc. 28
10.55	Amendment to Share Exchange and Contribution Agreement, dated November 30, 2012, by and among LifeMap Sciences, Inc., Alfred D. Kingsley, and Greenway Partners, L.P. 30
10.56	Indemnification Agreement, dated January 4, 2013, by and among BioTime, Inc., Broadwood Partners, L.P, and Neal Bradsher. 29
10.57	Indemnification Agreement, dated January 4, 2013, by and among BioTime, Inc., Alfred D. Kingsley, Greenbelt Corp. and Greenway Partners, L.P. 29
10.58	Stock and Warrant Purchase Agreement, dated January 4, 2013, between BioTime, Inc. and Romulus Films, Ltd. *
10.59	Stock and Warrant Purchase Agreement, dated January 4, 2013, between BioTime Acquisition Corporation and Romulus Films, Ltd. *
10.60	Business Park Lease, dated January 7, 2013, between David D. Bohannon Organization and BioTime, Inc. *
10.61	Stock Purchase Agreement, dated January 7, 2013, between David D. Bohannon Organization and BioTime, Inc.*
10.62	Amendment of Stock and Warrant Purchase Agreement, dated March 7, 2013, between BioTime, Inc. and Romulus Films, Ltd. *
21.1	List of Subsidiaries. *
23.1	Consent of Rothstein, Kass & Company, P.C. *
31	Rule 13a-14(a)/15d-14(a) Certification. **
32	Section 1350 Certification. **
101	Interactive Data File. *
101.INS	XBRL Instance Document. *
101.SCH	XBRL Taxonomy Extension Schema. *

101.CAL	XBRL Taxonomy Extension Calculation Linkbase. *
101.DEF	XBRL Taxonomy Extension Definition Linkbase. *
101.LAB	XBRL Taxonomy Extension Label Linkbase. *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase. *

1 Incorporated by reference to Registration Statement on Form S-1, File Number 33-44549 filed with the Securities and Exchange Commission on December 18, 1991, and Amendment No. 1 and Amendment No. 2 thereto filed with the Securities and Exchange Commission on February 6, 1992 and March 7, 1992, respectively

2 Incorporated by reference to Registration Statement on Form S-1, File Number 33-48717 and Post-Effective Amendment No. 1 thereto filed with the Securities and Exchange Commission on June 22, 1992, and August 27, 1992, respectively.

3 Incorporated by reference to BioTime's Form 8-K, filed April 24, 1997.

4 Incorporated by reference to BioTime's Form 10-Q for the quarter ended June 30, 1999.

5 Incorporated by reference to BioTime's Form 10-K/A-1 for the year ended December 31, 2002.

6 Incorporated by reference to BioTime's Form 10-K/A-1 for the year ended December 31, 2002.

7 Incorporated by reference to BioTime's Form 8-K, filed December 20, 2005.

8 Incorporated by reference to BioTime's Form 8-K, filed January 13, 2006.

9 Incorporated by reference to BioTime's Form 8-K, filed March 30, 2006.

10 Incorporated by reference to BioTime's Form 8-K, filed January 9, 2008.

11 Incorporated by reference to BioTime's Form 10-KSB for the year ended December 31, 2007.

12 Incorporated by reference to BioTime's Form 10-Q for the quarter ended June 30, 2008.

13 Incorporated by reference to BioTime's Form 10-Q for the quarter ended September 30, 2008.

14 Incorporated by reference to BioTime's Form 10-K for the year ended December 31, 2008.

15 Incorporated by reference to BioTime's Form 8-K filed April 17, 2009.

16 Incorporated by reference to BioTime's Form 10-Q for the quarter ended March 31, 2009.

17 Incorporated by reference to BioTime's Form 10-Q for the quarter ended June 30, 2009.

18 Incorporated by reference to BioTime's Form 10-Q for the quarter ended September 30, 2009.

19 Incorporated by reference to BioTime's Form 10-Q for the quarter ended March 31, 2010.

20 Incorporated by reference to BioTime's Form 10-Q for the quarter ended June 30, 2010.

21 Incorporated by reference to BioTime's Form 8-K filed October 19, 2010.

22 Incorporated by reference to BioTime's Form 8-K 10-K for the year ended December 31, 2010.

23 Incorporated by reference to BioTime's Form 10-Q for the quarter ended June 30, 2011.

24 Incorporated by reference to BioTime's Form 10-Q for the quarter ended September 30, 2011.

25 Incorporated by reference to BioTime's Form 10-K for the year ended December 31, 2011.

26 Incorporated by reference to BioTime's Form 10-Q for the quarter ended March 31, 2012.

27 Incorporated by reference to Registration Statement on Form S-3, File Number 333-182964 filed with the Securities and Exchange Commission on July 31, 2012

28 Incorporated by reference to BioTime's Form 10-Q for the quarter ended September 30, 2012

29 Incorporated by reference to BioTime's Form 8-K filed with the Securities and Exchange Commission on January 8, 2013

* Previously Filed on BioTime's Form 10-K for the year ended December 31, 2012, that was filed on March 18, 2013

** Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 on Form 10-K /A to be signed on its behalf by the undersigned, thereunto duly authorized on the 30th day of April 2013.

BIOTIME, INC.

By:	/s/Michael D. West
	Michael D. West, Ph.D.
	Chief Executive Officer

Exhibit Numbers	Description
2.1	Equity and Note Purchase Agreement entered into as of April 28, 2010 by and between ES Cell Australia Limited, Pharmbio Growth Fund Pte. Ltd., and Biomedical Sciences Investment Fund Pte. Ltd. 19
2.2	Transfer Agreement dated May 3, 2010 between BioTime, Inc. and certain shareholders of ES Cell International Pte. Ltd. 19
2.3	Agreement and Plan of Merger, dated February 11, 2010, between Glycosan BioSystems, Inc., OrthoCyte Corporation, and BioTime, Inc. 22
2.4	Agreement and Plan of

	Merger, dated April 19, 2012, by and among XenneX, Inc., LifeMap Sciences, Inc., BioTime, Inc. and the stockholders of XenneX, Inc. named therein. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment). 26
2.5	Asset Contribution Agreement, dated January 4, 2013, by and among BioTime, Inc., BioTime Acquisition Corporation, and Geron Corporation 29
3.1	Articles of Incorporation with all amendments. 18
3.2	By-Laws, As Amended. 2
4.1	Specimen of Common Share Certificate. 1
4.2	

		Warrant Agreement between BioTime, Inc., Broadwood Partners, L.P., and George Karfunkel. 16								
4.3		Form of Warrant. 16								
4.4		Warrant Agreement between BioTime, Inc. and Biomedical Sciences Investment Fund Pte. Ltd. 19								
4.5	(2,076)		$5,089							
Available-for-sale:										
Mutual fund investments			4,915	3,490	-	473	(55)	3,908	-	3,908
Agency notes			36,901	36,901	-	148	(1)	37,048	-	37,04
Pass-through MBS issued by GSEs			125,897	125,897	-	7,078	-	132,975		132,9
Collateralized mortgage obligations ("CMOs") issued by GSEs			45,045	45,045	-	1,472	-	46,517	-	46,51
Private issuer pass through MBS			2,692	2,692	-	-	(101)	2,591	-	2,591
Private issuer CMOs			2,592	2,592	-	48	-	2,640	-	2,640
Total		$	237,502	$229,631	$(3,814)	$9,219	$(2,192)	$232,844	$(2,076)	$230,7

(1) Amount represents the purchase amortized / historical cost less any credit-related OTTI charges recognized through earnings.
(2) Amount represents the unamortized portion of the unrealized loss that was recognized in accumulated other comprehensive loss on
September 1, 2008 (the day on which these securities were transferred from available-for-sale to held-to-maturity).

The pooled bank trust preferred securities held-to-maturity had a weighted average term to maturity of 24.5 years at June 30, 2010.

At June 30, 2010, the agency note investments in the above table had contractual maturities as follows:

	Amortized Cost	Estimated Fair Value
	(Dollars in Thousands)	
Due after one year through five years	$36,001	$36,143
Due after five years through ten years	900	905
	$36,901	$37,048

At June 30, 2010, MBS available-for-sale (which include pass-through MBS issued by GSEs, CMOs issued by GSEs, private issuer pass through MBS and private issuer CMOs) possessed a weighted average contractual maturity of 17.1 years and a weighted average estimated duration of 2.3 years. There were no sales of MBS available-for-sale during the six-months ended either June 30, 2010 or June 30, 2009.

Proceeds from the sales of investment securities available-for-sale (which include mutual funds and agency notes) were $2.5 million during the six months ended June 30, 2010. Gains of $850,000 was recognized on these sales. During the six months ended June 30, 2009, proceeds from the sales of investment securities available-for-sale totaled $10.4 million. A gain of $431,000 was recognized on these sales. There were no sales of investment securities held-to-maturity during the six-months ended either June 30, 2010 or June 30, 2009.

On March 31, 2010, the Company transferred six mutual fund investments totaling $1.4 million from available-for-sale to trading. On the date of transfer, unrealized holding gains totaling $242,000 on these investments were recognized. This transfer is discussed further later in this note. During the three months ended June 30, 2010, the Company recognized aggregate losses of $65,000 on these mutual funds reflecting a decline in their valuation. Proceeds from the sale of trading securities totaled $659,000 during the six months ended June 30, 2010, all of which occurred during the three months ended June 30, 2010.

At June 30, 2010, in management's judgment, the credit quality of the collateral pool underlying six of the Company's eight pooled bank trust preferred securities had deteriorated to the point that full recovery of the Company's initial investment was considered uncertain, thus resulting in recognition of OTTI charges. At June 30, 2010, five of these six securities had credit ratings ranging from "C" to "Ba3." The sixth of these securities had credit ratings ranging from "D" to "Caa3."

For the six pooled bank trust preferred securities that were deemed to meet the OTTI criteria established under ASC 320-10-65, the Company applied the ASC 320-10-65 provisions for determining the credit related component of OTTI by discounting the expected future cash flows applicable to the securities at the effective interest rate implicit in the security at the date of acquisition by the Company.

The following table provides a reconciliation of the pre-tax OTTI charges recognized on the Company's trust preferred securities:

	At or for the Three Months Ended June 30, 2010			At or for the Three Months Ended June 30, 2009		
	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI
	(Dollars in Thousands)					
Cumulative balance at the beginning of the period	$5,937	$ 4,196	$10,133	$2,899	$ 3,351	$6,250
OTTI recognized during the period	508	13	521	886	274	1,160
Reductions and transfers to non-credit OTTI	-	(365)	(365)	-	(354)	(354)
Amortization of previously recognized OTTI	-	(29)	(29)	-	(18)	(18)
Cumulative balance at end of the period	$6,445	$ 3,815	$10,260	$3,785	$ 3,253	$7,038

	At or for the Six Months Ended June 30, 2010			At or for the Six Months Ended June 30, 2009		
	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI
	(Dollars in Thousands)					
Cumulative balance at the beginning of the period	$ 5,772	$ 4,425	$ 10,197	$ 3,209	$ -	$ 3,209
Cumulative effect adjustment of adopting FSP 115-2	-	-	-	(2,287)	2,287	-
OTTI recognized during the period	673	63	736	2,863	1,338	4,201
Reductions and transfers to non-credit OTTI	-	(619)	(619)	-	(354)	(354)
Amortization of previously recognized OTTI	-	(54)	(54)	-	(18)	(18)

Cumulative balance at end of the period	$ 6,445	$ 3,815	$ 10,260	$ 3,785	$ 3,253	$ 7,038

The remaining aggregate amortized cost of pooled bank trust preferred securities that could be subject to future OTTI charges through earnings was $13.0 million at June 30, 2010. Of this total, unrealized losses of $5.8 million have already been recognized as a component of accumulated other comprehensive loss.

During the six months ended June 30, 2009, the Company recognized aggregate credit-related OTTI charges of $3.1 million on five actively-managed equity mutual fund investments, reflecting both the significant deterioration in the valuation of the U.S. and international equity markets at that time, as well as the extended duration of the decline. All of these funds were highly correlated to broader equity indices, and, as a result, experienced significant recoveries in their market value during the period April 2009 through March 2010. In March 2010, the Company sold a portion of one of the five mutual fund investments, recovering $685,000 of the apportioned OTTI charges previously recognized on these fund shares.

The Company owned four additional mutual fund investments at June 30, 2010. These assets are earmarked for the payment of benefits earned by participants in the BMP. Modifications made to the BMP in March 2010 impacted the potential form of future benefit payments under the plan (which was frozen to all future benefits effective January 1, 2005 and currently remains frozen). As a result, the Company elected to transfer a portion of four mutual fund investments that are earmarked for future settlement of non-qualified 401(k) Plan defined contribution benefits earned under the BMP from available-for-sale into trading effective March 31, 2010. The Company simultaneously transferred two additional mutual fund balances that are similarly earmarked for payment of non-qualified 401(k) benefits earned under the BMP, which were never deemed to meet the criteria of OTTI, from available-for-sale into trading. Commencing on April 1, 2010, the transfer of these six mutual funds produced an offset within the Company's operating results for any required changes in future BMP benefit expense caused by fluctuations in the market value of these earmarked investments. As a result of the transfer from available-for-sale into trading, approximately $336,000 of previously recognized credit-related OTTI on these investments was recovered.

The portion of the Company's investment in the initial four mutual funds discussed in the previous paragraph that were not transferred into trading are earmarked for future settlement of non-qualified pension benefits earned under the BMP. These benefits were not affected by the March 2010 modifications to the BMP, and they thus remained designated as available-for-sale. The recovery of their apportioned OTTI charges from March 31, 2009 through June 30, 2010 thus remains unrealized as a component of accumulated other comprehensive income.

The following table provides a reconciliation of the pre-tax OTTI charges recognized on the Company's equity mutual funds:

	At or for the Three Months Ended June 30, 2010			At or for the Three Months Ended June 30, 2009		
	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI Charge	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI Charge
	(Dollars in Thousands)					
Cumulative balance at the beginning of the period	$2,042	$ -	$2,042	$3,063	$ -	$3,063
OTTI recognized during the period	-	-	-	-	-	-
Recovery of OTTI for securities sold during the period	(617)	-	(617)	-	-	-
Cumulative balance at end of the period	$1,425	$ -	$1,425	$3,063	$ -	$3,063

	At or for the Six Months Ended June 30, 2010			At or for the Six Months Ended June 30, 2009		
	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI Charge	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI Charge
	(Dollars in Thousands)					
Cumulative balance at the beginning of the period	$3,063	$ -	$3,063	$-	$ -	$-
OTTI recognized during the period	-	-	_	3,063	-	3,063
Recovery of OTTI for securities sold during the period	(1,302)	-	(1,302)	-	-	-
Recovery of OTTI for securities transferred to trading during the period	(336)	-	(336)			
Cumulative balance at end of the period	$1,425	$ -	$1,425	$3,063	$ -	$3,063

The following table summarizes the gross unrealized losses and fair value of investment securities and MBS as of June 30, 2010, aggregated by investment category and the length of time the securities were in a continuous unrealized loss position:

	Total		12 or More Consecutive Months of Unrealized Losses		Less than 12 Consecutive Months of Unrealized Losses	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
Held-to-Maturity Securities:						
Pooled bank trust preferred securities (1)	$ 5,089	$ 7,925	$ 5,089	$ 7,925	$ -	$ -
Available-for-Sale Securities:					-	-
Agency notes	6,000	1	-	-	6,000	1
Mutual funds	689	40	-	-	689	40
Private issuer pass through MBS	2,591	101	2,591	101	-	-
Total	$ 14,369	$ 8,067	$ 7,680	$ 8,026	$ 6,689	$ 41

(1) At June 30, 2010, the recorded balance of these securities was $7.2 million. This balance reflected both the remaining unrealized loss of $2.1 million that was recognized in accumulated other comprehensive loss on September 1, 2008 (the day on which these securities were transferred from available-for-sale to held-to-maturity) for two trust preferred securities that have not been deemed OTTI, and an unrealized loss of $4.2 million that has been recognized in accumulated other comprehensive loss that represents the non-credit component of impairment for five trust preferred securities that have been deemed OTTI. In accordance with both ASC 320-10-35-17 and ASC 320-10-65, these unrealized losses are currently being amortized over the remaining estimated life of these securities.

Trust Preferred Securities That Have Maintained an Unrealized Holding Loss for 12 or More Consecutive Months

At June 30, 2010, two of the Company's eight pooled bank trust preferred securities, with an amortized cost of $7.5 million, were not deemed other than temporarily impaired. These securities remained in an unrealized loss for 12 or more consecutive months, and their cumulative unrealized loss was $2.1 million at June 30, 2010, reflecting both illiquidity in the marketplace and concerns over future bank failures. At June 30, 2010, both of the securities had an investment grade rating from at least one independent rating agency, with ratings ranging from "BB" to "A" on one and "B" and "Baa3" on the other. Despite both the significant decline in market value and the duration of their impairment, management believes that the unrealized losses on these securities at June 30, 2010 were temporary, and that the full value of the investments will be realized once the market dislocations have been removed, or as the securities continue to make their contractual payments of principal and interest. In making this determination, management considered the following:

• Based upon an internal review of the collateral backing the trust preferred securities portfolio, which accounted for current and prospective deferrals, each of the securities could reasonably be expected to continue making all contractual payments
• The Company has the intent and ability to hold these securities until they fully recover their impairment, evidenced by the election to reclassify them as held-to-maturity in 2008
• There were no cash or working capital requirements nor contractual or regulatory obligations that would compel the Company to sell any of these securities prior to their forecasted recovery or maturity
• Each security has a pool of underlying issuers comprised primarily of banks
• None of the securities have exposure to real estate investment trust issued debt (which has experienced high default rates)
• Each security features either a mandatory auction or a de-leveraging mechanism that could result in principal repayments to the Bank prior to the stated maturity of the security
• Each security is characterized by some level of over-collateralization

The remaining six trust preferred securities, with an aggregate amortized cost of $5.5 million at June 30, 2010, have previously been determined to meet the OTTI criteria.

Private Issuer Pass Through MBS and CMOs That Have Maintained an Unrealized Holding Loss for 12 or More Consecutive Months

At June 30, 2010, the Company owned one private label pass-through MBS that possessed unrealized losses for 12 or more consecutive months, with an amortized cost of $2.7 million and an unrealized loss of $101,000. The Company's investment is in the most senior tranche (or repayment pool) of this security. Despite a challenging real estate marketplace, the private label pass-through MBS made contractual principal and interest payments that reduced its principal balance by approximately 29% during the twelve months ended June 30, 2010. At June 30, 2010, the Company performed an analysis of likely potential defaults of the real estate loans underlying this security in the current economic environment, and determined that this security could reasonably be expected to continue making all contractual payments. The Company has no intent to sell this security and it is not likely that the Company will be required to sell this security before the recovery of its remaining amortized cost.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company adopted ASC 820-10 on January 1, 2008. The fair value hierarchy established under ASC 820-10 is summarized as follows:

Level 1 Inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Significant other observable inputs such as any of the following: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), or (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 Inputs – Unobservable inputs for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

16

The following tables present the assets that are reported on the condensed consolidated statements of financial condition at fair value as of June 30, 2010 by level within the fair value hierarchy. As required by ASC 820-10, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2010

		Fair Value Measurements Using					
Description	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Losses for the Three Months Ended June 30, 2010	Losses for the Six Months Ended June 30, 2010	
			(Dollars in Thousands)				
Trading securities	$1,329	$1,329	$-	$-	$65	$65	(1)
Investment securities available-for-sale	40,956	3,908	37,048	-	-	-	
MBS available-for-sale	184,723	-	184,723	-	-	-	

(1) The Company recognized a gain of $242 upon the transfer of these securities from available-for-sale to trading on March 31, 2010.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2009

		Fair Value Measurements Using				
Description	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Losses for the Six Months Ended June 30, 2009	
			(Dollars in Thousands)			
Investment securities available-for-sale	$ 6,540	$ 5,534	$ 1,006	$ -	$ 3,063	(1)
MBS available-for-sale	263,515	-	263,515	-	-	

(1) This loss was fully incurred during the three months ended March 31, 2009.

The Company's trading securities and available-for-sale investment securities and MBS are reported at fair value, which is determined utilizing prices obtained from independent parties. The valuations obtained are based upon market data, and often utilize evaluated pricing models that vary by asset and incorporate available trade, bid and other market information. For securities that do not trade on a daily basis, pricing applications apply available information such as benchmarking and matrix pricing. The market inputs normally sought in the evaluation of securities include benchmark yields, reported trades, broker/dealer quotes (obtained only from market makers or broker/dealers recognized as market participants), issuer spreads, two-sided markets, benchmark securities, bid, offers and reference data. Prioritization of inputs may vary on any given day based on market conditions.

The Company's trading securities are registered, actively-traded mutual funds that satisfy the criteria for Level 1 valuation. The Company's available-for-sale investment securities and MBS at June 30, 2010 were categorized as follows:

Investment Category	Percentage of Total	Valuation Level Under ASC 820-10
Pass Through MBS or CMOs issued by GSEs	79.5%	Two
Agency notes	16.5	Two
Pass Through MBS or CMOs issued by entities other than GSEs	2.3	Two
Mutual fund investments	1.7	One

The agency notes owned by the Company possessed the highest possible credit rating published by multiple established credit rating agencies as of June 30, 2010. Obtaining a market value as of June 30, 2010 for these securities utilizing significant observable inputs as defined under ASC 820-10 was not difficult due to their continued marketplace demand. The pass-through MBS and CMOs issued by GSEs, which comprised approximately 79.5% of the Company's total available-for-sale investment securities and MBS at June 30, 2010, all possessed the highest possible credit rating published by multiple established credit rating agencies as of June 30, 2010. Obtaining a market value as of June 30, 2010 for these securities utilizing significant observable inputs as defined under ASC 820-10 was not difficult due to their considerable demand. In accordance with established policies and procedures, the Company utilized a midpoint value obtained as its recorded fair value for securities that were valued with significant observable inputs.

As of June 30, 2010, the Company owned one pass through MBS issued by an entity other than a GSE, with an amortized cost basis of $2.7 million. Since 2008, this security has not traded actively. The Company owns an investment within the senior tranche of this security, and the weighted average contractual interest rate on the security was 5.0% at June 30, 2010. The assets underlying this security are a pool of 15-year fixed rate amortizing prime mortgages on residential properties located throughout the United States. The underlying mortgages were originated in 2005, and, as of June 30, 2010, had a weighted average coupon of 5.33% and a weighted average loan-to-value ratio of 48%. There is no significant geographical concentration on the underlying mortgages, and less than 9% of the total underlying mortgage pool was delinquent at June 30, 2010. The credit ratings on this security ranged from CC to Ba1 at June 30, 2010. As a result of the overall credit quality of this investment, sufficient marketplace demand was deemed present at June 30, 2010 to permit this security to be valued utilizing estimated sales determined under benchmarking and matrix pricing. For this security, the Company obtained such values from at least two credible market sources, and verified that these values were prepared utilizing significant observable inputs as defined under ASC 820-10.

As of June 30, 2010, the Company owned one CMO issued by an entity other than a GSE, with an amortized cost basis of $2.6 million. Since 2008, this security has not traded actively. The Company owns an investment within the senior tranche of this security, and the weighted average contractual interest rate on the security was 4.5% at June 30, 2010. The assets underlying this security are a pool of 15-year fixed rate amortizing prime mortgages on residential properties located throughout the United States. The underlying mortgages were originated in 2003, and, as of June 30, 2010, had a weighted average coupon of 5.38% and a weighted average loan-to-value ratio of 33%. Approximately one-half of the underlying mortgages are located in California, while the remaining half are diversified geographically. Less than 1% of the total underlying mortgage pool was delinquent at June 30, 2010. This security possessed the highest possible credit rating published by multiple established credit rating agencies at June 30, 2010. As a result of the overall credit quality of this investment, sufficient marketplace demand was deemed present at June 30, 2010 to permit this security to be valued utilizing estimated sales determined under benchmarking and matrix pricing. For this security, the Company obtained such values from at least two credible market sources, and verified that these values were prepared utilizing significant observable inputs as defined under ASC 820-10.

Assets Measured at Fair Value on a Non-Recurring Basis at June 30, 2010						
	Fair Value Measurements Using					
Description	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Losses for the Three Months Ended June 30, 2010	Losses for the Six Months Ended June 30, 2010
	(Dollars in Thousands)					
Pooled trust preferred securities	$ 181 (1)	$ -	$ -	$ 181	$ 521 (2)	$ 736 (2)
Impaired loans	29,515	-	-	29,515	5,019 (3)	5,720 (3)

(1) Amount represents the fair value of two held-to-maturity trust preferred securities that were deemed other-than temporarily impaired at June 30, 2010.

(2) Amount represents the total OTTI (credit or non-credit related) recognized on trust preferred securities during the three-month and six-month periods ended June 30, 2010.

(3) Amount represents total charge-offs on impaired loans during the three-month and six-month periods ended June 30, 2010.

Assets Measured at Fair Value on a Non-Recurring Basis at June 30, 2009						
	Fair Value Measurements Using					
Description	Total at June 30, 2009	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Losses for the Three Months Ended June 30, 2009	Losses for the Six Months Ended June 30, 2009
	(Dollars in Thousands)					
Pooled trust preferred securities	$1,695 (1)	$-	$-	$1,695	$1,160 (1)	$4,201 (1)
Impaired loans	5,861	-	-	5,861	104 (2)	770 (2)
Loans held for sale carried at market value	55	-	55	-	1	1

(1) Amount represents the fair value of four held-to-maturity trust preferred securities that were deemed other-than temporarily impaired at

June 30, 2009. Losses represent the total OTTI recognized (credit or non-credit related) during the period.

(2) Amount represents charge-offs recognized on these loans during the three-month and six-month periods ended June 30, 2009.

Pooled Trust Preferred Securities, Held to Maturity - At June 30, 2010, the Company owned eight pooled trust preferred securities classified as held-to-maturity. Late in 2008, the market for these securities became highly illiquid, and continued to be deemed as such as of June 30, 2010. As a result, at both June 30, 2010 and June 30, 2009, their estimated fair value was obtained utilizing a blended valuation approach (Level 3 pricing). Under the blended valuation approach, broker quotations, which were deemed to meet the criteria of "distressed sale" pricing under the guidance of ASC 820-10-65-4, were given a minor 10% weighting. A cash flow valuation for the eight securities performed utilizing default, cash flow and discount rate assumptions determined by the Company's management (the "Internal Cash Flow Valuation") was given a 45% weighting. This valuation considered the creditworthiness of each individual issuer underlying the collateral pools of the eight securities. In addition, for five of the eight securities, three independent cash flow model valuations were averaged and given a 45% weighting. For the remaining three securities, two independent cash flow valuations were available and were similarly given a 45% weighting.

The major assumptions utilized (each of which represents a significant unobservable input) in the Internal Cash Flow Valuation were as follows:

Discount rate – The discount rate utilized was derived from the Bloomberg fair market value curve for debt offerings of similar credit rating. In the event that a security had a split investment rating, separate cash flow valuations were made utilizing the appropriate discount rate and were averaged in order to determine the Internal Cash Flow Valuation.

Defaults - All underlying issuers with a Fitch bank rating of 5.0 were assumed to default. Underlying issuers with a Fitch bank rating of 3.5 through 4.5 were assumed to default at levels ranging from 5% to 75% based upon both their rating as well as whether they had been granted approval to receive funding under the U.S. Department of Treasury's Troubled Asset Relief Program Capital Purchase Program.

Cash flows – The actual cash flows for the Company's investment tranche of each security, adjusted to assume that all estimated defaults occurred on July 1, 2010, with an estimated recovery rate of 6% projected to occur one year after the initial default.

Two of the three independent cash flow model valuations discussed above were made utilizing a methodology similar to the Internal Cash Flow Valuation, differing only in the underlying assumptions deriving estimated cash flows, individual bank defaults and discount rate. The third independent cash flow valuation was derived from a different methodology in which the actual cash flow estimate based upon the underlying collateral of the securities (including default estimates) was not considered. Instead, this cash flow valuation was determined utilizing a discount rate determined from the Bloomberg fair market value curve for similar assets that continued to trade actively, with adjustments made for the illiquidity of the pooled trust preferred market. Because of the significant judgment underlying each of the pricing assumptions, management elected to recognize each of the independent valuations and apply a weighting system to all of the valuations, including the Internal Cash Flow Valuation, as all of these valuations were determined utilizing a valid and objective pricing methodology.

Impaired Loans - Loans with certain characteristics are evaluated individually for impairment. A loan is considered impaired under ASC 310-10-35 when, based upon existing information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. The Bank's impaired loans at June 30, 2010 were collateralized by real estate and were thus carried at the lower of the outstanding principal balance or the estimated fair value of the collateral. Fair value is estimated through current appraisals, where practical, or a drive-by inspection and comparison of the collateral with similar properties in the area by either a licensed appraiser or real estate broker and adjusted as deemed necessary by management to reflect existing market conditions.

OREO – The fair value of OREO is determined utilizing the lower of an independent appraised or estimated disposal value of the property.

Financial Instruments Not Actively Traded - Quoted market prices available in active trading marketplaces are generally recognized as the best evidence of fair value of financial instruments, however, several of the Company's financial instruments are not bought or sold in active trading marketplaces. Accordingly, their fair values are derived or estimated based on a variety of alternative valuation techniques. All such fair value estimates are based on relevant market information about the financial instrument. These estimates do not reflect any possible tax ramifications, estimated transaction costs, or potential premium or discount that could result from a one time sale of the entire holdings of a particular financial instrument. In addition, the estimates are based on assumptions of future loss experience, current economic conditions, risk characteristics, and other such factors. These assumptions are subjective in nature and involve inherent uncertainty. Changes in these assumptions could significantly affect the estimates.

Methods and assumptions used to estimate fair values for financial instruments that are not valued utilizing formal marketplace quotations (other than those previously discussed) are summarized as follows:

Cash and Due From Banks - The fair value is assumed to be equal to their carrying value as these amounts are due upon demand.

Federal Funds Sold and Other Short Term Investments – As a result of their short duration to maturity, the fair value of these assets, principally overnight deposits, is assumed to be equal to their carrying value due.

FHLBNY Capital Stock – It is not practicable to determine the fair value of FHLBNY capital stock due to restrictions placed on transferability.

Loans, Net - The fair value of loans receivable is determined by discounting anticipated future cash flows of the loans, net of anticipated prepayments, using a discount rate reflecting current market rates for loans with similar terms. This methodology is applied to all loans, inclusive of non-accrual loans, as well as impaired loans for which a write-down to the current fair market value of the underlying collateral is not determined to be warranted (generally loans that are sufficiently collateralized). In addition, the valuation of loans reflects the consideration of sale pricing for loan types that have traditionally been subject to marketplace sales (over 80% of the outstanding loan portfolio). Due to significant market dislocation, the secondary market prices were given little weighting in deriving the loan valuation at June 30, 2010.

Deposits - The fair value of savings, money market, and checking accounts is assumed to be their carrying amount. The fair value of certificates of deposit ("CDs") is based upon the present value of contractual cash flows using current interest rates for instruments of the same remaining maturity.

Escrow and Other Deposits - The estimated fair value of escrow and other deposits is assumed to be their carrying amount payable.

Securities Sold Under Agreements to Repurchase and FHLBNY Advances - The fair value is measured by the discounted anticipated cash flows through contractual maturity or next interest repricing date, or an earlier call date if, as of the valuation date, the borrowing is expected to be called. The carrying amount of accrued interest payable is its fair value.

Commitments to Extend Credit - The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current interest rates and the committed rates.

Based upon the aforementioned valuation methodologies, the estimated carrying amount and estimated fair values of all of the Company's financial instruments were as follows:

At June 30, 2010	Carrying Amount	Fair Value
	(Dollars in Thousands)	
Assets:		
Cash and due from banks	$164,655	$164,655
Federal funds sold and other short term investments	45,455	45,455
Investment securities held to maturity (pooled trust preferred securities)	7,165	5,089
Available-for-sale securities:		
Mutual fund investments	3,908	3,908
Agency notes	37,048	37,048
Pass-through MBS issued by GSEs	132,975	132,975
CMOs issued by GSEs	46,517	46,517
Private issuer pass-through MBS	2,591	2,591
Private issuer CMOs	2,640	2,640
Trading securities	1,329	1,329
Loans, net	3,441,691	3,583,696
Loans held for sale	692	700
Mortgage Servicing Rights ("MSR")	2,361	3,102
FHLBNY capital stock	53,068	N/A
Liabilities:		
Savings, money market and checking accounts	1,322,371	1,322,371
CDs	1,117,444	1,133,638
Escrow and other deposits	77,699	77,699
Securities sold under agreements to repurchase	195,000	219,708
FHLBNY advances	1,020,525	1,070,482
Trust Preferred securities payable1	70,680	58,664
Commitments to extend credit	335	335

1 The fair value of these liabilities is measured by independent market quotations obtained based upon transactions occurring in the market as of the disclosure date.

12. RETIREMENT AND POSTRETIREMENT PLANS

The Holding Company or the Bank maintains the Retirement Plan of The Dime Savings Bank of Williamsburgh (the "Employee Retirement Plan"), the Retirement Plan for Board Members of Dime Community Bancshares, Inc. (the "Outside Director Retirement Plan"), the BMP, and the Postretirement Welfare Plan of The Dime Savings Bank of Williamsburgh ("Postretirement Plan"). Net expenses associated with these plans were comprised of the following components:

	Three Months Ended June 30, 2010		Three Months Ended June 30, 2009	
	BMP, Employee and Outside Director Retirement Plans	Postretirement Plan	BMP, Employee and Outside Director Retirement Plans	Postretirement Plan
	(Dollars in thousands)			
Service cost	$-	$ 29	$-	$ 29
Interest cost	358	79	340	76
Actuarial adjustment to prior period interest cost and amortization	353	-	-	-
Expected return on assets	(347)	-	(297)	-
Unrecognized past service liability	-	14	-	14
Amortization of unrealized loss	263	-	291	-
Net periodic cost	$627	$ 122	$334	$ 119

	Six Months Ended June 30, 2010		Six Months Ended June 30, 2009	
	BMP, Employee and Outside Director Retirement Plans	Postretirement Plan	BMP, Employee and Outside Director Retirement Plans	Postretirement Plan
	(Dollars in thousands)			
Service cost	$-	$ 58	$-	$ 58
Interest cost	715	158	680	152
Actuarial adjustment to prior period interest cost and amortization	353	-	-	-
Expected return on assets	(694)	-	(594)	-
Unrecognized past service liability	-	28	-	28
Amortization of unrealized loss	526	-	582	-
Net periodic cost	$900	$ 244	$668	$ 238

The Company disclosed in its consolidated financial statements for the year ended December 31, 2009 that it expected to make contributions or benefit payments totaling $205,000 to the BMP, $131,000 to the Outside Director Retirement Plan, and $153,000 to the Postretirement Plan during the year ending December 31, 2010. The Company made benefit payments of $65,000 to the Outside Director Retirement Plan during the six months ended June 30, 2010, and expects to make an additional $65,000 of contributions or benefit payments during the remainder of 2010. The Company made net contributions totaling $51,000 to the Postretirement Plan during the six months ended June 30, 2010, and expects to make the remainder of the estimated $153,000 of net contributions or benefit payments during 2010. The Company made no contributions to the BMP during the six months ended June 30, 2010. The Company does not expect to make any benefit payments from or contributions to the BMP during the remainder of 2010, since anticipated retirements that formed the basis for the expected benefit payments in 2010 are presently not expected to occur.

The Company disclosed in its consolidated financial statements for the year ended December 31, 2009 that it did not expect to make any contributions to the Employee Retirement Plan during 2010. Upon a review of projected future benefits and projected asset returns, the Company made a contribution of $2.1 million to the Employee Retirement Plan in June 2010. The Company does not expect to make any further contributions to the Employee Retirement Plan during the remainder of 2010.

13. INCOME TAXES

The Company's customary consolidated tax rate approximates 37% and approximated that rate during the three months ended June 30, 2010. During the six months ended June 30, 2010, the Company recognized gains totaling $569,000 on both the sale of mutual funds and the transfer of mutual funds into trading. From a tax perspective, since: (i) these events triggered the reversal of deferred tax assets previously recognized when the Company recorded OTTI charges in March 2009; and (ii) the deferred tax assets on the OTTI were established at a statutory rate approximating 45% (the rate that assumes that the assets will be held long-term and significantly in excess of the current consolidated 37% tax rate), their reversal created a higher effective tax rate of 39.5% during the six months ended June 30, 2010. During the three months ended June 30, 2009 the effective tax rate was reduced to 35% as a result of

$886,000 of recorded OTTI expense, as the tax provision applied to these OTTI items was made at the statutory 45% rate. Similarly, the effective tax rate was reduced to 32% during the six months ended June 30, 2009 as a result of $5.9 million of recorded OTTI charges.

14. NET MORTGAGE BANKING INCOME

Net mortgage banking income presented in the condensed consolidated statements of operations was comprised of the following items:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in thousands)			
Gain on the sale of loans originated for sale	$140	$634	$181	$635
Credit (Provision) to the liability for First Loss Position	-	21	-	(1,402)
Recovery of write down of mortgage servicing asset	-	-	-	60
Mortgage banking fees	163	201	332	395
Net mortgage banking income(loss)	$303	$856	$513	$(312)

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

General

The Holding Company is a Delaware corporation and parent company of the Bank, a federally-chartered stock savings bank. The Bank maintains its headquarters in the Williamsburg section of Brooklyn, New York and operates twenty-four full service retail banking offices located in the New York City ("NYC") boroughs of Brooklyn, Queens, and the Bronx, and in Nassau County, New York. The Bank’s principal business is gathering deposits from customers within its market area and via the internet, and investing them primarily in multifamily residential, commercial real estate, one- to four-family residential, construction and land acquisition loans, consumer loans, MBS, obligations of the U.S. government and GSEs, and corporate debt and equity securities.

Executive Summary

The Holding Company’s primary business is the ownership of the Bank. The Company’s consolidated results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on interest-earning assets, such as loans and securities, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowings. The Bank additionally generates non-interest income such as service charges and other fees, as well as income associated with Bank Owned Life Insurance. Non-interest expense primarily consists of employee compensation and benefits, federal deposit insurance premiums, data processing costs, and occupancy and equipment, marketing and other operating expenses. The Company’s consolidated results of operations are also significantly affected by general economic and competitive conditions (particularly fluctuations in market interest rates), government policies, changes in accounting standards and actions of regulatory agencies.

The Bank's primary strategy is generally to seek to increase its product and service utilization for each individual depositor, and to increase its household and deposit market shares in the communities that it serves. The Bank’s primary strategy additionally includes the origination of, and investment in, mortgage loans, with an emphasis on multifamily residential and mixed use real estate loans. In late 2008 and during the six months ended June 30, 2009, the Company restricted asset growth due to concerns over the health of the commercial real estate markets, and the desire to preserve capital levels to accommodate these concerns. During the three-month and six-month periods ended June 30, 2010, the Company utilized a measured growth strategy related to its asset volume.

The Company believes that multifamily residential and mixed use loans provide advantages as investment assets. Initially, they offer a higher yield than investment securities of comparable maturities or terms to repricing, and typically offer higher yields than fixed-rate one- to four-family residential mortgage loans. In addition, origination and processing costs for the Bank's multifamily residential and mixed use loans are lower per thousand dollars of originations than comparable one-to four-family loan costs. Further, the Bank's market area has generally provided a stable flow of new and refinanced multifamily residential and mixed use loan originations. In order to address the credit risk associated with multifamily residential and mixed use lending, the Bank has developed underwriting standards that it believes are reliable in order to maintain consistently high credit quality for its loans.

The Bank also strives to provide a stable source of liquidity and earnings through the purchase of investment grade securities; seeks to maintain the asset quality of its loans and other investments; and uses appropriate portfolio and asset/liability management techniques in an effort to manage the effects of interest rate volatility on its profitability and capital.

The years ended December 31, 2008 and 2009 were dominated by a global real estate and economic recession fueled by significant weakness in and/or failures of many of the world's largest financial institutions. Although the recessionary conditions began to subside during the six months ended June 30, 2010, overall credit conditions in the Company's local real estate marketplace remained challenged. As a result, the Bank recognized higher credit costs on portfolio loans during the three-month and six-month periods ended June 30, 2010 than the corresponding period of 2009. However, historically high dislocations in credit markets caused origination spreads from the benchmark origination interest rate to remain historically high during the year ended December 31, 2009 and the three-month and six-month periods ended June 30, 2010. This increase, coupled with a reduction in benchmark short-term interest rates by the Federal Open Market Committee ("FOMC") (which significantly impact the pricing of the Bank's retail deposits), favorably impacted the Company's net interest spread and net interest margin during the three-month and six-month periods ended June 30, 2010 compared to their corresponding periods of 2009.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Reform Act”). The Reform Act is intended to address perceived weaknesses in the U.S. financial regulatory system and prevent future economic and financial crises. Certain aspects of the Reform Act will have an impact on the Company, as described in more detail below in Part II, Item IA, “Risk Factors.”

Recent Market Developments

Insurance of Deposit Accounts

On February 27, 2009, the Federal Deposit Insurance Corporation ("FDIC") adopted a final rule modifying the risk-based assessment system and set the initial base assessment rates beginning April 1, 2009 at 12 to 45 basis points depending on an institution’s risk category, with adjustments resulting in increased assessment rates generally for institutions with a significant reliance on secured liabilities and brokered deposits.

On February 27, 2009, the FDIC also adopted an interim rule imposing a 20 basis point emergency special assessment on the industry on June 30, 2009, to be collected on September 30, 2009. The interim rule also permitted the FDIC to impose an emergency special assessment of up to 10 basis points after June 30, 2009, if necessary to maintain public confidence in federal deposit insurance.

On May 22, 2009, the FDIC adopted a final rule implementing a 0.05% special assessment of each insured depository institution's assets minus Tier 1 capital as of June 30, 2009, but no more than 0.10% times the institution's assessment base for the second quarter of 2009, which was collected by the FDIC on September 30, 2009. Additional special assessments may be imposed by the FDIC for future periods.

The February 2009 increases in assessments resulted in total pre-tax assessment expense of $3.7 million during the year ended December 31, 2009. In addition, the Bank recognized a special assessment of $1.8 million during the quarter ended June 30, 2009, representing 0.05% of the Bank's total assets (net of Tier 1 capital) at June 30, 2009.

On September 29, 2009, the FDIC amended its restoration plan for the Deposit Insurance Fund ("DIF") of the FDIC. Under the amended plan, the FDIC increased assessment rates by a uniform three basis points effective January 1, 2011 and did not impose additional special assessments in 2009. In addition, on November 17, 2009, the FDIC adopted a final rule that required insured depository institutions to prepay their quarterly deposit insurance assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012 on December 30, 2009, together with their regular deposit insurance assessment for the third quarter of 2009. At June 30, 2010, this prepayment approximated $11.5 million.

On April 13, 2010, the Board of Directors of the FDIC approved a notice of Proposed Rulemaking that, as applicable to the Bank, would provide for new initial and total base assessment schedules effective January 1, 2011. For institutions in Risk Category I, such as the Bank, the initial base assessment rate would range from 10 to 14 basis points of deposits, and the total base assessment rate would range from 5 to 21 basis points of deposits. If adopted as proposed, the new rule would result in higher FDIC deposit insurance assessments, which would increase the Bank's non-interest expense. This increase is not expected to have a material effect upon the Company's consolidated operating results.

Selected Financial Highlights and Other Data
(Dollars in Thousands Except Per Share Amounts)

	At or For the Three Months Ended June 30,				At or For the Six Months Ended June 30,			
	2010		2009		2010		2009	
Performance and Other Selected Ratios:								
Return on Average Assets	0.95	%	0.69	%	0.95	%	0.49	%
Return on Average Stockholders' Equity	12.80		9.84		12.70		6.97	
Stockholders' Equity to Total Assets	7.59		7.13		7.59		7.13	
Tangible Equity to Total Tangible Assets (1)	6.46		6.00		6.46		6.00	
Loans to Deposits at End of Period	142.05		141.55		142.05		141.55	
Loans to Earning Assets at End of Period	91.24		90.76		91.24		90.76	
Net Interest Spread	3.16		2.54		3.20		2.37	
Net Interest Margin	3.35		2.78		3.40		2.64	
Average Interest Earning Assets to Average Interest Bearing Liabilities	108.78		108.57		108.79		108.61	
Non-Interest Expense to Average Assets	1.50		1.53		1.53		1.44	
Efficiency Ratio	43.92		52.62		44.45		53.75	
Effective Tax Rate	37.62		34.57		39.47		32.26	
Dividend Payout Ratio	46.67		66.67		48.28		93.33	
Average Tangible Equity	$261,736		$233,376		$255,490		$233,416	
Per Share Data:								
Reported EPS (Diluted)	$0.30		$0.21		$0.58		$0.30	
Cash Dividends Paid Per Share	0.14		0.14		0.28		0.28	
Stated Book Value	9.11		8.24		9.11		8.24	
Tangible Book Value	7.65		6.84		7.65		6.84	
Asset Quality Summary:								
Net Charge-offs	$5,024		$528		$5,793		$2,404	
Non-performing Loans	18,691		12,878		18,691		12,878	
Non-performing Loans/Total Loans	0.54	%	0.40	%	0.54	%	0.40	%
Non-performing Assets	$19,634		$14,118		$19,634		$14,118	
Non-performing Assets/Total Assets	0.47	%	0.36	%	0.47	%	0.36	%
Allowance for Loan Loss/Total Loans	0.67		0.62		0.67		0.62	
Allowance for Loan Loss/Non-performing Loans	124.93		155.23		124.93		155.23	
Regulatory Capital Ratios (Bank Only):								
Tangible Capital	7.70	%	7.63	%	7.70	%	7.63	%
Leverage Capital	7.70		7.63		7.70		7.63	
Tier 1 Risk-based Capital	11.03		10.70		11.03		10.70	
Total Risk-based Capital	11.89		11.46		11.89		11.46	
Earnings to Fixed Charges Ratios (2)								
Including Interest on Deposits	1.73	x	1.40	x	1.75	x	1.26	x
Excluding Interest on Deposits	2.15		1.73		2.17		1.50	

(1) Tangible Equity is a non-GAAP measure. Please refer to Note 19 of the Company's financial statements contained within in its Annual Report on Form 10-K for the year ended December 31, 2009 for a reconciliation of GAAP Stockholders' Equity and Tangible Equity.
(2) Please refer to Exhibit 12.1 for further detail on the calculation of these ratios.

Critical Accounting Policies

Various elements of the Company’s accounting policies are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. The Company’s policies with respect to the methodologies it uses to determine the allowance for loan losses, reserves for loan commitments, the liability for the First Loss Position, the valuation of MSR, asset impairments (including the valuation of goodwill and other than temporary declines in the valuation of securities), the recognition of deferred tax assets and unrecognized tax positions, the recognition of loan income, the valuation of financial instruments and accounting for defined benefit plans are its most critical accounting policies because they are important to the presentation of the Company’s consolidated financial condition and results of operations, involve a significant degree of complexity and require management to make difficult and subjective judgments which often necessitate assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions and estimates could result in material variations in the Company's consolidated results of operations or financial condition.

The following are descriptions of the Company's critical accounting policies and explanations of the methods and assumptions underlying their application.

Allowance for Loan Losses. GAAP requires the Bank to maintain an appropriate allowance for loan losses. Management uses available information to estimate losses on loans and believes that the Bank maintains its allowance for loan losses at appropriate levels. Adjustments may be necessary, however, if future economic, market or other conditions differ from the current operating environment.

Although the Bank believes it utilizes the most reliable information available, the level of the allowance for loan losses remains an estimate subject to significant judgment. These evaluations are subjective because, although based upon objective data, it is management's interpretation of the data that determines the amount of the appropriate allowance. The Company, therefore, periodically reviews the actual performance and charge-offs of its portfolio and compares them to the previously determined allowance coverage percentages. In doing so, the Company evaluates the impact that the variables discussed below may have on the portfolio to determine whether or not changes should be made to the assumptions and analyses.

The Bank's loan loss reserve methodology consists of several components, including a review of the two elements of its loan portfolio: problem loans (i.e., criticized loans and impaired loans under ASC 310-10-35), and performing loans. The Bank applied the process of determining the allowance for loan losses consistently throughout the three-month and six-month periods ended June 30, 2010 and 2009.

Performing Loans

At June 30, 2010, the majority of the allowance for loan losses was allocated to performing loans, which represented the overwhelming majority of the Bank's loan portfolio. Performing loans are reviewed at least quarterly based upon the premise that there are losses reasonably expected to be incurred within the loan portfolio that have not been recognized as of the review date. The Bank thus calculates an allowance for loan losses related to its performing loans by deriving an expected loan loss percentage and applying it to its performing loans. In deriving the expected loan loss percentage, the Bank generally considers, among others, the following criteria: the Bank's historical loss experience; the age and payment history of the loans (commonly referred to as their "seasoned quality"); the type of loan (i.e., one- to four-family, multifamily residential, commercial real estate, cooperative apartment, construction and land acquisition or consumer); both the current condition and recent history of the overall local real estate market (in order to determine the accuracy of utilizing recent historical charge-off data to derive the expected loan loss percentages); the level of, and trend in, non-performing loans; the level and composition of new loan activity; and the existence of geographic loan concentrations (as the overwhelming majority of the Bank's loans are secured by real estate located in the NYC metropolitan area), or specific industry conditions within the portfolio segments. Since these criteria affect the expected loan loss percentages that are applied to performing loans, changes in any of them may affect the amounts of the allowance and the provision for loan losses. Between June 30, 2009 and June 30, 2010, the Bank increased the impact of the current condition of the overall local real estate marketplace and reduced the impact of the level and composition of new loan activity (the competitive lending landscape) in deriving the expected loss percentages applied to performing loans. Otherwise, the remaining factors utilized in deriving the expected loss percentages applied to both problem and performing loans remained unchanged from both June 30, 2009 and December 31, 2009.

Problem Loans

(i) Criticized Loans. OTS regulations and Bank policy require that loans possessing certain weaknesses be classified as Substandard, Doubtful or Loss assets. Assets that do not expose the Bank to risk sufficient to justify classification in one of these categories, however, which possess potential weaknesses that deserve management's attention, are designated Special Mention. Loans classified as Special Mention, Substandard or Doubtful are reviewed individually on a quarterly basis by the Bank's Loan Loss Reserve Committee to determine the level of possible loss, if any, that should be provided for within the Bank's allowance for loan losses.

The Bank's policy is to charge-off immediately all balances classified as Loss and record a reduction of the allowance for loan losses for the full amount of the loss. The Bank applied this process consistently throughout the three-month and six-month periods ended June 30, 2010 and 2009.

(ii) Impaired Loans. Under the guidance established by ASC 310-10-35, loans determined to be impaired (i.e., loans where it is probable that all contractual amounts due will not be collected in accordance with the terms of the loan; generally, non-accrual one- to four-family loans in excess of $625,500 and non-accrual and troubled-debt restructured multifamily residential and commercial real estate loans) are evaluated at least quarterly in order to establish impairment. For each loan that the Bank determines to be impaired, impairment is measured by the amount that the carrying balance of the loan, including all accrued interest, exceeds the estimated fair value of the collateral. A specific reserve is established on all impaired loans to the extent of impairment and comprises a portion of the allowance for loan losses. (See "Item 2. Management's Discussion and Analysis of Financial Condition and

25

Results of Operations – Asset Quality – Impaired Loans" for a discussion of impaired loans).

Non-accrual one- to four-family loans of $625,500 or less are not required to be evaluated individually for impairment. However, the Company classifies these loans as Substandard, Doubtful or Loss, and typically reviews and calculates loan loss reserves for these loans in substantially the same manner as the loans evaluated individually for impairment.

Reserve for Loan Commitments. The Bank maintains a separate reserve within other liabilities associated with commitments to fund future loans that have been accepted by the borrower. This reserve is determined based upon the historical loss experience of similar loans owned by the Bank at each period end. Any increases in this reserve amount are obtained via a transfer of reserves from the Bank's allowance for loan losses, with any resulting shortfall in the Bank's allowance for loan losses being satisfied through the quarterly provision for loan losses. Any decreases in this reserve amount are recognized as a transfer of reserve balances back to the allowance for loans losses at each period end.

Liability for the First Loss Position on Multifamily Loans Sold to FNMA. A liability is also recorded related to the First Loss Position on multifamily residential real estate loans sold with recourse under an agreement with FNMA. This liability reserve, which is included in other liabilities in the Company's consolidated statements of financial condition, is determined in a manner similar to the Company's allowance for loan losses related to loans held in portfolio.

Valuation of MSR. The proceeds received on mortgage loans sold with servicing rights retained by the Bank are allocated between the loans and the servicing rights based on their estimated fair values at the time of the loan sale. In accordance with GAAP, MSR are carried at the lower of cost or fair value and are amortized in proportion to, and over the period of, anticipated net servicing income. In accordance with ASC 860-50-35, all separately recognized MSR are required to be initially measured at fair value, if practicable. The estimated fair value of MSR is determined by calculating the present value of estimated future net servicing cash flows, using estimated prepayment, default, servicing cost and discount rate assumptions. All estimates and assumptions utilized in the valuation of MSR are derived based upon actual historical results for the Bank, or, in the absence of such data, from historical results for the Bank's peers.

The fair value of MSR is sensitive to changes in assumptions. Fluctuations in prepayment speed assumptions have the most significant impact on the estimated fair value of MSR. In the event that actual loan prepayments exceed the assumed amount (generally due to increased loan refinancing), the fair value of MSR would likely decline. In the event that actual loan prepayments fall below the assumed amount (generally due to a decline in loan refinancing), the fair value of MSR would likely increase. Any measurement of the value of MSR is limited by the existing conditions and assumptions utilized at a particular point in time, and would not necessarily be appropriate if applied at a different point in time.

Assumptions utilized in measuring the fair value of MSR for the purpose of evaluating impairment additionally include the stratification based on predominant risk characteristics of the underlying loans. Increases in the risk characteristics of the underlying loans from the assumptions would result in a decline in the fair value of the MSR. A valuation allowance is established in the event the recorded value of an individual stratum exceeds its fair value for the full amount of the difference.

Asset Impairment Adjustments. Certain assets are carried in the Company's consolidated statements of financial condition at fair value or at the lower of cost or fair value:

(i) Goodwill Impairment Analysis. As of June 30, 2010, the Company had goodwill totaling $55.6 million, which is accounted for in accordance with ASC 805-10. ASC 805-10 requires performance of an annual impairment test at the reporting unit level. Management annually performs analyses to test for impairment of goodwill. In the event an impairment of goodwill is determined to exist, it is recognized as a charge to earnings.

The Company identified a single reporting unit for purposes of its goodwill impairment testing, and thus performs its impairment test on a consolidated basis. The impairment test has two potential stages. In the initial stage, the Holding Company's market capitalization (reporting unit fair value) is compared to its outstanding equity (reporting unit carrying value). The Company utilizes closing price data for the Holding Company's common stock as reported on the Nasdaq National Market in order to compute market capitalization. The Company has designated the last day of its fiscal year as the annual date for impairment testing. The Company performed its annual impairment test as of December 31, 2009 and concluded that no potential impairment of goodwill existed since the fair value of the Company's reporting unit exceeded its carrying value. No events or circumstances have changed subsequent to December 31, 2009 that would reduce the fair value of the Company's reporting unit below its carrying value. Such events or changes in circumstances would require the immediate performance of an impairment test in accordance with ASC 805-10.

(ii) Valuation of Financial Instruments and Analysis of OTTI Related to Investment Securities and MBS. Debt securities are classified as held-to-maturity, and carried at amortized cost, only if the Company has a positive intent and ability to hold them to maturity.

At June 30, 2010, the Company owned eight pooled trust preferred securities classified as held-to-maturity. Late in 2008, the market for these securities became highly illiquid, and continued to be deemed as such as of June 30, 2010. As a result, at both June 30, 2010 and December 31, 2009, their estimated fair value was obtained utilizing a blended valuation approach (Level 3 pricing as described in Note 11 to the condensed consolidated financial statements). Under the blended valuation approach, broker quotations, which were deemed to meet the criteria of "distressed sale" pricing under the guidance of ASC 820-10-65-4, were given a minor 10% weighting. A cash flow valuation for the eight securities performed utilizing the Internal Cash Flow Valuation was given a 45% weighting. In addition, for five of the eight securities, three independent cash flow model valuations were averaged and given a 45% weighting. For the remaining three securities, two independent cash flow valuations were available and were similarly given a 45% weighting. See Note 11 to the condensed consolidated financial statements for a further discussion of this valuation.

At June 30, 2010, the Company had an investment in nine mutual funds totaling $1.3 million that were classified as trading. All changes in valuation of these securities are recognized in the Company's results of operations. The Company owned no securities classified as trading during the three-month or six-month periods ended June 30, 2009. Debt securities that are not classified as either held-to-maturity or trading are classified as available-for-sale. Available-for-sale debt and equity securities that have readily determinable fair values are carried at fair value. All of the Company's available-for-sale securities at June 30, 2010 had readily determinable fair values, which were based on published or securities dealers' market values.

The Company conducts a periodic review and evaluation of its securities portfolio, taking into account the severity and duration of each unrealized loss, as well as management's intent and ability to hold the security until the unrealized loss is substantially eliminated, in order to determine if a decline in market value of any security below its carrying value is either temporary or other than temporary. Unrealized losses on held-to-maturity securities that are deemed temporary are disclosed but not recognized. Unrealized losses on debt or equity securities available-for-sale that are deemed temporary are excluded from net income and reported net of deferred taxes as other comprehensive income or loss. All unrealized losses that are deemed other than temporary on either available-for-sale or held-to-maturity securities are recognized immediately as a reduction of the carrying amount of the security, with a corresponding decline in either net income or accumulated other comprehensive income or loss in accordance with ASC 320-10-65. See Note 10 to the condensed consolidated financial statements for a reconciliation of OTTI on securities during the three-month and six-month periods ended both June 30, 2010 and 2009.

Recognition of Deferred Tax Assets. Management reviews all deferred tax assets periodically. Upon such review, in the event that there is a greater than 50% likelihood that the deferred tax asset will not be fully realized, a valuation allowance is recognized against the deferred tax asset in the amount for which realization is determined to be more unlikely than likely to occur.

Unrecognized Tax Positions. The Company performs two levels of evaluation for all uncertain tax positions. Initially, a determination is made as to whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation, based on the technical merits of the position. In conducting this evaluation, management is required to presume that the position will be examined by the appropriate taxing authority possessing full knowledge of all relevant information. The second level of evaluation is the measurement of a tax position that satisfies the more-likely-than-not recognition threshold. This measurement is performed in order to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely to be realized upon ultimate settlement. In making its evaluation, management reviews applicable tax rulings and other advice provided by reputable tax professionals.

Loan Income Recognition. Interest income on loans is recorded using the level yield method. Loan origination fees and certain direct loan origination costs are deferred and amortized as yield adjustments over the contractual loan terms.

Accrual of interest is generally discontinued on loans that have missed three consecutive monthly payments, at which time the Bank reverses all previously accrued interest. Payments on non-accrual loans are generally applied initially to principal. Management may elect to continue the accrual of interest when a loan is in the process of collection and the estimated fair value of the collateral is sufficient to satisfy the outstanding principal balance (including any outstanding advances related to the loan) and accrued interest. Loans are returned to accrual status once the doubt concerning collectability has been removed and the borrower has demonstrated performance in accordance with the loan terms and conditions for a period of at least 6 months.

Accounting for Defined Benefit Plans. Defined benefit plans are accounted for in accordance with ASC 715, which requires an employer sponsoring a single employer defined benefit plan to recognize the funded status of a benefit plan in its statements of financial condition, measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation. The Company utilizes the services of trained actuaries employed at an independent benefits plan administration entity in order to assist in measuring the funded status of its defined benefit plans.

Liquidity and Capital Resources

The Board of Directors of the Bank has approved a liquidity policy that it reviews and updates at least annually. Senior management is responsible for implementing the policy. The Bank's Asset-Liability Committee ("ALCO") is responsible for general oversight and strategic implementation of the policy, and management of the appropriate departments are designated responsibility for implementing any strategies established by ALCO. On a daily basis, senior management receives a current cash position report and one-week forecast to ensure that all short-term obligations are timely satisfied and that adequate liquidity exists to fund future activities. On a monthly basis, reports detailing the Bank's liquidity reserves and forecasted cash flows are presented to both senior management and the Board of Directors. In addition, on a monthly basis, a twelve-month liquidity forecast is presented to ALCO in order to assess potential future liquidity concerns. A forecast of cash flow data for the upcoming 12 months is presented to the Board of Directors on an annual basis.

The Bank's primary sources of funding for its lending and investment activities include deposits, loan and MBS payments, investment security maturities, advances from the FHLBNY, and securities sold under agreement to repurchase ("REPOS") entered into with various financial institutions, including the FHLBNY. The Bank may also sell selected multifamily residential, mixed use and one- to four-family residential real estate loans to private sector secondary market purchasers and has in the past sold such loans to FNMA. The Company may additionally issue debt under appropriate circumstances. Although maturities and scheduled amortization of loans and investments are predictable sources of funds, deposit flows and prepayments on mortgage loans and MBS are influenced by interest rates, economic conditions and competition.

The Bank gathers deposits in direct competition with commercial banks, savings banks and brokerage firms, many among the largest in the nation. It must additionally compete for deposit monies against the stock and bond markets, especially during periods of strong performance in those arenas. The Bank's deposit flows are affected primarily by the pricing and marketing of its deposit products compared to its competitors, as well as the market performance of depositor investment alternatives such as the U.S. bond or equity markets. To the extent that the Bank is responsive to general market increases or declines in interest rates, its deposit flows should not be materially impacted. However, favorable performance of the equity or bond markets could adversely impact the Bank’s deposit flows.

Retail branch and internet banking deposits increased $223.0 million during the six months ended June 30, 2010, compared to an increase of $33.1 million during the six months ended June 30, 2009. During the six months ended June 30, 2010, CDs increased $132.4 million, fueled by a promotional 15-month individual retirement account CD promotion, while core deposits (i.e., non-CDs) increased $90.6 million, led by $82.8 million of inflows of money markets that were competitively priced. During the six months ended June 30, 2009, core deposits increased $133.4 million, and were partially offset by a decline of $100.3 million in CDs. During this period, deposit pricing pressure diminished in the Bank's marketplace and the Bank experienced an unusually large inflow of money market and checking deposits from local depositors.

During the six months ended June 30, 2010, principal repayments totaled $221.5 million on real estate loans and $40.6 million on MBS. During the six months ended June 30, 2009, principal repayments totaled $154.4 million on real estate loans and $42.4 million on MBS. The increase in principal repayments on real estate loans reflected additional loan refinancing activity as portfolio loans moved closer to their contractual repricing date. The reduction in principal repayments on MBS reflected a decline of $86.2 million in their average balance from the six months ended June 30, 2009 to the six months ended June 30, 2010. The Company does not presently believe that its future levels of principal repayments will be materially impacted by problems currently experienced in the residential mortgage market. (See "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset Quality" for a further discussion of the Bank's asset quality).

During the six months ended June 30, 2010, the Company converted $35.0 million of REPO borrowings into an FHLBNY advance with the same remaining term to maturity, paying a small conversion premium in the process. The conversion was made in order to change the underlying required collateral from investment securities and MBS (required for REPO borrowings) to real estate loans (permitted for FHLBNY advances). Excluding the conversion of the $35.0 million of REPO borrowings, the Company reduced FHLBNY advances by $24.2 million during the six months ended June 30, 2010 due to the significant inflow of deposits which was sufficient to fund operations during the period. During the six months ended June 30, 2009, the Company reduced its level of FHLBNY advances by $60.0 million, as it elected to utilize liquidity provided by deposit inflows in order to reduce its overall borrowing level during the period.

In the event that the Bank should require funds beyond its ability to generate them internally, an additional source of funds is available through use of its borrowing line at the FHLBNY. At June 30, 2010, the Bank had an additional potential borrowing capacity of $418.4 million through the FHLBNY, subject to customary minimum common stock ownership requirements imposed by the FHLBNY (i.e., 4.5% of the Bank's outstanding FHLBNY borrowings).

The Bank is subject to minimum regulatory capital requirements imposed by its primary regulator, The Office of Thrift Supervision (the "OTS"), which, as a general matter, are based on the amount and composition of an institution's assets. At June 30, 2010, the Bank was in compliance with all applicable regulatory capital requirements and was considered "well-capitalized" for all regulatory purposes.

The Company generally utilizes its liquidity and capital resources primarily to fund the origination of real estate loans, the purchase of mortgage-backed and other securities, the repurchase of Holding Company common stock into treasury and the payment of quarterly cash dividends to shareholders of the Holding Company's common stock. During the six months ended June 30, 2010 and 2009, real estate loan originations totaled $259.9 million and

$195.1 million, respectively. Purchases of investment securities (excluding trading securities, short-term investments and federal funds sold) were $31.2 million during the six months ended June 30, 2010, comprised solely of medium-term agency notes. There were no purchases of investment securities (excluding short-term investments and federal funds sold) and MBS during the six months ended June 30, 2009. The increase in real estate loan originations and the aggregate level of investment security purchases resulted from management's election to curb asset growth during the year ended December 31, 2009, and thus: (i) focus lending activities primarily upon retaining existing loans that were nearing contractual repricing; and (ii) retain an unusually high level of liquidity in order to maintain balance sheet flexibility during the remainder of 2009, especially in the event deposit balances declined as a result of their historically low offering rates. The higher levels of real estate loan originations and security purchases during the six months ended June 30, 2010 were more consistent with a measured growth strategy versus the non-growth strategy implemented in early 2009.

The Holding Company did not repurchase any shares of its common stock during the six months ended June 30, 2010. As of June 30, 2010, up to 1,124,549 shares remained available for purchase under authorized share purchase programs. Based upon the $12.63 per share closing price of its common stock as of June 30, 2010, the Holding Company would utilize $14.2 million in order to purchase all of the remaining authorized shares. For the Holding Company to complete these share purchases, it would likely require dividend distributions from the Bank.

The Company paid $9.3 million and $9.2 million in cash dividends on its common stock during the six months June 30, 2010 and 2009, respectively. In addition, on May 1, 2010, the Company repaid a $25.0 million subordinated note borrowing at its contractual maturity.

Contractual Obligations

The Bank is obligated for rental payments under leases on certain of its branches and equipment and for minimum monthly payments under its data systems contract. The Bank generally has outstanding at any time significant borrowings in the form of FHLBNY advances and/or REPOS. The Holding Company also has $70.7 million of trust preferred borrowings from third parties due to mature in April 2034, which are callable at any time after April 2009. The Holding Company does not currently intend to call this debt. On May 1, 2010, the Holding Company repaid an outstanding $25.0 million non-callable subordinated note that matured. None of the outstanding contractual obligations have changed materially since December 31, 2009. The Company additionally had a reserve recorded related to unrecognized income tax benefits totaling $1.4 million at June 30, 2010. The facts and circumstances surrounding this obligation have not changed materially since December 31, 2009. Please refer to Note 14 to the Company's consolidated audited financial statements for the year ended December 31, 2009 for a further discussion of the unrecognized income tax benefits.

Off-Balance Sheet Arrangements

From December 2002 through February 2009, the Bank originated and sold multifamily residential mortgage loans in the secondary market to FNMA while retaining servicing. The Bank is required to retain the First Loss Position related to all loans sold under this program, which will remain in effect until either the entire portfolio of loans sold to FNMA is satisfied or the Bank indemnifies FNMA for losses (as defined in the agreement) in the aggregate amount of the First Loss Position.

In addition, as part of its loan origination business, the Bank generally has outstanding commitments to extend credit to third parties, which are granted pursuant to its regular underwriting standards. Since many of these loan commitments expire prior to funding, in whole or in part, the contract amounts are not estimates of future cash flows.

The following table presents off-balance sheet arrangements as of June 30, 2010:

	Total

	Less than One Year	One Year to Three Years	Over Three Years to Five Years	Over Five Years	
			(Dollars in thousands)		
Credit Commitments:					
Available lines of credit	$37,796	$-	$-	$-	$37,796
Other loan commitments (1)	42,279	-	-	-	42,279
Other Commitments:					
First Loss Position on loans sold to FNMA (1)	18,697	-	-	-	18,697
Total Commitments	$98,772	$-	$-	$-	$98,772

(1) In accordance with the requirements of both ASC 450-20-25 and ASC 460-10-25, as of June 30, 2010, reserves on loan commitments and the liability for the First Loss Position on loans sold to FNMA were $323,000 and $3.0 million, respectively, and were recorded in other liabilities in the Company's condensed consolidated statements of financial condition.

Asset Quality

29

General

At both June 30, 2010 and December 31, 2009, the Company had neither whole loans nor loans underlying MBS that would be considered subprime loans, i.e., mortgage loans advanced to borrowers who did not qualify for market interest rates because of problems with their income or credit history. See Note 10 to the condensed consolidated financial statements for a discussion of impaired investment securities and MBS.

Monitoring and Collection of Delinquent Loans

Management of the Bank reviews delinquent loans on a monthly basis and reports to its Board of Directors regarding the status of all non-performing and otherwise delinquent loans in the Bank's portfolio.

The Bank's loan servicing policies and procedures require that an automated late notice be sent to a delinquent borrower as soon as possible after a payment is ten days late in the case of multifamily residential or commercial real estate loans, or fifteen days late in connection with one- to four-family or consumer loans. A second letter is sent to the borrower if payment has not been received within 30 days of the due date. Thereafter, periodic letters are mailed and phone calls are placed to the borrower until payment is received. When contact is made with the borrower at any time prior to foreclosure, the Bank will attempt to obtain the full payment due or negotiate a repayment schedule with the borrower if that is in the best interest of the Bank.

Accrual of interest is generally discontinued on loans that have missed three consecutive monthly payments, at which time the Bank reverses all previously accrued interest. Payments on non-accrual loans are generally applied initially to principal. Management may elect to continue the accrual of interest when a loan is in the process of collection and the estimated fair value of the collateral is sufficient to satisfy the outstanding principal balance (including any outstanding advances related to the loan) and accrued interest. Loans are returned to accrual status once the doubt concerning collectability has been removed and the borrower has demonstrated performance in accordance with the loan terms and conditions for a period of at least 6 months.

Generally, the Bank initiates foreclosure proceedings when a loan enters non-accrual status. At some point during foreclosure proceedings, the Bank procures current appraisal information in order to prepare an estimate of the fair value of the underlying collateral. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure action is completed, the property securing the loan is generally sold. It is the Bank's general policy to dispose of non-accrual loans and OREO properties as quickly and prudently as possible in consideration of market conditions, the physical condition of the property and any other mitigating circumstances.

Non-accrual Loans

Within the Bank's portfolio, non-accrual loans totaled $18.7 million and $11.3 million at June 30, 2010 and December 31, 2009, respectively, representing 0.54% and 0.33% of total loans at June 30, 2010 and December 31, 2009. During the six months ended June 30, 2010, twelve loans totaling $9.6 million were added to non-accrual status. Partially offsetting this increase were three loans totaling $1.9 million that were removed from non-accrual status as they were satisfied during the period, and one non-accrual loan totaling $320,000 that was transferred to OREO. The difficulties experienced in both the national real estate and financial services marketplaces combined to adversely impact the metropolitan NYC area multifamily and commercial real estate markets during the three-month and six-month periods ended June 30, 2010.

Impaired Loans

A loan is considered impaired when it is probable that all contractual amounts due will not be collected in accordance with the terms of the loan. A loan is not deemed impaired, even during a period of delayed payment by the borrower, if the Bank ultimately expects to collect all amounts due, including interest accrued at the contractual rate. Generally, the Bank considers non-accrual and troubled-debt restructured multifamily residential and commercial real estate loans, along with non-accrual one- to four-family loans exceeding $625,500, to be impaired. Non-accrual one-to four-family loans of $625,500 or less, as well as all consumer loans, are considered homogeneous loan pools and are not required to be evaluated individually for impairment. Impairment is measured by the amount that the carrying balance of the loan, including all accrued interest, exceeds the estimated fair value of the collateral. A reserve is established on all impaired loans to the extent of impairment and comprises a portion of the allowance for loan losses. The recorded investment in loans deemed impaired was approximately $29.5 million, consisting of thirty loans, at June 30, 2010, compared to $15.0 million, consisting of nineteen loans, at December 31, 2009. During the six months ended June 30, 2010, fourteen loans totaling $16.8 million were added to impaired status, while three loans totaling $2.1 million were removed from impaired status. Of the $2.1 million removed from impaired status, $1.8 million represented a satisfaction that occurred during the period, and the remainder represented a transfer to OREO. During the six months ended June 30, 2009, twelve loans totaling $9.5 million were added to impaired status, while six loans totaling $3.2 million were removed from impaired status. Of the $3.2 million removed from impaired status, $1.2 million represented a satisfaction that occurred during the period, and the remainder represented loans that were no longer deemed to meet the criteria for impairment due primarily to their continued performance in accordance with their contractual terms. At June 30, 2010, total impaired loans exceeded total non-accrual loans by $10.8 million due to one troubled-debt restructured loan with a balance of $1.0 million that was deemed impaired at June 30, 2010, and six additional loans totaling $10.5 million that were near 90 days delinquent at June 30, 2010 and were deemed impaired despite being on accrual status. The impaired loans that remained on accrual status were partially offset by four non-accrual loans totaling $659,000 which, while on non-accrual status, were not deemed impaired since they were either one- to four-family loans with individual outstanding balances of $625,500 or less or consumer loans. The average balance of impaired loans approximated their period-end balance during the six months ended both June 30, 2010 and 2009. The increase in the average balance of impaired loans during the six months ended June 30, 2010 compared to the six months ended June 30, 2009 reflected the increase of $14.5 million in impaired loans from June 30, 2009 to June 30, 2010.

Troubled-Debt Restructurings ("TDRs")

Under GAAP, the Bank is required to account for certain loan modifications or restructurings as TDRs. In general, the modification or restructuring of a loan constitutes a TDR if the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Current OTS regulations require that TDRs remain classified as such until the loan is either repaid or returns to its original terms. At June 30, 2010, the Bank had two loan totaling $2.8 million whose terms were modified in a manner that met the criteria for a TDR. However, only one of these loans, with an outstanding principal balance of $1.0 million, was classified as a TDR at June 30, 2010. This previously non-accrual loan was restructured in December 2008, has fully complied with the provisions of the restructuring since inception, and was therefore reclassified from a non-accrual loan to an accrual status TDR in June 2009. The remaining modified loan totaling $1.8 million was a non-accrual loan at June 30, 2010. This loan, which was modified in late 2009, would meet the criteria for a TDR classification should it fulfill the Bank's criteria for returning to accrual status, however, during the three months ended June 30, 2010, the loan defaulted on the terms of its restructuring agreement. The Bank had one loan with an outstanding principal balance of $1.0 million classified as a TDR at December 31, 2009.

OREO

Property acquired by the Bank as a result of foreclosure on a mortgage loan or a deed in lieu of foreclosure is classified as OREO and recorded at the lower of the recorded investment in the related loan or the fair value of the property on the date of acquisition, with any resulting write down charged to the allowance for loan losses and any disposition expenses charged to expense. The Bank obtains a current appraisal on OREO as soon as practicable after it takes possession and generally reassesses the value at least annually thereafter. The Bank owned three OREO properties with an aggregate recorded balance of $350,000 at June 30, 2010. At December 31, 2009, the Bank owned five OREO properties with a recorded balance of $755,000. During the six months ended June 30, 2010, the Company added one OREO property with a balance of $320,000 and disposed of three properties with an aggregate balance of $368,000. The Company also reduced the balance of two OREO properties by a total of $357,000 to reflect their likely disposal value.

The following table sets forth information regarding non-accrual loans, OREO, and non-performing investment securities at the dates indicated:

	At June 30, 2010	At December 31, 2009
	(Dollars in Thousands)	
Non-accrual loans		
One- to four-family	$634	$371
Multifamily residential	12,239	5,885
Commercial real estate	4,277	3,070

Mixed Use	1,500		1,935	
Cooperative apartment	25		26	
Other	16		7	
Total non-accrual loans	$18,691		$11,294	
OREO	350		688	
Non-performing investment securities	593		755	
Total non-performing assets	$19,634		$12,737	
Ratios:				
Total non-accrual loans to total loans	0.54	%	0.33	%
Total non-performing assets to total assets	0.47		0.32	

Other Potential Problem Loans

(i) Loans Delinquent 30 to 89 Days

The Bank had 20 real estate loans, totaling $11.1 million, that were delinquent between 30 and 89 days at June 30, 2010, a net reduction of $18.4 million compared to 38 such loans totaling $29.5 million at December 31, 2009. Included within the 30 to 89 day delinquent loans as of June 30, 2010 were 4 loans totaling $3.4 million that are included in the previously discussed $29.5 million of loans deemed impaired at June 30, 2010. Given the challenges facing the NYC area real estate market at June 30, 2010, it is anticipated that 30-89 day delinquencies will remain above $10 million for the foreseeable future. The 30 to 89 day delinquent levels fluctuate monthly, and are generally considered a less accurate indicator of credit quality trends than non-accrual loans.

31

(ii) Other

At June 30, 2010, the Bank had nineteen loans totaling $19.8 million that were either: (1) mutually modified with the borrowers in a manner that did not meet the criteria for TDRs, and have been performing in accordance with the modified terms; or (2) have experienced payment difficulties within the previous twelve months but were either current or less than 30 days delinquent as of June 30, 2010.

Problem Loans Serviced for FNMA Subject to the First Loss Position

The Bank services a pool of multifamily loans sold to FNMA with an outstanding principal balance of $404.5 million at June 30, 2010. This pool is subject to recourse in the form of the First Loss Position, which totaled $18.7 million at June 30, 2010. Within this pool of loans, one loan totaling $618,000 was 90 days or more delinquent at June 30, 2010. At June 30, 2010, the Bank had further identified two additional loans over 30 days past due totaling $2.9 million within the FNMA pool. The Bank manages the collection of these loans in the same manner as it does for portfolio loans. Under the terms of the servicing agreement with FNMA, the Bank is obligated to fund FNMA all monthly principal and interest payments under the original terms of the loans, and to indemnify FNMA for any further losses (as defined in the sale agreement) until the earlier of the following events: (i) the Bank re-acquires the loan from FNMA; or (ii) the loans have either been fully satisfied or enter OREO status. However, the aggregate losses incurred by the Bank on this pool of serviced loans cannot exceed the total First Loss Position. The Bank has previously repurchased, and may opt to continue to repurchase, loans sold to FNMA with recourse exposure that become 90 or more days delinquent. Such repurchased loans are listed as non-performing portfolio loans and are typically purchased from FNMA in order to expedite resolution of the loan, via restructure, reinstatement, note sale or enforcement of legal remedies.

Allowance for Loan Losses and Reserve Liability on Loan Origination Commitments

Management's quarterly evaluation of the loan loss reserves takes into account not only performance of the current loan portfolio, but also general credit conditions and volume of new business, in determining the timing and amount of any future loan loss provisions.

The allowance for loan losses was $23.4 million at June 30, 2010, up from $21.5 million at December 31, 2009. In addition, the Bank had a reserve liability related to loan origination commitments (recorded in other liabilities) that totaled $323,000 at June 30, 2010 and $679,000 at December 31, 2009. During the six months ended June 30, 2010, the Bank recorded a provision of $7.3 million to its allowance for loan losses in order to provide for additional expected losses in the portfolio and loans committed for funding at period end. During the same period, the Bank also recorded net charge-offs of approximately $5.8 million against its allowance for loan losses, and transferred $357,000 of reserves from the liability related to loan origination commitments into the allowance for loan losses (See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Allowance for Loan Losses" for a further discussion).

In general, increases in charge-offs and non-performing loans should result in higher current levels of allowance for loan losses and related loan loss provisions. However, the Company has historically experienced low levels of non-performing assets and charge-offs and the relationship between changes in non-performing loans, charge-off experience and changes in the allowance for loan losses may thus not fully correlate in each operating period. Since January 1, 2008, as the Company has experienced increased non-performing loans and charge-offs, it has provided $17.0 million to its allowance for loan losses, increasing its balance by $5.9 million.

Comparison of Financial Condition at June 30, 2010 and December 31, 2009

Assets. Assets totaled $4.15 billion at June 30, 2010, an increase of $196.0 million from total assets of $3.95 billion at December 31, 2009.

Cash and due from banks and federal funds sold and other short-term investments increased $125.3 million and $41.7 million, respectively, during the period. During the first six months of 2010, the Company gathered $223.0 million in new deposits and elected to retain a significant portion of these funds in liquid balances to fund some required cash payments during the final six months of 2010. Portfolio real estate loans increased $68.2 million during the period, as a result of $259.9 million of originations and $22.8 million of purchases, which were partially offset by amortization and satisfactions of $221.5 million and portfolio sales of $14.8 million during the same period. MBS available-for-sale declined $40.1 million during the period on principal repayments of $40.6 million during the six months ended June 30, 2010.

Liabilities. Total liabilities increased $176.1 million during the six months ended June 30, 2010, primarily as a result of the addition of $223.0 million in deposits, and $11.8 million in mortgagor escrow balances during the period. The Company repaid a maturing $25.0 million subordinated note on May 1, 2010 and reduced its aggregate balance of FHLBNY advances and REPO borrowings by $24.1 million during the six months ended June 30, 2010. Mortgagor escrow balances increased as a result of both increased loan balances and borrowers funding real estate escrow obligations in advance of annual payments to be made by the Bank on their behalf in December 2010. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for a discussion of the changes in retail branch and Internet banking deposits, FHLBNY advances, REPOS and the subordinated note payable during the period.

Stockholders' Equity. Stockholders' equity increased $20.0 million during the six months ended June 30, 2010, due primarily to net income of $19.5 million, a reclassification of $8.0 million from liabilities to equity related to the ESOP benefit component of the Company's BMP that resulted from modifications made to the BMP in March 2010, and $1.6 million of stock benefit plan expense amortization that added to the cumulative balance of stockholders' equity. Partially offsetting these items were $9.3 million in cash dividends paid during the period.

Comparison of Operating Results for the Three Months Ended June 30, 2010 and 2009

General. Net income was $10.0 million during the three months ended June 30, 2010, an increase of $3.1 million from net income of $6.9 million during the three months ended June 30, 2009. During the comparative period, net interest income increased $6.9 million and non-interest income increased $600,000, while the provision for loan losses increased $1.6 million and non-interest expense increased $466,000, resulting in an increase in pre-tax income of $5.5 million. Income tax expense increased $2.4 million during the comparative period due to both the increase in pre-tax earnings as well as a higher effective tax rate.

Net Interest Income. The discussion of net interest income for the three months ended June 30, 2010 and 2009 presented below should be read in conjunction with the following tables, which set forth certain information related to the condensed consolidated statements of operations for those periods, and which also present the average yield on assets and average cost of liabilities for the periods indicated. The average yields and costs were derived by dividing income or expense by the average balance of their related assets or liabilities during the periods represented. Average balances were derived from average daily balances. The yields include fees that are considered adjustments to yields.

Analysis of Net Interest Income

	Three Months Ended June 30,							
	2010				2009			
	Average Balance	Interest	Average Yield/ Cost		Average Balance	Interest	Average Yield/ Cost	
Assets:			(Dollars In Thousands)					
Interest-earning assets:								
Real estate loans	$3,478,236	$51,068	5.87	%	$3,236,793	$47,662	5.89	%
Other loans	1,377	30	8.71		1,631	37	9.07	
MBS	184,613	2,082	4.51		270,515	2,969	4.39	
Investment securities	50,709	312	2.46		15,716	194	4.94	
Federal funds sold and other short-term investments	246,815	681	1.10		261,922	858	1.31	
Total interest-earning assets	3,961,750	$54,173	5.47	%	3,786,577	$51,720	5.46	%
Non-interest earning assets	249,879				224,896			
Total assets	$4,211,629				$4,011,473			
Liabilities and Stockholders' Equity:								
Interest-bearing liabilities:								
Interest bearing checking accounts	$102,711	$191	0.75	%	$112,877	$256	0.91	%
Money Market accounts	785,323	1,647	0.84		723,094	2,550	1.41	
Savings accounts	311,201	200	0.26		288,944	307	0.43	

CDs	1,106,346	5,972	2.17		1,075,774	8,605	3.21	
Borrowed Funds	1,336,282	12,958	3.89		1,286,840	13,713	4.27	
Total interest-bearing liabilities	3,641,863	$20,968	2.31	%	3,487,529	$25,431	2.92	%
Non-interest bearing checking accounts	114,177				98,277			
Other non-interest-bearing liabilities	142,955				144,465			
Total liabilities	3,898,995				3,730,271			
Stockholders' equity	312,634				281,202			
Total liabilities and stockholders' equity	$4,211,629				$4,011,473			
Net interest income		$33,205				$26,289		
Net interest spread			3.16	%			2.54	%
Net interest-earning assets	$319,887				$299,048			
Net interest margin			3.35	%			2.78	%
Ratio of interest-earning assets to interest-bearing liabilities			108.78	%			108.57	%

33

Rate/Volume Analysis

	Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009 Increase/ (Decrease) Due to:		
	Volume	Rate	Total
	(Dollars In thousands)		
Interest-earning assets:			
Real Estate Loans	$3,562	$(156)	$3,406
Other loans	(7)	-	(7)
MBS	(956)	69	(887)
Investment securities	324	(206)	118
Federal funds sold and other short-term investments	(44)	(133)	(177)
Total	$2,879	$(426)	$2,453
Interest-bearing liabilities:			
Interest bearing checking accounts	$(21)	$(44)	$(65)
Money market accounts	172	(1,075)	(903)
Savings accounts	20	(127)	(107)
CDs	201	(2,834)	(2,633)
Borrowed funds	496	(1,251)	(755)
Total	$868	$(5,331)	$(4,463)
Net change in net interest income	$2,011	$4,905	$6,916

During the period January 1, 2009 through June 30, 2010, FOMC monetary policies resulted in the maintenance of the overnight federal funds rate in a range of 0.0% to 0.25%. As a result, beginning in early 2009, the Company was able to commence an orderly reduction of both its deposit and borrowing costs that continued through June 2010. In addition, dislocations in the securitization marketplace for loans secured by multifamily and commercial real estate reduced the overall competition for the Bank's primary loan product, thus permitting origination rates on these loans to remain somewhat unaffected by general reductions in interest rates. Both of these factors favorably impacted the Company's net interest margin during the three months ended June 30, 2010 compared to the three months ended June 30, 2009. In March 2010, the Company undertook a promotional Individual Retirement Account ("IRA") CD campaign that increased its deposit funding costs during the three months ended June 30, 2010.

Interest Income. Interest income was $54.2 million during the three months ended June 30, 2010, an increase of $2.5 million from the three months ended June 30, 2009, primarily reflecting growth in interest income of $3.4 million on real estate loans and $118,000 on investment securities. The increase in interest income on real estate loans resulted from an increase of $241.4 million in their average balance, and the increase in investment interest income similarly resulted from an increase of $35.0 million in their average balance during the three months ended June 30, 2010 compared to the three months ended June 30, 2009.

Offsetting these items was a decline of $887,000 in interest income on MBS that resulted from a reduction of $85.9 million in their average balance during the three months ended June 30, 2010 compared to the three months ended June 30, 2009. The reduction in their average balance resulted from $80.4 million in principal repayments during the period July 2009 through June 2010. The Company has not purchased any MBS since January 1, 2009. Interest income on other short-term investments declined $177,000, primarily as a result of a reduction of $151,000 in FHLBNY capital stock income, reflecting both a reduction in average balance of the Company's FHLBNY capital stock investment and a lower quarterly dividend rate declared by the FHLBNY in 2010 compared to the comparable period of 2009.

Interest Expense. Interest expense decreased $4.4 million, to $21.0 million, during the three months ended June 30, 2010, from $25.4 million during the three months ended June 30, 2009. The decline resulted from reductions in interest expense of $903,000 on money market accounts, $2.6 million on CDs, and $755,000 on borrowed funds.

The decrease in interest expense on money market accounts and CDs resulted from declines of 57 basis points and 104 basis points, respectively, in their average cost, as a result of the Company's orderly reduction in offering rates on all deposit accounts from July 2009 through June 2010. In addition, the Company was able to re-finance maturing borrowings at lower average costs during the period July 2009 through June 2010, creating a reduction of 38 basis points in its average borrowing costs from the three months ended June 30, 2009 to the three months ended June 30, 2010. Partially offsetting these items was additional interest expense resulting from an increase in the average balance of money markets and CDs of $62.2 million and $30.6 million, respectively, from the three months ended June 30, 2009 to the three months ended June 30, 2010, reflecting $233.0 million of deposits added during the first six months of 2010 (the great majority of which were money markets and CDs). The average balance of borrowed funds increased $49.4 million during the three months ended June 30, 2010 compared to the three months ended June 30, 2009, as the Company took advantage of some attractive medium- and long-term borrowing offerings present throughout 2009.

Provision for Loan Losses. The provision for loan losses was $3.8 million during the three months ended June 30, 2010, an increase of $1.6 million over the provision of $2.2 million recorded during the three months ended June 30, 2009. This increase reflected the increase in non-accrual and other problem loans from June 30, 2009 to June 30, 2010, continued challenging conditions in the Bank's local real estate marketplace that resulted in higher estimated loan loss reserves on these non-accrual and other problem loans, and, to a lesser extent, growth in the real estate loan portfolio from July 2009 through June 2010.

Non-Interest Income. Total non-interest income increased $600,000 from the three months ended June 30, 2009 to the three months ended June 30, 2010. Within non-interest income, credit-related OTTI charges declined $378,000 (resulting in an increase to non-interest income), and net gains and losses on the sales of assets increased $308,000, due primarily to a gain of $282,000 recognized on the sale of mutual fund investments during the three months ended June 30, 2010 and a loss of $92,000 recognized on the sale of an OREO property during the three months ended June 30, 2009. Other non-interest income increased $401,000, due primarily to $409,000 of additional rental income on leased properties, as the Company modified the income recognition on these leased properties from a strictly cash basis to a straight line accrual methodology. Mortgage banking income declined $553,000 during the three months ended June 30, 2010 from the comparable period of 2009, due primarily to a gain of $635,000 recognized during the three months ended June 30, 2009 on the sale of an 80% participation in $125.0 million of multifamily loans from portfolio to a third-party financial institution, compared to an aggregate net gain of $140,000 recognized on the sale of $13.3 million of loans during the three months ended June 30, 2010. (See Note 14 to the Condensed Consolidated Financial Statements for the components comprising mortgage banking income during the three months ended June 30, 2010 and 2009).

Non-Interest Expense. Non-interest expense was $15.8 million during the three months ended June 30, 2010, an increase of $466,000 from $15.3 million during the three months ended June 30, 2009.

Salaries and employee benefits increased $824,000 due to both ongoing salary increases and an actuarial adjustment of $353,000 to the defined benefit plan expenses associated with the Employee Retirement Plan and BMP. Occupancy and equipment expense increased $766,000 as a result of both one new branch location and $639,000 of higher rental expense associated with leased branch properties reflecting a transition of operating lease rental expense from a strictly cash basis to a straight line accrual methodology. Federal deposit insurance costs declined $1.8 million during the comparative period as a result of a special insurance assessment of $1.8 million incurred during the three months ended June 30, 2009. During the three months ended June 30, 2010, the Company recorded a provision for losses on OREO of $157,000 for the write-down of two OREO properties to their likely disposal value. No such provision was made during the three months ended June 30, 2009. Other expenses grew $340,000, reflecting higher marketing costs of $412,000.

Non-interest expense was 1.50% of average assets during the three months ended June 30, 2010, compared to 1.53% during the three months ended June 30, 2009, reflecting a $200.2 million increase in average assets.

Income Tax Expense. Income tax expense increased $2.4 million during the three months ended June 30, 2010 compared to the three months ended June 30, 2009, due primarily to an increase of $5.5 million in pre-tax earnings. The Company's customary consolidated tax rate approximates 37% and it approximated such during the three months ended June 30, 2010. The impact of $4.6 million in OTTI charges on pooled trust preferred securities reduced the effective tax rate for the quarter ended June 30, 2009 to 34.5%, as the tax provision applied to these OTTI items was made at the statutory 45% rate.

Comparison of Operating Results for the Six Months Ended June 30, 2010 and 2009

General. Net income was $19.5 million during the six months ended June 30, 2010, an increase of $9.7 million from net income of $9.8 million during the six months ended June 30, 2009. During the comparative period, net interest income increased $15.5 million and non-interest income increased $7.2 million, while the provision for loan losses increased $2.4 million and non-interest expense increased $2.5 million, resulting in an increase in pre-tax income of $17.8 million. Income tax expense increased $8.1 million during the comparative period due to both the increase in pre-tax earnings as well as a higher effective tax rate.

Net Interest Income. The discussion of net interest income for the six months ended June 30, 2010 and 2009 presented below should be read in conjunction with the following tables, which set forth certain information related to the condensed consolidated statements of operations for those periods, and which also present the average yield on assets and average cost of liabilities for the periods indicated. The average yields and costs were derived by dividing income or expense by the average balance of their related assets or liabilities during the periods represented. Average balances were derived from average daily balances. The yields include fees that are considered adjustments to yields.

Analysis of Net Interest Income

	Six Months Ended June 30,					
	2010			2009		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets:			(Dollars In Thousands)			
Interest-earning assets:						
Real estate loans	$3,462,170	$101,191	5.85 %	$3,273,050	$95,991	5.87 %
Other loans	1,402	68	9.70	1,665	74	8.89
MBS	195,540	4,354	4.45	281,690	6,249	4.44
Investment securities	53,934	719	2.67	19,261	439	4.56
Federal funds sold and other short-term investments	162,838	1,423	1.75	244,469	1,361	1.11
Total interest-earning assets	3,875,884	$107,755	5.56 %	3,820,135	$104,114	5.45 %
Non-interest earning assets	237,647			205,482		
Total assets	$4,113,531			$4,025,617		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Interest bearing checking accounts	$103,414	$374	0.73 %	$111,249	$663	1.20 %
Money Market accounts	751,010	3,356	0.90	717,703	6,146	1.73
Savings accounts	306,676	400	0.26	280,919	660	0.47
CDs	1,061,149	11,473	2.18	1,103,223	18,461	3.37
Borrowed Funds	1,340,597	26,181	3.94	1,304,090	27,755	4.29
Total interest-bearing liabilities	3,562,846	$41,784	2.36 %	3,517,184	$53,685	3.06 %
Non-interest bearing checking accounts	111,624			97,197		
Other non-interest-bearing liabilities	132,322			131,099		
Total liabilities	3,806,792			3,745,480		
Stockholders' equity	306,739			280,137		
Total liabilities and stockholders' equity	$4,113,531			$4,025,617		
Net interest income		$65,971			$50,429	
Net interest spread			3.20 %			2.39 %
Net interest-earning assets	$313,038			$302,951		
Net interest margin			3.40 %			2.64 %
Ratio of interest-earning assets to interest-bearing liabilities			108.79 %			108.61 %

Rate/Volume Analysis

	Six Months Ended June 30, 2010 Compared to

	Six Months Ended June 30, 2009 Increase/ (Decrease) Due to:		
	Volume	Rate	Total
	(Dollars In thousands)		
Interest-earning assets:			
Real Estate Loans	$5,537	$(337)	$5,200
Other loans	(13)	7	(6)
MBS	(1,910)	15	(1,895)
Investment securities	626	(346)	280
Federal funds sold and other short-term investments	(587)	649	62
Total	$3,653	$(12)	$3,641
Interest-bearing liabilities:			
Interest bearing checking accounts	$(39)	$(250)	$(289)
Money market accounts	225	(3,015)	(2,790)
Savings accounts	47	(307)	(260)
CDs	(591)	(6,397)	(6,988)
Borrowed funds	733	(2,307)	(1,574)
Total	$375	$(12,276)	$(11,901)
Net change in net interest income	$3,278	$12,264	$15,542

During the period January 1, 2009 through June 30, 2010, FOMC monetary policies resulted in the maintenance of the overnight federal funds rate in a range of 0.0% to 0.25%. As a result, beginning in early 2009, the Company was able to commence an orderly reduction of both its deposit and borrowing costs that continued through June 2010. In addition, dislocations in the securitization marketplace for loans secured by multifamily and commercial real estate reduced the overall competition for the Bank's primary loan product, thus permitting origination rates on these loans to remain somewhat unaffected by general reductions in interest rates. Both of these factors favorably impacted the Company's net interest margin during the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Interest Income. Interest income was $107.8 million during the six months ended June 30, 2010, an increase of $3.6 million from the six months ended June 30, 2009, primarily reflecting growth in interest income of $5.2 million on real estate loans and $280,000 on investment securities. The increase in interest income on real estate loans resulted from an increase of $189.1 million in their average balance, and the increase in investment interest income similarly resulted from an increase of $34.7 million in their average balance during the six months ended June 30, 2010 compared to the six months ended June 30, 2009.

Offsetting these items was a decline of $1.9 million in interest income on MBS that resulted from a reduction of $86.2 million in their average balance during the six months ended June 30, 2010 compared to the six months ended June 30, 2009. The reduction in their average balance resulted from $80.4 million in principal repayments during the period July 2009 through June 2010. The Company has not purchased any MBS since January 1, 2009.

Interest Expense. Interest expense decreased $11.9 million, to $41.8 million, during the six months ended June 30, 2010, from $53.7 million during the six months ended June 30, 2009. The decline resulted from reductions in interest expense of $2.8 million on money market accounts, $7.0 million on CDs and $1.6 million on borrowed funds.

The decrease in interest expense on money market accounts and CDs resulted from declines of 83 basis points and 119 basis points, respectively, in their average cost, as a result of the Company's orderly reduction in offering rates on all deposit accounts from July 2009 through June 2010. In addition, the Company was able to re-finance maturing borrowings at lower average costs during the period July 2009 through June 2010, creating a reduction of 35 basis points in its average borrowing costs from the six months ended June 30, 2009 to the six months ended June 30, 2010. Further a reduction of $168.1 million in CD balances from July 1, 2009 through December 31, 2009, that reflected lower offering rates from July 2009 through December 2009, resulted in a decline of $42.1 million in the average balance of CDs during the six months ended June 30, 2010 compared to the six months ended June 30, 2009. Partially offsetting these items was additional interest expense resulting from an increase in the average balance of money markets of $33.3 million from the six months ended June 30, 2009 to the six months ended June 30, 2010, reflecting $82.8 million of such deposits added during the first six months of 2010. The average balance of borrowed funds increased $36.5 million during the six months ended June 30, 2010 compared to the six months ended June 30, 2009, as the Company took advantage of some attractive medium- and long-term borrowing offerings present throughout 2009.

Provision for Loan Losses. The provision for loan losses was $7.3 million during the six months ended June 30, 2010, an increase of $2.4 million over the provision of $4.9 million recorded during the six months ended June 30, 2009. This increase reflected the increase in non-accrual and other problem loans from June 30, 2009 to June 30, 2010, continued challenging conditions in the Bank's local real estate marketplace that resulted in higher estimated loan loss reserves on these non-accrual and other problem loans, and, to a lesser extent, growth in the real estate loan portfolio from July 2009 through June 2010.

Non-Interest Income. Total non-interest income increased $7.2 million from the six months ended June 30, 2009 to the six months ended June 30, 2010. Within non-interest income, mortgage banking income increased $825,000, and credit-related OTTI charges declined $5.2 million (resulting in an increase to non-interest income). In addition, during the six months ended June 30, 2010, the Company recognized gains of $608,000 on sales, and $242,000 on the transfer from available-for-sale into trading, of some equity mutual fund holdings. (See Note 10 to the Condensed Consolidated Financial Statements for a further discussion of the OTTI charges, and the sale and transfer of equity mutual fund holdings). The increase in mortgage banking income resulted primarily from the absence of charges to increase the liability for the First Loss Position on loans sold with recourse to FNMA during the six months ended June 30, 2010, as the Bank recorded a charge to mortgage banking income of $1.4 million during the six months ended June 30, 2009 for an increase to this liability (See Note 14 to the Condensed Consolidated Financial Statements for the components comprising mortgage banking income during the six months ended June 30, 2010 and 2009). The remainder of the increase in non-interest income resulted primarily from $470,000 of additional rental income on leased properties, as the Company modified the income recognition on these leased properties from a strictly cash basis to a straight line accrual methodology.

Non-Interest Expense. Non-interest expense was $31.5 million during the six months ended June 30, 2010, an increase of $2.6 million from $28.9 million during the six months ended June 30, 2009.

Salaries and employee benefits increased $1.9 million during the comparative period, of which $457,000 resulted from an adjustment to the manner of expense recognition on a component of the Company's BMP, $353,000 reflected an actuarial adjustment to the defined benefit plan expenses associated with the Employee Retirement Plan and BMP, and the remainder resulted from ongoing salary increases. Occupancy and equipment expense increased $938,000 as a result of $920,000 of higher rental expense reflecting a transition of operating lease rental expense from a strictly cash basis to a straight line accrual methodology. Federal deposit insurance costs declined $1.6 million

37

during the comparative period as a result of a special insurance assessment of $1.8 million incurred during the six months ended June 30, 2009. During the six months ended June 30, 2010, the Company recorded a provision for losses on OREO of $357,000 for the write-down of two OREO properties to their likely disposal value. No such provision was made during the six months ended June 30, 2009. Other expenses grew $776,000, reflecting higher marketing costs of $711,000.

Non-interest expense was 1.53% of average assets during the six months ended June 30, 2010, compared to 1.44% during the six months ended June 30, 2009, reflecting the $2.6 million increase in non-interest expense.

Income Tax Expense. Income tax expense increased $8.1 million during the six months ended June 30, 2010 compared to the six months ended June 30, 2009, due primarily to an increase of $17.8 million in pre-tax earnings. The Company's customary consolidated tax rate approximates 37%. During the six months ended June 30, 2010, the Company recognized gains totaling $608,000 on both the sale of the mutual funds and the transfer of mutual funds into trading. From a tax perspective, since: (i) these events triggered the reversal of deferred tax assets previously recognized when the Company recorded OTTI charges in March 2009; and (ii) the deferred tax assets on the OTTI were established at a statutory rate approximating 45% (significantly in excess of the current consolidated 39.5% tax rate), their reversal created a higher effective tax rate during the six months ended June 30, 2010. The impact of $5.9 million in OTTI charges reduced the effective tax rate for the six months ended June 30, 2009 to 32.2%, as the tax provision applied to these OTTI items was made at the statutory 45% rate.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk were presented at December 31, 2009 in Item 7A of the Company's Annual Report on Form 10-K, filed with the SEC on March 12, 2010. The following is an update of the discussion provided therein.

General. Virtually all of the Company's market risk continues to reside at the Bank level. The Bank's largest component of market risk remains interest rate risk. The Company is not subject to foreign currency exchange or commodity price risk. At June 30, 2010, the Company owned six mutual fund investments totaling $1.3 million that were designated as trading. At June 30, 2010, the Company did not conduct transactions involving derivative instruments requiring bifurcation in order to hedge interest rate or market risk.

Assets, Deposit Liabilities and Wholesale Funds. There was no material change in the composition of assets, deposit liabilities or wholesale funds from December 31, 2009 to June 30, 2010.

Interest Sensitivity Gap. There was no material change in the computed one-year interest sensitivity gap from December 31, 2009 to June 30, 2010.

Interest Rate Risk Exposure (Net Portfolio Value) Compliance. At June 30, 2010, the Bank continued to monitor the impact of interest rate volatility upon net interest income and net portfolio value ("NPV") in the same manner as at December 31, 2009. There were no changes in the Board-approved limits of acceptable variance in the effect of interest rate fluctuations upon net interest income and NPV at June 30, 2010 compared to December 31, 2009.

The analysis that follows presents the estimated NPV resulting from market interest rates prevailing at a given quarter-end ("Pre-Shock Scenario"), and under four other interest rate scenarios (each a "Rate Shock Scenario") represented by immediate, permanent, parallel shifts in interest rates from those observed at June 30, 2010 and December 31, 2009. The analysis additionally presents a measurement of the interest rate sensitivity at June 30, 2010 and December 31, 2009. Interest rate sensitivity is measured by the basis point changes in the various NPV ratios ("NPV Ratios") from the Pre-Shock Scenario to the Rate Shock Scenarios. NPV Ratios represent the NPV as a percentage of the total value of assets determined under each respective Pre- and Rate Shock Scenario. An increase in the NPV Ratio is considered favorable, while a decline is considered unfavorable.

	At June 30, 2010								
	Net Portfolio Value					At December 31, 2009			
	Dollar Amount	Dollar Change	Percentage Change	NPV Ratio	Basis Point Change in NPV Ratio	NPV Dollar Amount	NPV Ratio	Basis Point Change in NPV Ratio	Board Approved NPV Ratio Limit
	(Dollars in thousands)								
Rate Shock Scenario									
+ 200 Basis Points	$405,166	(17,307)	-4.10 %	9.72 %	(16)	$373,349	9.48 %	(68)	5.0 %
+ 100 Basis Points	421,527	(946)	-0.22	9.97	9	401,595	10.03	(13)	6.0
Pre-Shock Scenario	422,473	-	-	9.88	-	412,478	10.16	-	7.0
- 100 Basis Points	437,907	15,434	3.65	10.08	20	403,261	9.84	(32)	7.0
- 200 Basis Points	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.0

The NPVs presented above incorporate some asset and liability values derived from the Bank’s valuation model, such as those for mortgage loans and time deposits, and some asset and liability values that are provided by reputable independent sources, such as values for the Bank's MBS and CMO portfolios, as well as its putable borrowings. The Bank's valuation model makes various estimates regarding cash flows from principal repayments on loans and passbook deposit decay rates at each level of interest rate change. The Bank's estimates for loan repayment levels are influenced by the recent history of prepayment activity in its loan portfolio as well as the interest rate composition of the existing portfolio, especially vis-à-vis the existing interest rate environment. In addition, the Bank considers the amount of fee protection inherent in the loan portfolio when estimating future repayment cash flows. Regarding passbook deposit decay rates, the Bank tracks and analyzes the decay rate of its passbook deposits over time and over various interest rate scenarios and then makes estimates of its passbook deposit decay rate for use in the valuation model. No matter the care and precision with which the estimates are derived, however, actual cash flows for passbooks, as well as loans, could differ significantly from the Bank's estimates, resulting in significantly different NPV calculations.

The Bank also generates a series of spot discount rates that are integral to the valuation of the projected monthly cash flows of its assets and liabilities. The Bank's valuation model employs discount rates that are representative of prevailing market rates of interest, with appropriate adjustments it believes are suited to the heterogeneous characteristics of the Bank’s various asset and liability portfolios.

The Pre-Shock Scenario NPV increased from $412.5 million at December 31, 2009 to $422.5 million at June 30, 2010. The NPV Ratio at June 30, 2010 was 9.88% in the Pre-Shock Scenario, compared to 10.16% at December 31, 2009. The increase in the Pre-Shock Scenario NPV was due primarily to an increase in the valuation of multifamily loans (reflecting lower marketplace offering rates on such loans at June 30, 2010 compared to December 31, 2009). Despite the increase in the Pre-Shock Scenario NPV balance during the comparative period, the Pre-Shock Scenario NPV Ratio declined, reflecting the growth in assets from December 31, 2009 to June 30, 2010.

The Bank's +200 basis point Rate Shock Scenario NPV increased from $373.3 million at December 31, 2009 to $405.2 million at June 30, 2010. The increase resulted primarily from a more favorable valuation of multifamily loans at June 30, 2010 compared to December 31, 2009, reflecting a decline in their estimated term to next interest rate repricing at June 30, 2010 compared to December 31, 2009. Assets with a reduced term to next interest rate repricing generate a more favorable NPV in a rising rate interest rate environment. As a result, the decline in the NPV of total assets from the Pre-Shock Scenario to the +200 basis point Rate Shock Scenario was lower at June 30, 2010 than December 31, 2009. In addition, the liquid balances generated by increased escrow funds accumulated on mortgage loans during the three months ended June 30, 2010 favorably impacted the change in asset valuation from the Pre-Shock Scenario NPV to the +200 basis point Rate Shock Scenario NPV.

The NPV Ratio was 9.72% in the +200 basis point Rate Shock Scenario at June 30, 2010, an increase from the NPV Ratio of 9.48% in the +200 basis point Rate Shock Scenario at December 31, 2009. The increase reflected the aforementioned increase in the +200 basis point Rate Shock Scenario NPV during the comparative period.

At June 30, 2010, the interest rate sensitivity in the +200 basis point Rate Shock Scenario was negative 16 basis points, compared to interest rate sensitivity of negative 68 basis points in the +200 basis point Rate Shock Scenario at December 31, 2009. The reduction in sensitivity was due primarily to less sensitivity in the valuation of multifamily loans in the +200 basis point Rate Shock Scenario at June 30, 2010 compared to December 31, 2009, as the majority of these loans moved closer to their contractual repricing.

Item 4. Controls and Procedures

Management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness as of June 30, 2010, of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2010 in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Security and Exchange Commission's rules and forms.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, the Company is routinely named as a defendant in or party to various pending or threatened legal actions or proceedings. Certain of these matters may seek substantial monetary damages. In the opinion of management, the Company is involved in no actions or proceedings that will have a material adverse impact on its financial condition and results of operations.

Item 1A. Risk Factors

Except for the following item, there were no material changes from the risks disclosed in the Risk Factors section of the Company's Annual Report on Form 10-K for the Year Ended December 31, 2009.

The recent adoption of regulatory reform legislation may have a material effect on the Company's operations and capital requirements.

On July 21, 2010, President Obama signed the Reform Act into law. The Reform Act is intended to address perceived weaknesses in the U.S. financial regulatory system and to prevent future economic and financial crises. There are many provisions of the Reform Act that are to be implemented through regulations to be adopted by the federal bank regulatory agencies within specified time frames following the effective date of the Reform Act, which creates a risk of uncertainty as to the ultimate effect of such provisions. The Company does not believe that the Reform Act will have a material impact on its core operations. However, the Company believes the following provisions of the Reform Act will have an impact on the Company, though it is not possible for the Company to determine at this time whether and to what extent the Reform Act will have a material effect on its business, financial condition or results of operations:

• New Regulatory Regime. On July 21, 2011, unless the Secretary of the Treasury opts to delay such date for up to an additional six months, the OTS will be eliminated and the Office of the Comptroller of the Currency (the "OCC") will assume the regulation of all federal savings associations, such as the Bank. The Board of Governors of the Federal Reserve System (the "FRB") will acquire the OTS's authority over all savings and loan holding companies, such as the Holding Company, and will also become the supervisor of all subsidiaries of savings and loan holding companies other than depository institutions. As a result, the Holding Company and the Bank will be subject to regulation, supervision and examination by two federal bank regulatory agencies, the OCC and the FRB, rather than solely the OTS, as is the current structure. The Reform Act also provides for the creation of the Bureau of Consumer Financial Protection ("CFPB"). With respect to insured depository institutions with less than $10 billion in assets, such as the Bank, the CFPB will have exclusive authority to issue new consumer protection regulations, and may participate in examinations conducted by the federal bank regulatory agencies to determine compliance with consumer protection laws and regulations, although the CFPB will have no enforcement authority with respect to these matters. As a new independent Bureau within the FRB, it is possible that the CFPB will focus more attention on consumers and may impose requirements more severe than the previous bank regulatory agencies.

• Consolidated Holding Company Capital Requirements. The Reform Act requires the federal bank regulatory agencies to establish consolidated risk-based and leverage capital requirements for insured depository institutions, depository institution holding companies and systemically important nonbank financial companies. These requirements must be no less than those to which insured depository institutions are currently subject, and the new requirements will eliminate the use of trust preferred securities issued after May 19, 2010 as a component of Tier 1 capital for depository institution holding companies of the Holding Company's size, although because the Company had less than $15 billion of consolidated assets as of December 31, 2009, the Holding Company will be permitted to include any trust preferred securities issued before May 19, 2010 as an element of Tier 1 capital. As a result of the foregoing, on the fifth anniversary of the effective date of the Reform Act, the Company will become subject to consolidated capital requirements to which the Company has not been previously subject, and the Company will not be permitted to include any trust preferred securities issued after May 19, 2010 as a component of Tier 1 capital when the Company becomes subject to these consolidated capital requirements.

• Deposit Insurance Assessments. The Reform Act increases the minimum designated reserve ratio for the DIF from 1.15% to 1.35% of insured deposits, which must be reached by September 30, 2020, and provides that in establishing the assessments necessary to satisfy the new requirement, the FDIC shall offset the effect of this provision on insured depository institutions with total consolidated assets of less than $10 billion, such as the Bank, so that more of the cost of raising the reserve ratio will be borne by the institutions with more than $10 billion in assets. In addition, deposit insurance assessments will now be based on the Company's average consolidated total assets minus the Company's average tangible equity, rather than on the Company's deposit bases. It is unknown at this time what effect the foregoing will have on the Company's deposit insurance premiums.

• Roll Back of Federal Preemption. The Reform Act significantly rolls back the federal preemption of state consumer protection laws that is currently provided to federal savings associations and national banks by (i) requiring that a state consumer financial law prevent or significantly interfere with the exercise of a federal savings association's or national bank's powers before it can be preempted, (ii) mandating that any preemption decision be made on a case by case basis rather than a blanket rule, and (iii) ending the applicability of preemption to subsidiaries and affiliates of national banks and federal savings associations. As a result, the Company may now be subject to state consumer protection laws in each state where the Company does business, and those laws may be interpreted and enforced differently in different states.

The Reform Act also includes provisions, subject to further rulemaking by the federal bank regulatory agencies, that may affect the Company's future operations, including provisions that create minimum standards for the origination of mortgages, restrict proprietary trading by banking entities, restrict the sponsorship of and investment in hedge funds and private equity funds by banking entities and that remove certain obstacles to the conversion of savings associations to national banks. The Company will not be able to determine the impact of these provisions until final rules are promulgated to implement these provisions and other regulatory guidance is provided interpreting these provisions.

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

(c) The Holding Company did not repurchase any shares of its common stock into treasury during the three months ended June 30, 2010. No existing repurchase programs expired during the three months ended June 30, 2010, nor did the Company terminate any repurchase programs prior to expiration during the quarter. As of June 30, 2010, the Company had an additional 1,124,549 shares remaining eligible for repurchase under its twelfth stock repurchase program, which was publicly announced in June 2007.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved).

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number

3(i)	Amended and Restated Certificate of Incorporation of Dime Community Bancshares, Inc. (1)
3(ii)	Amended and Restated Bylaws of Dime Community Bancshares, Inc. (16)
4.1	Amended and Restated Certificate of Incorporation of Dime Community Bancshares, Inc. [See Exhibit 3(i) hereto]
4.2	Amended and Restated Bylaws of Dime Community Bancshares, Inc. (16)
4.3	Draft Stock Certificate of Dime Community Bancshares, Inc. (2)
4.4	Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock (3)
4.7	Second Amended and Restated Declaration of Trust, dated as of July 29, 2004, by and among Wilmington Trust Company, as Delaware Trustee, Wilmington Trust Company as Institutional Trustee, Dime Community Bancshares, Inc., as Sponsor, the Administrators of Dime Community Capital Trust I and the holders from time to time of undivided beneficial interests in the assets of Dime Community Capital Trust I (8)
4.8	Indenture, dated as of March 19, 2004, between Dime Community Bancshares, Inc. and Wilmington Trust Company, as trustee (8)
4.9	Series B Guarantee Agreement, dated as of July 29, 2004, executed and delivered by Dime Community Bancshares, Inc., as Guarantor and Wilmington Trust Company, as Guarantee Trustee, for the benefit of the holders

	from time to time of the Series B Capital Securities of Dime Community Capital Trust I (8)
10.1	Amended and Restated Employment Agreement between The Dime Savings Bank of Williamsburgh and Vincent F. Palagiano (15)
10.2	Amended and Restated Employment Agreement between The Dime Savings Bank of Williamsburgh and Michael P. Devine (15)
10.3	Amended and Restated Employment Agreement between The Dime Savings Bank of Williamsburgh and Kenneth J. Mahon (15)
10.4	Employment Agreement between Dime Community Bancorp, Inc. and Vincent F. Palagiano (15)
10.5	Employment Agreement between Dime Community Bancorp, Inc. and Michael P. Devine (15)
10.6	Employment Agreement between Dime Community Bancorp, Inc. and Kenneth J. Mahon (15)
10.7	Form of Employee Retention Agreement by and among The Dime Savings Bank of Williamsburgh, Dime Community Bancorp, Inc. and certain officers (4)
10.7(i)	Amendment to Form of Employee Retention Agreement by and among The Dime Savings Bank of Williamsburgh, Dime Community Bancorp, Inc. and certain officers (15)
10.8	The Benefit Maintenance Plan of Dime Community Bancorp, Inc. (17)
10.9	Severance Pay Plan of The Dime Savings Bank of Williamsburgh (15)
10.10	Retirement Plan for Board Members of Dime Community Bancorp, Inc. (15)

10.11	Dime Community Bancorp, Inc. 1996 Stock Option Plan for Outside Directors, Officers and Employees, as amended by amendments number 1 and 2 (5)
10.12	Recognition and Retention Plan for Outside Directors, Officers and Employees of Dime Community Bancorp, Inc., as amended by amendments number 1 and 2 (5)
10.13	Form of stock option agreement for Outside Directors under Dime Community Bancshares, Inc. 1996 and 2001 Stock Option Plans for Outside Directors, Officers and Employees and the 2004 Stock Incentive Plan. (5)
10.14	Form of stock option agreement for officers and employees under Dime Community Bancshares, Inc. 1996 and 2001 Stock Option Plans for Outside Directors, Officers and Employees and the 2004 Stock Incentive Plan (5)
10.15	Form of award notice for outside directors under the Recognition and Retention Plan for Outside Directors, Officers and Employees of Dime Community Bancorp, Inc. (5)
10.16	Form of award notice for officers and employees under the Recognition and Retention Plan for Outside Directors, Officers and Employees of Dime Community Bancorp, Inc. (5)
10.17	Financial Federal Savings Bank Incentive Savings Plan in RSI Retirement Trust (6)
10.18	Financial Federal Savings Bank Employee Stock Ownership Plan (6)
10.20	Dime Community Bancshares, Inc. 2001 Stock Option Plan for Outside Directors, Officers and Employees (7)
10.21	Dime Community Bancshares, Inc. 2004 Stock Incentive Plan for Outside Directors, Officers and Employees (14)
10.22	Waiver executed by Vincent F. Palagiano (11)
10.23	Waiver executed by Michael P. Devine (11)
10.24	Waiver executed by Kenneth J. Mahon (11)
10.25	Form of restricted stock award notice for officers and employees under the 2004 Stock Incentive Plan (10)
10.26	Employee Retention Agreement between The Dime Savings Bank of Williamsburgh, Dime Community Bancshares, Inc. and Christopher D. Maher (15)
10.27	Form of restricted stock award notice for outside directors under the 2004 Stock Incentive Plan (10)
10.28	Employee Retention Agreement between The Dime Savings Bank of Williamsburgh, Dime Community Bancshares, Inc. and Daniel Harris (15)
10.29	Dime Community Bancshares, Inc. Annual Incentive Plan (15)
10.30	The Dime Savings Bank of Williamsburgh 401(K) Plan (Amended and Restated Effective January 1, 2010) (17)
10.31	Employee Stock Ownership Plan of Dime Community Bancshares, Inc. and Certain Affiliates (15)
12.1	Computation of ratios of earnings to fixed charges.
31(i).1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)
31(i).2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350

(1) Incorporated by reference to the registrant's Transition Report on Form 10-K for the transition period ended December 31, 2002 filed on March 28, 2003.
(2) Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 filed on September 28, 1998.
(3) Incorporated by reference to the registrant's Current Report on Form 8-K dated April 9, 1998 and filed on April 16, 1998.
(4) Incorporated by reference to Exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997 filed on September 26, 1997.
(5)

Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997 filed on September 26, 1997, and the Current Reports on Form 8-K filed on March 22, 2004 and March 29, 2005.

(6) Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2000 filed on September 28, 2000.

(7) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 filed on November 14, 2003.

(8) Incorporated by reference to Exhibits to the registrant’s Registration Statement No. 333-117743 on Form S-4 filed on July 29, 2004.

(9) Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed on March 15, 2004.

(10) Incorporated by reference to the registrant's Current Report on Form 8-K filed on March 22, 2005.

(11) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 filed on May 10, 2005.

(12) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 9, 2006.

(13) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 filed on May 12, 2008.

(14) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 filed on August 8, 2008.

(15) Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed on March 16, 2009.

(16) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed on May 11, 2009

(17) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on May 10, 2010

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.

Dime Community Bancshares, Inc.

Dated: August 9, 2010	By: /s/ VINCENT F. PALAGIANO Vincent F. Palagiano Chairman of the Board and Chief Executive Officer
Dated: August 9, 2010	By: /s/ KENNETH J. MAHON Kenneth J. Mahon First Executive Vice President and Chief Financial Officer (Principal Accounting Officer)

44