WENTZ MYRON W
Form 4
November 16, 2017

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
WENTZ MYRON W

(Last) (First) (Middle)

3838 WEST PARKWAY BLVD

(Street)

SALT LAKE CITY, UT 84120

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
USANA HEALTH SCIENCES INC [USNA]

3. Date of Earliest Transaction (Month/Day/Year)
11/14/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/14/2017		S		9,922 (1)	D	$ 66	11,996,192	I	Shares owned of record by Gull Global Limited
Common Stock	11/15/2017		S		11,835 (1)	D	$ 66.0718 (2)	11,984,357	I	Shares owned of record by Gull Global Limited

Common Stock	11/16/2017	S	80,172 [(1)]	D	$ 66.0562 [(3)]	11,904,185	I	Shares owned of record by Gull Global Limited

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WENTZ MYRON W 3838 WEST PARKWAY BLVD SALT LAKE CITY, UT 84120	X			

Signatures

James Bramble, as attorney in fact.	11/16/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1)

The holder of record of the shares of Common Stock disposed is Gull Global Limited, an entity wholly indirectly owned and controlled by Dr. Myron W. Wentz.

(2) Weighted average price. Price range in multiple transactions was $66.05 to $66.10, inclusive. The reporting person undertakes to provide USANA Health Sciences, Inc., any security holder thereof or the staff at the Securities and Exchange Commission information regarding the number of shares sold at each price within the ranges set forth.

(3) Weighted average price. Price range in multiple transactions was $66.00 to $66.3875, inclusive. The reporting person undertakes to provide USANA Health Sciences, Inc., any security holder thereof or the staff at the Securities and Exchange Commission information regarding the number of shares sold at each price within the ranges set forth.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. steps necessary to duly call, give notice of, convene and hold a meeting of its stockholders (the LIFC Stockholders Meeting), for the purpose of considering this Agreement and the Merger, and for such other purposes as may be, in LIFC s reasonable judgment, necessary or desirable, (ii) subject to the next sentence, had its Board of Directors recommend approval of this Agreement to the LIFC stockholders. The Board of Directors of LIFC may withdraw, modify or change any such recommendation only in connection with a Superior Proposal, as set forth in Section 6.10 of this Agreement, and only if such Board of Directors, after having consulted with and considered the advice of outside counsel to such Board, has determined that the making of such recommendation, or the failure so to withdraw, modify or change its recommendation, would be inconsistent with the fiduciary duties of such directors under applicable law; and (iii) cooperate and consult with NYB with respect to each of the foregoing matters.

8.2. *Proxy Statement-Prospectus.*

8.2.1. For the purposes (x) of registering NYB Common Stock to be offered to holders of LIFC Common Stock in connection with the Merger with the SEC under the Securities Act and (y) of holding the LIFC Stockholders Meeting, NYB shall draft and prepare, and LIFC shall cooperate in the preparation of, the Merger Registration Statement, including a proxy statement and prospectus satisfying all applicable requirements of applicable state securities and banking laws, and of the Securities Act and the Exchange Act, and the rules and regulations thereunder (such proxy statement/prospectus in the form mailed to the LIFC stockholders, together with any and all amendments or supplements thereto, being herein referred to as the Proxy Statement-Prospectus). NYB shall promptly file the Merger Registration Statement, including the Proxy Statement-Prospectus, with the SEC. Each of NYB and LIFC shall use their reasonable best efforts to have the Merger Registration Statement declared effective under the Securities Act as promptly as practicable after such filing, and LIFC shall thereafter promptly mail the Proxy Statement-Prospectus to its stockholders. NYB shall also use its best efforts to obtain all necessary state securities law or Blue Sky permits and approvals required to carry out the transactions contemplated by this Agreement, and LIFC shall furnish all information concerning LIFC and the holders of LIFC Common Stock as may be reasonably requested in connection with any such action.

8.2.2. LIFC shall provide NYB with any information concerning itself that NYB may reasonably request in connection with the drafting and preparation of the Proxy Statement-Prospectus, and NYB shall notify LIFC promptly of the receipt of any comments of the SEC with respect to the Proxy Statement-Prospectus and of any requests by the SEC for any amendment or supplement thereto or for additional information and shall provide to LIFC promptly copies of all correspondence between NYB or any of their representatives and the SEC. NYB shall give LIFC and its counsel the opportunity to review and comment on the Proxy Statement-Prospectus prior to its being filed with the SEC and shall give LIFC and its counsel the opportunity to review and comment on all amendments and supplements to the Proxy Statement-Prospectus and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC. Each of NYB and LIFC agrees to use all reasonable best efforts, after consultation with the other party hereto, to respond promptly to all such comments of and requests by the SEC and to cause the Proxy Statement-Prospectus and all required amendments and supplements thereto to be mailed to the holders of LIFC Common Stock entitled to vote at the LIFC Stockholders Meeting hereof at the earliest practicable time.

8.2.3. LIFC and NYB shall promptly notify the other party if at any time it becomes aware that the Proxy Statement-Prospectus or the Merger Registration Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. In

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such event, LIFC shall cooperate with NYB in the preparation of a supplement or amendment to such Proxy Statement-Prospectus that corrects such misstatement or omission, and NYB shall file an amended Merger Registration Statement with the SEC, and each of LIFC and NYB shall mail an amended Proxy Statement-Prospectus to the LIFC and the NYB stockholders.

8.3. *Regulatory Approvals*.

Each of LIFC and NYB will cooperate with the other and use all reasonable best efforts to promptly prepare all necessary documentation, to effect all necessary filings and to obtain all necessary permits, consents, waivers, approvals and authorizations of the SEC, the Bank Regulators and any other third parties and governmental bodies necessary to consummate the transactions contemplated by this Agreement. LIFC and NYB will furnish each other and each other s counsel with all information concerning themselves, their subsidiaries, directors, officers and stockholders and such other matters as may be necessary or advisable in connection with the Proxy Statement-Prospectus and any application, petition or any other statement or application made by or on behalf of LIFC, NYB to any Bank Regulatory or governmental body in connection with the Merger, and the other transactions contemplated by this Agreement. LIFC shall have the right to review and approve in advance all characterizations of the information relating to LIFC and any of its Subsidiaries, which appear in any filing made in connection with the transactions contemplated by this Agreement with any governmental body.

8.4. *Affiliates*.

8.4.1. LIFC shall use all reasonable best efforts to cause each director, executive officer and other person who is an affiliate (for purposes of Rule 145 under the Securities Act) of LIFC to deliver to NYB, as soon as practicable after the date of this Agreement, and at least thirty (30) days prior to the date of the LIFC Stockholders Meeting, a written agreement, in the form of Exhibit B hereto, providing that such person will not sell, pledge, transfer or otherwise dispose of any shares of NYB Common Stock to be received by such affiliate, as a result of the Merger otherwise than in compliance with the applicable provisions of the Securities Act and the rules and regulations thereunder.

ARTICLE IX

CLOSING CONDITIONS

9.1. *Conditions to Each Party s Obligations under this Agreement*.

The respective obligations of each party under this Agreement shall be subject to the fulfillment at or prior to the Closing Date of the following conditions, none of which may be waived:

9.1.1. *Stockholder Approval*. This Agreement and the transactions contemplated hereby shall have been approved by the requisite vote of the stockholders of LIFC.

9.1.2. *Injunctions*. None of the parties hereto shall be subject to any order, decree or injunction of a court or agency of competent jurisdiction that enjoins or prohibits the consummation of the transactions contemplated by this Agreement and no statute, rule or regulation shall have been enacted, entered, promulgated, interpreted, applied or enforced by any Governmental Entity or Bank Regulator, that enjoins or prohibits the consummation of the transactions contemplated by this Agreement.

9.1.3. *Regulatory Approvals*. All Regulatory Approvals and other necessary approvals, authorizations and consents of any Governmental Entities required to consummate the transactions contemplated by this Agreement shall have been obtained and shall remain in full force and effect and all waiting periods relating to such approvals, authorizations or consents shall have expired; and no such approval, authorization or consent shall include any condition or requirement, excluding standard conditions that are normally imposed by the regulatory authorities in bank merger transactions, that would, in the good faith reasonable judgment of the Board of Directors of NYB, materially and adversely affect the business, operations, financial condition, property or assets of the combined enterprise of LIFC, Long Island Commercial Bank and NYB or materially impair the value of LIFC or Long Island Commercial Bank to NYB.

9.1.4. *Effectiveness of Merger Registration Statement*. The Merger Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Merger Registration Statement shall have been issued, and no proceedings for that purpose shall have been initiated or threatened by the SEC and, if the offer and sale of NYB Common Stock in the Merger is subject to the blue sky laws of any state, shall not be subject to a stop order of any state securities commissioner.

9.1.5. *New York Stock Exchange Listing*. The shares of NYB Common Stock to be issued in the Merger shall have been authorized for listing on the Stock Exchange, subject to official notice of issuance.

9.2. *Conditions to the Obligations of NYB under this Agreement.*

The obligations of NYB under this Agreement shall be further subject to the satisfaction of the conditions set forth in Sections 9.2.1 through 9.2.4 at or prior to the Closing Date:

9.2.1. *Representations and Warranties*. Each of the representations and warranties of LIFC set forth in this Agreement shall be true and correct as of the date of this Agreement and upon the Effective Time with the same effect as though all such representations and warranties had been made on the Effective Time (except to the extent such representations and warranties speak as of an earlier date), in any case subject to the standard set forth in Section 4.1; and LIFC shall have delivered to NYB a certificate to such effect signed by the Chief Executive Officer and the Chief Financial Officer of LIFC as of the Effective Time.

9.2.2. *Agreements and Covenants*. LIFC shall have performed in all material respects all obligations and complied in all material respects with all agreements or covenants to be performed or complied with by it at or prior to the Effective Time, and NYB shall have received a certificate signed on behalf of LIFC by the Chief Executive Officer and Chief Financial Officer of LIFC to such effect dated as of the Effective Time.

9.2.3. *Permits, Authorizations, Etc*. LIFC shall have obtained any and all material permits, authorizations, consents, waivers, clearances or approvals required for the lawful consummation of the Merger.

9.2.4. *No Material Adverse Effect*. Since March 31, 2005, no event has occurred or circumstance arisen that, individually or in the aggregate, has had or is reasonably likely to have a Material Adverse Effect on LIFC.

LIFC will furnish NYB with such certificates of its officers or others and such other documents to evidence fulfillment of the conditions set forth in this Section 9.2 as NYB may reasonably request.

9.3. *Conditions to the Obligations of LIFC under this Agreement*.

The obligations of LIFC under this Agreement shall be further subject to the satisfaction of the conditions set forth in Sections 9.3.1 through 9.3.5 at or prior to the Closing Date:

9.3.1. *Representations and Warranties*. Each of the representations and warranties of NYB set forth in this Agreement shall be true and correct as of the date of this Agreement and upon the Effective Time with the same effect as though all such representations and warranties had been made on the Effective Time (except to the extent such representations and warranties speak as of an earlier date), in any case subject to the standard set forth in Section 5.1; and NYB shall have delivered to LIFC a certificate to such effect signed by the Chief Executive Officer and the Chief Financial Officer of NYB as of the Effective Time.

9.3.2. *Agreements and Covenants*. NYB shall have performed in all material respects all obligations and complied in all material respects with all agreements or covenants to be performed or complied with by it at or prior to the Effective Time, and LIFC shall have received a certificate signed on behalf of NYB by the Chief Executive Officer and Chief Financial Officer to such effect dated as of the Effective Time.

9.3.3. *Permits, Authorizations, Etc*. NYB shall have obtained any and all material permits, authorizations, consents, waivers, clearances or approvals required for the lawful consummation of the Merger.

9.3.4. *Payment of Merger Consideration*. NYB shall have delivered the Exchange Fund to the Exchange Agent on or before the Closing Date and the Exchange Agent shall provide LIFC with a certificate evidencing such delivery.

9.3.5. *No Material Adverse Effect*. Since December 31, 2004, no event has occurred or circumstance arisen that, individually or in the aggregate, has had or is reasonably likely to have a Material Adverse Effect on NYB.

NYB will furnish LIFC with such certificates of their officers or others and such other documents to evidence fulfillment of the conditions set forth in this Section 9.3 as LIFC may reasonably request.

ARTICLE X

THE CLOSING

10.1. *Time and Place*.

Subject to the provisions of Articles IX and XI hereof, the Closing of the transactions contemplated hereby shall take place at the offices of Luse Gorman Pomerenk & Schick, P.C., 5335 Wisconsin Avenue, Suite 400, Washington, DC at 10:00 a.m. local time, or at such other place or time upon which NYB and LIFC mutually agree. A pre-closing of the transactions contemplated hereby (the Pre-Closing) shall take place at the offices of Luse Gorman Pomerenk & Schick, P.C., 5335 Wisconsin Avenue, Suite 400, Washington, DC at 10:00 a.m. local time on the day prior to the Closing Date.

10.2. *Deliveries at the Pre-Closing and the Closing*.

At the Pre-Closing there shall be delivered to NYB and LIFC the opinions, certificates, and other documents and instruments required to be delivered at the Pre-Closing under Article IX hereof. At or prior to the Closing, NYB shall have delivered the Merger Consideration as set forth under Section 9.3.4 hereof.

ARTICLE XI

TERMINATION, AMENDMENT AND WAIVER

11.1. *Termination.*

This Agreement may be terminated at any time prior to the Closing Date, whether before or after approval of the Merger by the stockholders of LIFC:

11.1.1. At any time by the mutual written agreement of the Boards of Directors of each of NYB and LIFC;

11.1.2. By the Board of Directors of either party (provided, that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a material breach of any of the representations or warranties set forth in this Agreement on the part of the other party, which breach by its nature cannot be cured prior to the Termination Date or shall not have been cured within thirty (30) days after written notice of such breach by the terminating party to the other party provided, however, that neither party shall have the right to terminate this Agreement pursuant to this Section 11.1.2 unless the breach of representation or warranty, together with all other such breaches, would entitle the terminating party not to consummate the transactions contemplated hereby under Section 9.2.1 (in the case of a breach of a representation or warranty by LIFC) or Section 9.3.1 (in the case of a breach of a representation or warranty by NYB);

11.1.3. By the Board of Directors of either party (provided, that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a material failure to perform or comply with any of the covenants or agreements set forth in this Agreement on the part of the other party, which failure by its nature cannot be cured prior to the Termination Date or shall not have been cured within thirty (30) days after written notice of such failure by the terminating party to the other party provided, however, that neither party shall have the right to terminate this Agreement pursuant to this Section 11.1.3 unless the breach of covenant or agreement, together with all other such breaches, would entitle the terminating party not to consummate the transactions contemplated hereby under Section 9.2.2 (in the case of a breach of covenant by LIFC) or Section 9.3.2 (in the case of a breach of covenant by NYB);

11.1.4. At the election of the Board of Directors of either party if the Closing shall not have occurred by the Termination Date, or such later date as shall have been agreed to in writing by NYB and LIFC; provided, that no party may terminate this Agreement pursuant to this Section 11.1.4 if the failure of the Closing to have occurred on or before said date was due to such party s material breach of any representation, warranty, covenant or other agreement contained in this Agreement;

11.1.5. By the Board of Directors of either party if the stockholders of LIFC shall have voted at the LIFC Stockholders Meeting on the transactions contemplated by this Agreement and such vote shall not have been sufficient to approve such transactions, provided, however, that the right to terminate this Agreement under the this Section 11.1.5 shall not be available to LIFC if it failed to comply with its obligations under Section 6.10 or Section 8.1;

11.1.6. By the Board of Directors of either party if (i) final action has been taken by a Bank Regulator whose approval is required in connection with this Agreement and the transactions contemplated hereby, which final action (x) has become unappealable and (y) does not approve this Agreement or the transactions contemplated hereby, or (ii) any court of competent jurisdiction or other governmental authority shall have issued an order, decree, ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and nonappealable;

11.1.7. By the Board of Directors of NYB if LIFC shall have breached Section 6.10 or the Board of Directors of LIFC shall have withdrawn its recommendation that LIFC stockholders approve this Agreement and the transactions contemplated thereunder;

11.1.8. By the Board of Directors of either party (provided, that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) in the event that any of the conditions precedent to the obligations of such party to consummate the Merger cannot be satisfied or fulfilled by the date specified in Section 11.1.4 of this Agreement;

11.1.9. By the Board of Directors of NYB if LIFC has received a Superior Proposal, and in accordance with Section 6.10 of this Agreement either (i) the Board of Directors of LIFC has entered into an acquisition agreement with respect to the Superior Proposal, or (ii) withdraws its recommendation of this Agreement, fails to make such recommendation or modifies or qualifies its recommendation in a manner adverse to NYB;

11.1.10. By the Board of Directors of LIFC if LIFC has received a Superior Proposal, and in accordance with Section 6.10 of this Agreement, the Board of Directors of LIFC has made a determination to accept such Superior Proposal; *provided that* LIFC shall not terminate this Agreement pursuant to this Section 11.1.10 and enter in a definitive agreement with respect to the Superior Proposal until the expiration of five (5) business days following NYB receipt of written notice advising NYB that LIFC has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal (and including a copy thereof with all accompanying documentation, if in writing) identifying

the person making the Superior Proposal and stating whether LIFC intends to enter into a definitive agreement with respect to the Superior Proposal. After providing such notice, LIFC shall provide a reasonable opportunity to NYB during the five (5) business day period to make such adjustments in the terms and conditions of this Agreement as would enable LIFC to proceed with the Merger on such adjusted terms; and

11.1.11. By LIFC, if its Board of Directors so determines by a majority vote of the members of its entire Board, at any time during the five (5) business day period commencing on the Determination Date, such termination to be effective on the 30th day following such Determination Date (Effective Termination Date), if both of the following conditions are satisfied:

(i) The NYB Market Value on the Determination Date is less than $14.69; and

(ii) The number obtained by dividing the NYB Market Value on the Determination Date by the Initial NYB Market Value ($18.36) (NYB Ratio) shall be less than the quotient obtained by dividing the Final Index Price by the Initial Index Price minus 0.20;

subject, however, to the following three sentences. If LIFC elects to exercise its termination right pursuant to this Section 11.1.11, it shall give prompt written notice thereof to NYB. During the five business day period commencing with its receipt of such notice, NYB shall have the option of paying additional Merger Consideration in the form of NYB Common Stock, cash, or a combination of NYB Common Stock and cash so that the Aggregate NYB Share Amount shall be valued at the lesser of (i) the product of 0.80 and the Initial NYB Market Value multiplied by the Exchange Ratio or (ii) the product obtained by multiplying the Index Ratio by the Initial NYB Market Value multiplied by the Exchange Ratio. If within such five business day period, NYB delivers written notice to LIFC that it intends to proceed with the Merger by paying such additional consideration, as contemplated by the preceding sentence, then no termination shall have occurred pursuant to this Section 11.1.11 and this Agreement shall remain in full force and effect in accordance with its terms (except that the Merger Consideration shall have been so modified).

For purposes of this Section 11.1.11, the following terms shall have the meanings indicated below:

Acquisition Transaction shall mean (i) a merger or consolidation, or any similar transaction, involving the relevant companies, (ii) a purchase, lease or other acquisition of all or substantially all of the assets of the relevant companies, (iii) a purchase or other acquisition (including by way of merger, consolidation, share exchange or otherwise) of securities representing 10% or more of the voting power of the relevant companies; or (iv) agree or commit to take any action referenced above.

Determination Date shall mean the first date on which all Regulatory Approvals (and waivers, if applicable) necessary for consummation of the Merger and the transactions contemplated in this Agreement have been received.

Final Index Price means the sum of the Final Prices for each company comprising the Index Group multiplied by the weighting set forth opposite such company s name in the definition of Index Group below.

Final Price, with respect to any company belonging to the Index Group, means the average of the daily closing sales prices of a share of common stock of such company (and if there is no closing sales price on any such day, then the mean between the closing bid and the closing asked prices on that day), as reported on the consolidated transaction reporting system for the market or exchange on which such common stock is principally traded, for the ten consecutive trading days immediately preceding the Determination Date.

NYB Market Value shall be the average of the daily closing sales prices of a share of NYB Common Stock as reported on the New York Stock Exchange for the ten consecutive trading days immediately preceding the Determination Date.

Index Group means the financial institution holding companies or financial institutions listed below, the common stock of all of which shall be publicly traded and as to which there shall not have been an Acquisition Transaction involving such company publicly announced at any time during the period beginning on the date of this Agreement and ending on the Determination Date. In the event that the common stock of any such company ceases to be publicly traded or an Acquisition Transaction for such company to be acquired, or for such company to acquire another company in transaction with a value exceeding 25% of the acquiror s market capitalization as

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reflected in the table below, is announced at any time during the period beginning on the date of this Agreement and ending on the Determination Date, such company will be removed from the Index Group, and the weights attributed to the remaining companies will be adjusted proportionately for purposes of determining the Final Index Price and the Initial Index Price. The financial institution holding companies and financial institutions and the weights attributed to them are as follows:

Company Name	Weight (%)	Index Price
Astoria Financial Corporation	13.0%	$ 3.68
Independence Community Bank Corp.	10.0%	$ 3.67
First Niagara Financial Group, Inc.	13.2%	$ 1.96
NewAlliance Bancshares, Inc.	13.7%	$ 1.97
Provident Financial Services, Inc.	8.7%	$ 1.58
Partners Trust Financial Group, Inc.	6.0%	$ 0.69
Dime Community Bancshares, Inc.	4.5%	$ 0.72
WSFS Financial Corporation	0.8%	$ 0.46
Provident New York Bancorp	5.3%	$ 0.63
KNBT Bancorp, Inc.	3.7%	$ 0.58
Flushing Financial Corporation	2.3%	$ 0.43
Brookline Bancorp, Inc.	7.4%	$ 1.19
PennFed Financial Services Inc.	1.6%	$ 0.31
OceanFirst Financial Corp.	1.5%	$ 0.37
Parkvale Financial Corporation	0.7%	$ 0.20
ESB Financial Corporation	1.6%	$ 0.20
Berkshire Hills Bancorp, Inc.	0.7%	$ 0.24
FMS Financial Corporation	0.8%	$ 0.13
Sound Federal Bancorp, Inc.	1.5%	$ 0.25
Willow Grove Bancorp, Inc.	1.2%	$ 0.18
MASSBANK Corp.	0.5%	$ 0.18
Synergy Financial Group, Inc.	1.5%	$ 0.18
Total:		$ 19.80

Initial NYB Market Value equals $18.36, adjusted as indicated in the last sentence of this Section 11.1.11.

Initial Index Price means the sum of the per share closing sales price as of July 29, 2005 of the common stock of each company comprising the Index Group multiplied by the applicable weighting, as such prices are reported on the consolidated transaction reporting system for the market or exchange on which such common stock is principally traded ($19.80).

Index Ratio shall be the Final Index Price divided by the Initial Index Price.

If NYB or any company belonging to the Index Group declares or effects a stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or similar transaction between the date of this Agreement and the Determination Date, the prices for the common stock of such company shall be appropriately adjusted for the purposes of applying this Section 11.1.11.

11.2. *Effect of Termination*.

11.2.1.   In the event of termination of this Agreement pursuant to any provision of Section 11.1, this Agreement shall forthwith become void and have no further force, except that (i) the provisions of Section 11.2 and Article XII, and any other Section which, by its terms, relates to post-termination rights or obligations, shall survive such termination of this Agreement and remain in full force and effect.

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11.2.2. If this Agreement is terminated, expenses and damages of the parties hereto shall be determined as follows:

(A) Except as provided below, whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

(B) In the event of a termination of this Agreement because of a willful breach of any representation, warranty, covenant or agreement contained in this Agreement, the breaching party shall remain liable for any and all damages, costs and expenses, including all reasonable attorneys fees, sustained or incurred by the non-breaching party as a result thereof or in connection therewith or with respect to the enforcement of its rights hereunder.

(C) As a condition of NYB s willingness, and in order to induce NYB, to enter into this Agreement, and to reimburse NYB for incurring the costs and expenses related to entering into this Agreement and consummating the transactions contemplated by this Agreement, LIFC hereby agrees to pay NYB, and NYB shall be entitled to payment of a fee of $2,800,000 (the NYB Fee), within three (3) business days following the occurrence of any of the events set forth below:

(i) LIFC terminates this Agreement pursuant to Section 11.1.10. NYB terminates this Agreement pursuant to Section 11.1.9 or the Board of Directors of LIFC authorizes or endorses an Acquisition Proposal; or

(ii) The entering into a definitive agreement by LIFC relating to an Acquisition Proposal or the consummation of an Acquisition Proposal involving LIFC before the twelve month anniversary of the occurrence of any of the following: (i) the termination of this Agreement by NYB pursuant to Section 11.1.2 or 11.1.3 because of a willful breach by LIFC; or (ii) the termination of this Agreement by NYB or LIFC pursuant to Section 11.1.4, 11.1.5 or 11.1.9 if prior to such termination a proposal for an Acquisition Proposal shall have been made known to LIFC or has been made directly to its shareholders to make an Acquisition Proposal.

(D) If demand for payment of the NYB Fee is made pursuant to Section 11.2.2(C) and payment is timely made, then NYB will not have any other rights or claims against LIFC, its Subsidiaries, and their respective officers and directors, under this Agreement, it being agreed that the acceptance of the NYB Fee under Section 11.2.2(C) will constitute the sole and exclusive remedy of NYB against LIFC and its Subsidiaries and their respective officers and directors.

11.3. *Amendment, Extension and Waiver*.

Subject to applicable law, at any time prior to the Effective Time (whether before or after approval thereof by the stockholders of LIFC), the parties hereto by action of their respective Boards of Directors, may (a) amend this Agreement, (b) extend the time for the performance of any of the obligations or other acts of any other party hereto, (c) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, or (d) waive compliance with any of the agreements or conditions contained herein; provided, however, that after any approval of this Agreement and the transactions contemplated hereby by the stockholders of LIFC, there may not be, without further approval of such stockholders, any amendment of this Agreement which reduces the amount, value or changes the form of consideration to be delivered to LIFC s stockholders pursuant to this Agreement. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. Any agreement on the part of a party hereto to any extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party, but such waiver or failure to insist on strict compliance with such obligation, covenant,

agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

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ARTICLE XII

MISCELLANEOUS

12.1. *Confidentiality*.

Except as specifically set forth herein, NYB and LIFC mutually agree to be bound by the terms of the confidentiality agreement dated June 30, 2005 (the Confidentiality Agreement) previously executed by the parties hereto, which Confidentiality Agreement is hereby incorporated herein by reference. The parties hereto agree that such Confidentiality Agreements shall continue in accordance with their respective terms, notwithstanding the termination of this Agreement.

12.2. *Public Announcements*.

LIFC and NYB shall cooperate with each other in the development and distribution of all news releases and other public disclosures with respect to this Agreement, and except as may be otherwise required by law, neither LIFC nor NYB shall issue any news release, or other public announcement or communication with respect to this Agreement unless such news release, public announcement or communication has been mutually agreed upon by the parties hereto.

12.3. *Survival*.

All representations, warranties and covenants in this Agreement or in any instrument delivered pursuant hereto or thereto shall expire on and be terminated and extinguished at the Effective Time, except for those covenants and agreements contained herein which by their terms apply in whole or in part after the Effective Time.

12.4. *Notices.*

All notices or other communications hereunder shall be in writing and shall be deemed given if delivered by receipted hand delivery or mailed by prepaid registered or certified mail (return receipt requested) or by recognized overnight courier addressed as follows:

If to LIFC, to: Douglas C. Manditch

President and Chief Executive Officer

Long Island Financial Corp.

1601 Veterans Memorial Highway

	Islandia, New York 11749
	Fax: (631) 348-0830
With required copies to:	George W. Murphy, Jr., Esq.
	Muldoon Murphy & Aguggia LLP
	5101 Wisconsin Avenue, N.W.
	Washington, D.C. 20016
	Fax: (202) 966-9409
If to NYB, to:	Joseph R. Ficalora
	President and Chief Executive Officer
	New York Community Bancorp, Inc.
	615 Merrick Avenue
	Westbury, New York 11590
	Fax: (516) 683-4191
With required copies to:	Alan Schick, Esq.
	Luse Gorman Pomerenk & Schick, P.C.
	5335 Wisconsin Avenue, N.W., Suite 400
	Washington, D.C. 20015
	Fax: (202) 362-2902

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or such other address as shall be furnished in writing by any party, and any such notice or communication shall be deemed to have been given: (a) as of the date delivered by hand; (b) three (3) business days after being delivered to the U.S. mail, postage prepaid; or (c) one (1) business day after being delivered to the overnight courier.

12.5. *Parties in Interest*.

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other party, and that (except as provided in Article III and Section 7.9 of this Agreement) nothing in this Agreement is intended to confer upon any other person any rights or remedies under or by reason of this Agreement.

12.6. *Complete Agreement*.

This Agreement, including the Exhibits and Disclosure Schedules hereto and the documents and other writings referred to herein or therein or delivered pursuant hereto, and the Confidentiality Agreement, referred to in Section 12.1, contains the entire agreement and understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties other than those expressly set forth herein or therein. This Agreement supersedes all prior agreements and understandings (other than the Confidentiality Agreements referred to in Section 12.1 hereof) between the parties, both written and oral, with respect to its subject matter.

12.7. *Counterparts*.

This Agreement may be executed in one or more counterparts all of which shall be considered one and the same agreement and each of which shall be deemed an original. A facsimile copy of a signature page shall be deemed to be an original signature page.

12.8. *Severability*.

In the event that any one or more provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, by any court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement and the parties shall use their reasonable best efforts to substitute a valid, legal and enforceable provision which, insofar as practical, implements the purposes and intents of this Agreement.

12.9. *Governing Law*.

This Agreement shall be governed by the laws of the State of Delaware, without giving effect to its principles of conflicts of laws.

12.10. *Interpretation*.

When a reference is made in this Agreement to Sections or Exhibits, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. The recitals hereto constitute an integral part of this Agreement. References to Sections include subsections, which are part of the related Section (e.g., a section numbered Section 5.5.1 would be part of Section 5.5 and references to Section 5.5 would also refer to material contained in the subsection described as Section 5.5.1). The table of contents, index and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words include , includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation . The phrases the date of this

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Agreement , the date hereof and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the date set forth in the Recitals to this Agreement.

12.11. *Definition of subsidiary and affiliate ; Covenants with Respect to Subsidiaries and Affiliates*.

(a) When a reference is made in this Agreement to a subsidiary of a Person, the term subsidiary means those other Persons that are controlled, directly or indirectly, by such Person within the meaning of Section 2(2) of the BHCA. When a reference is made in this Agreement to an affiliate of a Person, the term affiliate (or Affiliate means those other Persons that, directly or indirectly, control, are controlled by, or are under common control with, such Person.

(b) Insofar as any provision of the Agreement shall require a subsidiary or an affiliate of a party to take or omit to take any action, such provision shall be deemed a covenant by NYB or LIFC, as the case may be, to cause such action or omission to occur.

12.12. *Waiver of Jury Trial*.

Each party hereto acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation, directly or indirectly, arising out of, or relating to, this Agreement, or the transactions contemplated by this Agreement. Each party certifies and acknowledges that (a) no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver, (b) each party understands and has considered the implications of this waiver, (c) each party makes this waiver voluntarily, and (d) each party has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 12.12.

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IN WITNESS WHEREOF, NYB and LIFC have caused this Agreement to be executed under seal by their duly authorized officers as of the date first set forth above.

	New York Community Bancorp, Inc.
Dated: August 1, 2005	By: /s/ JOSEPH R. FICALORA
	Name: Joseph R. Ficalora
	Title: President and Chief Executive Officer
	Long Island Financial Corp.
Dated: August 1, 2005	By: /s/ DOUGLAS C. MANDITCH
	Name: Douglas C. Manditch
	Title: President and Chief Executive Officer

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Appendix B

October 11, 2005

Board of Directors

Long Island Financial Corporation

1601 Veterans Memorial Highway

Islandia, NY 11749

Ladies and Gentlemen:

Long Island Financial Corporation (Long Island Financial) and New York Community Bancorp, Inc. (New York Community), have entered into an Agreement and Plan of Merger, dated as of August 1, 2005 (the Agreement), pursuant to which Long Island Financial will be merged with and into New York Community, with New York Community being the surviving entity (the Merger). Under the terms of the Agreement, upon consummation of the Merger, each share of Long Island Financial common stock issued and outstanding immediately prior to the Merger (the Long Island Financial Shares) will be converted into the right to receive 2.32 shares of New York Community common stock (the Exchange Ratio). Cash will be paid in lieu of fractional shares. The other terms and conditions of the Merger are more fully set forth in the Agreement. You have requested our opinion as to the fairness, from a financial point of view, of the Exchange Ratio to holders of Long Island Financial Shares.

Sandler O Neill & Partners, L.P., as part of its investment banking business, is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. In connection with this opinion, we have reviewed, among other things: (i) the Agreement; (ii) certain publicly available financial statements and other historical financial information of Long Island Financial that we deemed relevant; (iii) certain publicly available financial statements and other historical financial information of New York Community that we deemed relevant; (iv) earnings per share estimates for Long Island Financial for the years ending December 31, 2005 and 2006 and long-term earnings per share growth rates for years thereafter, in each case, as provided by, and reviewed with, senior management of Long Island Financial; (v) earnings per share estimates for New York Community for the year ending December 31, 2005 published by I/B/E/S and reviewed with and confirmed by senior management of New York Community; (vi) earnings per share estimate for New York Community for the year ending December 31, 2006, and long-term earnings per share growth rates for the years thereafter, in each case, published by I/B/E/S; (vii) the pro forma financial impact of the Merger on New York Community, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by the senior management of New York Community and reviewed with senior management of Long Island Financial; (viii) the publicly reported historical price and trading comparison of certain financial and stock market information for Long Island Financial and New York Community with similar publicly available information for certain other companies the securities of which are publicly traded; (ix) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available; (x) the current market environment generally and the banking environment in particular; and (xi) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant. We also discussed with certain members of senior management of Long Island Financial, the business, financial condition, results of

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Board of Directors

Long Island Financial Corporation

October 11, 2005

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operations and prospects of Long Island Financial and held similar discussions with certain members of senior management of New York Community regarding the business, financial condition, results of operations and prospects of New York Community.

In performing our review, we have relied upon the accuracy and completeness of all of the financial and other information that was available to us from public sources or that was provided to us by Long Island Financial or New York Community or their respective representatives and have assumed such accuracy and completeness for purposes of rendering this opinion. We have further relied on the assurances of management of Long Island Financial and New York Community that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. We have not been asked to and have not undertaken an independent verification of any of such information and we do not assume any responsibility or liability for the accuracy or completeness thereof. We did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Long Island Financial or New York Community or any of their subsidiaries, or the collectibility of any such assets, nor have we been furnished with any such evaluations or appraisals. We did not make an independent evaluation of the adequacy of the allowance for loan losses of Long Island Financial or New York Community nor have we reviewed any individual credit files relating to Long Island Financial or New York Community. We have assumed, with your consent, that the respective allowances for loan losses for both Long Island Financial and New York Community are adequate to cover such losses.

With respect to the earnings estimates for Long Island Financial and New York Community reviewed with the managements of Long Island Financial and New York Community and used by us in our analyses, Long Island Financial s and New York Community s managements confirmed to us that they reflected the best currently available estimates and judgments of the respective managements of the respective future financial performances of Long Island Financial and New York Community and we assumed that such performances would be achieved. With respect to the projections of transaction expenses, purchase accounting adjustments, cost savings and stock repurchases determined by the senior management of New York Community and reviewed with senior management of Long Island Financial, the managements of Long Island Financial and New York Community confirmed to us that they reflected the best currently available estimates and judgments of such managements and we assumed that such performances would be achieved. We express no opinion as to such financial projections or the assumptions on which they are based. We have also assumed that there has been no material change in Long Island Financial s or New York Community s assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to us. We have assumed in all respects material to our analysis that Long Island Financial and New York Community will remain as going concerns for all periods relevant to our analyses, that all of the representations and warranties contained in the Agreement and all related agreements are true and correct, that each party to the agreements will perform all of the covenants required to be performed by such party under the agreements, that the conditions precedent in the agreements are not waived and that the Merger will be a tax-free reorganization for federal income tax purposes. Finally, with your consent, we have relied upon the advice Long Island Financial has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Agreement.

Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof could materially affect this opinion. We have not undertaken to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof. We are expressing no opinion herein as to what the value of New York Community s common stock will be when issued to Long Island Financial s shareholders pursuant to the Agreement or the prices at which Long Island Financial or New York Community s common stock may trade at any time.

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Board of Directors

Long Island Financial Corporation

October 11, 2005

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We have acted as Long Island Financial s financial advisor in connection with the Merger and will receive a fee for our services, a substantial portion of which is contingent upon consummation of the Merger. We will also receive a fee for rendering this opinion. Long Island Financial has also agreed to indemnify us against certain liabilities arising out of our engagement. As you are aware, we have provided certain other investment banking services to Long Island Financial and New York Community in the past and have received compensation for such services.

In the ordinary course of our business as a broker-dealer, we may purchase securities from and sell securities to Long Island Financial and New York Community and their affiliates. We may also actively trade the equity or debt securities of Long Island Financial and New York Community or their affiliates for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

Our opinion is directed to the Board of Directors of Long Island Financial in connection with its consideration of the Merger and does not constitute a recommendation to any shareholder of Long Island Financial as to how such shareholder should vote at any meeting of shareholders called to consider and vote upon the Merger. Our opinion is directed only to the fairness, from a financial point of view, of the Exchange Ratio to holders of Long Island Financial Shares and does not address the underlying business decision of Long Island Financial to engage in the Merger, the relative merits of the Merger as compared to any other alternative business strategies that might exist for Long Island Financial or the effect of any other transaction in which Long Island Financial might engage. Our opinion is not to be quoted or referred to, in whole or in part, in a registration statement, prospectus, proxy statement or in any other document, nor shall this opinion be used for any other purposes, without our prior written consent.

Based upon and subject to the foregoing, it is our opinion, as of the date hereof, that the Exchange Ratio in the Merger is fair to the holders of Long Island Financial Shares from a financial point of view.

Very truly yours,

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Appendix C

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2005

OR

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission File No.: 0-29826

LONG ISLAND FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Delaware	**11-3453684**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1601 Veterans Memorial Highway, Suite 120	
Islandia, New York	**11749**
(Address of Principal Executive Offices)	**(Zip Code)**

(631) 348-0888

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12B-2 of the Exchange Act):   Yes ¨   No x

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

Common Stock par value $.01, per share. The registrant had 1,543,724 shares of Common Stock outstanding as of August 12, 2005.

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FORM 10-Q

LONG ISLAND FINANCIAL CORP.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

LONG ISLAND FINANCIAL CORP.

Consolidated Balance Sheets

(In thousands, except share data)

	June 30, 2005	December 31, 2004
	(Unaudited)	
Assets:		
Cash and due from banks	$ 11,539	$ 10,310
Interest earning deposits	1,441	37
Total cash and cash equivalents	12,980	10,347
Securities available-for-sale, at fair value	255,545	278,814
Federal Home Loan Bank stock, at cost	4,200	4,925
Loans, held for sale	838	604
Loans, net of unearned income and deferred fees	249,125	243,477
Less allowance for loan losses	(4,066)	(5,591)
Loans, net	245,059	237,886
Premises and equipment, net	5,220	5,422
Accrued interest receivable	3,203	3,342
Bank owned life insurance	7,924	7,779
Deferred tax asset, net	2,896	3,169
Prepaid expenses and other assets	1,814	2,521
Total assets	$ 539,679	$ 554,809
Liabilities and Stockholders Equity:		
Deposits:		
Demand deposits	$ 112,424	$ 99,876
Savings deposits	118,786	123,142
NOW and money market deposits	106,400	126,509
Time deposits, $100,000 or more	15,272	9,863
Other time deposits	62,974	58,905
Total deposits	415,856	418,295
Federal funds purchased and securities sold under agreements to repurchase	13,000	27,500
Other borrowings	71,000	71,000
Subordinated debentures	7,732	7,732
Accrued expenses and other liabilities	3,584	3,245

Total liabilities	511,172	527,772
Stockholders equity:		
Common stock (par value $.01 per share; 10,000,000 shares authorized; 1,878,792 and 1,850,378 shares issued; 1,541,892 and 1,513,478 shares outstanding, respectively)	19	19
Surplus	22,165	21,590
Retained earnings	12,716	11,417
Accumulated other comprehensive loss	(2,215)	(1,811)
Treasury stock at cost, (336,900 shares)	(4,178)	(4,178)
Total stockholders equity	28,507	27,037
Total liabilities and stockholders equity	$ 539,679	$ 554,809

See accompanying notes to consolidated financial statements.

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LONG ISLAND FINANCIAL CORP.

Consolidated Statements of Earnings

(Unaudited)

(In thousands, except share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005	**2004**	**2005**	**2004**
Interest income:				
Loans	$ 4,070	$ 3,871	$ 8,021	$ 7,671
Securities	2,838	2,757	5,775	5,304
Federal funds sold and earning deposits	62	3	72	5
Total interest income	6,970	6,631	13,868	12,980
Interest expense:				
Savings deposits	490	272	911	563
NOW and money market deposits	579	223	1,013	459
Time deposits, $100,000 or more	101	60	171	129
Other time deposits	551	593	1,058	1,241
Borrowed funds	839	871	1,760	1,637
Subordinated debentures	209	206	415	413
Total interest expense	2,769	2,225	5,328	4,442
Net interest income	4,201	4,406	8,540	8,538
Provision for loan losses	50	5,000	125	5,500
Net interest income (expense) after provision for loan losses	4,151	(594)	8,415	3,038
Other operating income:				
Service charges on deposit accounts	706	618	1,344	1,270
Net gain on sales and calls of securities		2,483		2,880
Net gain on sale of residential loans	147	204	283	396
Earnings on bank-owned life insurance	91	100	180	395
Other	226	128	391	263
Total other operating income	1,170	3,533	2,198	5,204
Other operating expenses:				
Salaries and employee benefits	2,158	1,870	4,252	4,001
Occupancy expense	342	314	684	629
Premises and equipment expense	377	379	720	766
Automobile loan expense	131	798	254	855

Other	1,063	1,067	2,113	2,160
Total other operating expenses	4,071	4,428	8,023	8,411
Income (loss) before income taxes	1,250	(1,489)	2,590	(169)
Income taxes (benefit)	443	(592)	923	(193)
Net income (loss)	$ 807	$ (897)	$ 1,667	$ 24
Basic earnings (loss) per share	$ .53	$ (.60)	$ 1.09	$ .02
Diluted earnings (loss) per share	$ .51	$ (.56)	$ 1.05	$ .02
Weighted average shares outstanding	1,533,004	1,503,606	1,527,443	1,501,067
Diluted weighted average shares outstanding	1,592,957	1,588,510	1,590,321	1,585,710
Comprehensive income (loss)	$ 3,521	$ (7,401)	$ 1,263	$ (3,870)

See accompanying notes to consolidated financial statements.

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LONG ISLAND FINANCIAL CORP.

Consolidated Statement of Changes in Stockholders Equity

and Other Comprehensive Loss

For the Six Months Ended June 30, 2005

(Unaudited)

(In thousands, except share data)

	Common stock	Surplus	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total
Balance at December 31, 2004	$ 19	$ 21,590	$ 11,417	$ (1,811)	$ (4,178)	$ 27,037
Comprehensive income:						
Net income			1,667			1,667
Other comprehensive income, net of tax:						
Unrealized depreciation in available-for-sale securities, net of reclassification adjustment				(404)		(404)
Total comprehensive income						1,263
Exercise of stock options and related tax benefit, issued 25,530 shares		464				464
Dividend reinvestment and stock purchase plan, issued 2,884 shares		111				111
Dividends declared on common stock ($.24 per common share)			(368)			(368)
Balance at June 30, 2005	$ 19	$ 22,165	$ 12,716	$ (2,215)	$ (4,178)	$ 28,507

	Six Months Ended June 30,	
	2005	2004
	(In thousands)	
Net unrealized depreciation arising during the year, net of tax	$ (404)	$ (2,080)
Less: Reclassification adjustment for net gains included in net income, net of tax		1,814
Net unrealized loss on securities, net of tax	$ (404)	$ (3,894)

See accompanying notes to consolidated financial statements.

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LONG ISLAND FINANCIAL CORP.

Consolidated Statements of Cash Flows

(Unaudited)

	For the Six Months Ended June 30,	
	2005	2004
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 1,667	$ 24
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	125	5,500
Depreciation and amortization	481	549
Amortization of premiums, net of discount accretion	55	137
Net gain on sales and calls of securities, held-to-maturity		(335)
Net gain on sales and calls of securities, available-for-sale		(2,545)
Loans originated for sale, net of proceeds from sales and gains	(234)	1,103
Net deferred loan origination fees	20	53
Earnings on bank owned life insurance	(180)	(203)
Bank owned life insurance benefit		(192)
Deferred income taxes	543	(1,653)
Change in other assets and liabilities:		
Accrued interest receivable	139	(761)
Prepaid expenses and other assets	742	(362)
Accrued expenses and other liabilities	339	(625)
Net cash provided by operating activities	3,697	690
Cash flows from investing activities:		
Purchases of securities available-for-sale	(134,959)	(577,725)
Net purchases (redemptions) of Federal Home Loan Bank stock	725	(3,750)
Proceeds from sales of securities held-to-maturity		1,347
Proceeds from sales of securities available-for-sale	15,000	58,187
Proceeds from maturities and calls of securities available-for-sale	139,000	467,157
Principal repayments on securities available for sale	3,499	7,286
Loan originations, net of principal repayments	(7,318)	(14,143)
Redemption of bank owned life insurance, net		922
Purchase of premises and equipment	(279)	(503)
Net cash provided by (used in) investing activities	15,668	(61,222)
Cash flows from financing activities:		
Net decrease in demand deposit, savings, NOW, and money market deposits	(12,352)	(45,739)
Net increase (decrease) in time deposits	9,913	(13,880)
Net (decrease) increase in federal funds purchased	(14,500)	69,900
Net increase in other borrowings		15,000
Shares issued under the dividend reinvestment and stock purchase plan	111	74

Exercise of stock options	464	353
Payments for cash dividends	(368)	(361)
Net cash (used in) provided by financing activities	(16,732)	25,347
Net increase (decrease) in cash and cash equivalents	2,633	(35,185)
Cash and cash equivalents at beginning of period	10,347	46,745
Cash and cash equivalents at end of period	$ 12,980	$ 11,560
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 5,289	$ 4,695
Income taxes	$	$ 1,880
Non-cash investing activities:		
Fair value of securities transferred from held-to-maturity to available-for-sale	$	$ 13,454

See accompanying notes to consolidated financial statements.

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LONG ISLAND FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Long Island Financial Corp. and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements included herein reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the six-month period ended June 30, 2005, are not necessarily indicative of the results of operations that may be expected for the entire fiscal year. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Certain reclassifications have been made to prior year amounts to conform to the current year presentation. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements, and notes thereto, included in the Company s 2004 Annual Report on Form 10-K.

The Company makes available through its internet website, ***www.licb.com***, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. Such reports are free of charge and are available as soon as reasonably practicable after the Company electronically files such materials with, or furnishes them to, the Securities and Exchange Commission.

2. SECURITIES

The following table sets forth certain information regarding amortized cost and estimated fair value of securities available-for-sale as of the dates indicated:

	June 30, 2005		December 31, 2004	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
	(In thousands)			
Available-for-sale:				
U.S. Government and Agency obligations	$ 237,096	233,562	$ 256,102	253,409
Mortgage-backed securities:				

GNMA	19,249	19,082	22,128	21,794
FHLMC	1,540	1,516	1,982	1,960
FNMA	1,156	1,185	1,424	1,452
Municipal obligations	200	200	200	199
Total securities available-for-sale	$ 259,241	255,545	$ 281,836	278,814

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LONG ISLAND FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. LOANS, NET

Loans, net, are summarized as follows:

	June 30, 2005		December 31, 2004	
	(Dollars in thousands)			
Loans held-for-sale:				
Residential real estate loans	$ 838	100.0%	$ 604	100.0%
Loans, net:				
Commercial and industrial loans	$ 58,798	23.4%	$ 46,414	18.9%
Commercial real estate loans	170,432	68.0	170,149	69.2
Residential real estate loans	3,240	1.3	3,240	1.3
Automobile loans	13,843	5.5	24,127	9.8
Consumer loans	4,529	1.8	1,875	0.8
	250,842	100.0	245,805	100.0
Less:				
Unearned income	(711)		(1,342)	
Deferred fees, net	(1,006)		(986)	
Allowance for loan losses	(4,066)		(5,591)	
Total loans, net	$ 245,059		$ 237,886	

Automobile loans

Since 2000, the Bank had maintained a program of making non-recourse loans to a local automobile leasing company (the third party) and received as security an assignment of each individual lease and a collateral interest in each automobile. The third party, in addition to providing complete servicing of the portfolio, was obligated for the repayment of the entire principal balance of each loan at the time each individual lease terminated. In March, 2004, the Company learned that, due to liquidity issues and financial difficulties, the third party would not have the ability to fulfill its obligations and ceased origination of non-recourse loans to the automobile leasing company.

At June 30, 2005, the automobile loan portfolio, net of unearned income and deferred fees, consisted of 664 loans with balances aggregating $13.1 million. Automobile loans represented 5.3% of the Bank s loan portfolio, net of unearned income and deferred fees. Delinquencies at June 30, 2005, were $227,102 or 1.7% of the portfolio.

The Company incurred operating expenses relating to the automobile loan portfolio of $131,000 for the quarter ended June 30, 2005, compared to $798,000 for the quarter ended June 30, 2004. Those expenses include expenses for legal services, portfolio servicing and administration, collateral perfection, verification and disposition, and audit and accounting services. While the Company expects to continue to incur operating expenses related to the automobile loan portfolio, it expects those expenses to decrease as the portfolio matures. Operating costs for the automobile loan portfolio are expensed when incurred and recorded in automobile loan expense in the consolidated statements of earnings.

4. STOCK BASED COMPENSATION

The Company applies the intrinsic-value based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. That method includes Financial Accounting Standards Board (FASB) Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25, issued in March 2000, to

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LONG ISLAND FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

account for its fixed-plan stock options. Under that method, compensation expense is recorded on the date of grant only if the current market price of the stock exceeds the exercise price. Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock Based Compensation, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No. 123. The following table illustrates the effect on net income (loss) if the fair-value-based method had been applied to all stock options vested in each period:

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2005	2004	2005	2004
		(Dollars in thousands, except per share data)			
Net income (loss) as reported		$ 807	$ (897)	$ 1,667	$ 24
Deduct total stock-based employee compensation expense determined under fair-value-based method for all awards, net of tax		51	45	144	144
Pro forma net income (loss)		$ 756	$ (942)	$ 1,523	$ (120)
Earnings (loss) per share:					
Basic	As Reported	$ .53	$ (.60)	$ 1.09	$ .02
	Pro forma	.49	(.63)	1.00	(.08)
Diluted As	Reported	.51	(.56)	1.05	.02
	Pro forma	.47	(.59)	.96	(.08)

5. RECENT DEVELOPMENTS

On August 1, 2005, the Company and New York Community Bancorp, Inc. (NYCB) entered into an Agreement and Plan of Merger (the Merger Agreement) under which the Company will merge with and into NYCB, with NYCB as the surviving entity, in an all-stock transaction valued at approximately $69.8 million. Under the terms of the Merger Agreement, shareholders of the Company will receive 2.32 shares of NYCB common stock for each share of the Company common stock held at the closing date. Additional information concerning the Merger Agreement can be found in the Form 8-K filed by the Company on August 3, 2005.

On May 25, 2005, the Board of Directors of the Company declared a quarterly dividend of $.12 per common share. The dividend was paid July 1, 2005, to shareholders of record as of June 17, 2005.

6. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Bank enters into commitments to purchase investment securities. At June 30, 2005, the Bank had no outstanding commitments to purchase investment securities.

7. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), Share Based Payments. The statement requires that compensation cost relating to share-based payment transactions be recognized in financial statements and that this cost be measured on the fair value of the equity or liability instruments issued. SFAS No. 123 (Revised 2004) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The Company will adopt SFAS No. 123 (Revised 2004) on January 1, 2006.

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LONG ISLAND FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

In March 2004, the FASB Emerging Issues Task Force (EITF) reached a consensus regarding EITF 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. The consensus clarifies the meaning of other-than-temporary impairment and its application to investments classified as either available-for-sale or held-to-maturity under SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, and investments accounted for under the cost method or the equity method. The recognition and measurement guidance for which the consensus was reached is to be applied to other-than-temporary impairment evaluations. In September 2004, the Financial Accounting Standards Board (FASB) issued a final FASB Staff Position, FSP EITF Issue 03-01-1, which delays the effective date for the measurement and recognition guidance of EITF 03-01. In June, 2005, the FASB decided to issue a proposed final FSP to supersede EITF Issue 03-1 and EITF Topic D-44 retitled FSP FAS 115-1 which is expected to be finalized in September, 2005, and clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other than temporary, even if a decision to sell has not been made.

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

Private Securities Litigation Reform Act Safe Harbor Statement

Statements contained in this Form 10-Q which are not historical facts are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Amounts stated herein could vary as a result of market and other factors. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by Long Island Financial Corp. (the Company) with the Securities and Exchange Commission from time to time. Such forward-looking statements may be identified by the use of such words as believe, expect, anticipate, should, planned, estimated, intend and potential. Examples of forward looking statements include, bu limited to, estimates with respect to the financial condition, expected or anticipated revenue, results of operations and business of the Company that are subject to various factors which could cause actual results to differ materially from these estimates. The Company s ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of the Company include, but are not limited to, changes in: interest rates; general economic conditions; monetary and fiscal policies of the U. S. Government, including policies of the U.S. Treasury and the Federal Reserve Board; the quality or composition of the loan or investment portfolios; demand for loan and non-deposit products; deposit flows; real estate values; the level of defaults, losses and prepayments on loans held by the Company in its portfolio or sold in the secondary markets; demand for financial services in the Company s market area; competition; accounting principles, policies, practices or guidelines; legislation or regulation; and other economic, competitive, governmental, regulatory, and technological factors affecting the Company s operations, pricing, products and services. The forward-looking statements are made as of the date of this Form 10-Q, and, except as required by applicable law, the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements. These risks and uncertainties should be considered in evaluating forward-looking statements, which speak only as of the date of this Form 10-Q, and undue reliance should not be placed on such statements.

Overview

The principal business of Long Island Financial Corp. consists of the operation of a wholly-owned subsidiary, Long Island Commercial Bank. Long Island Commercial Bank is a New York state-chartered commercial bank, which began operations in 1990, and is engaged in commercial and consumer banking in Islandia, New York, and the surrounding communities of Suffolk and Nassau counties, and in Kings County. The Bank offers a broad range of commercial and consumer banking services, including loans to and deposit accounts for small and medium-sized businesses, professionals, high net worth individuals and consumers. The Bank is an independent local bank, emphasizing personal attention and responsiveness to the needs of its customers.

Critical Accounting Policies and Estimates

The Company identifies accounting policies critical to the Company s operations and understanding of the Company s results of operations. Certain accounting policies are considered to be important to the portrayal of the Company s financial condition since they require management to make complex or subjective judgments, some of which may relate to matters that are inherently uncertain.

Allowance for Loan Losses

The Company has determined that the methodology used in determining the level of its allowance for loan losses is critical in the presentation and understanding of the Company s consolidated financial statements. The allowance for loan losses represents management s estimate of probable losses inherent in the portfolio. The evaluation process for making provisions for loan losses is subject to numerous estimates and judgments. Changes in those estimates would have a direct impact on the provision for loan losses and could result in a

change in the allowance. While management uses available information to determine losses on loans, future additions to the allowance may be necessary based on, among other things, unanticipated changes in economic conditions, particularly in Suffolk, Nassau and Kings counties.

In evaluating the portfolio, management takes into consideration numerous factors such as the Company s loan growth, prior loss experience, present and potential risks of the loan portfolio, risk ratings assigned by lending personnel, ratings assigned by the independent loan review function, the present financial condition of the borrowers, current economic conditions, and other portfolio risk characteristics. The Company s formalized process for assessing the adequacy of the allowance for loan losses and the resultant need, if any, for periodic provisions to the allowance charged to income consists of both individual loan analyses and loan pool analyses. The individual loan analyses are periodically performed on significant loans or when otherwise deemed necessary and primarily encompass commercial real estate loans and commercial and industrial loans. Management believes that the Company s allowance for loan losses at June 30, 2005 is adequate to provide for estimated probable losses inherent in the portfolio.

Securities

The fair value of securities classified as held-to-maturity or available-for-sale is based upon quoted market prices. If quoted market prices are not available, fair values are extrapolated from the quoted prices of similar instruments.

Deferred Tax Assets

The Company uses estimates of future earnings to support the position that the benefit of its deferred tax assets will be realized. If future income should prove non-existent or less than the amount of the deferred tax assets within the tax years to which they may be applied, the asset may not be realized and the Company s net income would be reduced.

Financial Condition

Total assets were $539.7 million as of June 30, 2005, a decrease of $15.1 million, or 2.7%, from $554.8 million at December 31, 2004. The decrease in total assets was primarily due to a decrease in the securities available-for-sale portfolio, offset in part by an increase in the loan portfolio. At June 30, 2005, securities available-for-sale decreased $23.3 million, or 8.3%, to $255.5 million, compared to the $278.8 million held at December 31, 2004. The decrease in securities available-for-sale was primarily due to the sale of $15 million of U.S. Government Agency obligations, which in the aggregate resulted in no gain or loss, and normal principal repayments on the mortgaged-backed securities portfolio. The $5.6 million, or 2.3% increase in loans, net of unearned income and deferred fees, from $243.5 million at December 31, 2004, to $249.1 million at June 30, 2005, primarily reflects increases in commercial and industrial loans offset by the maturing automobile loan portfolio. Commercial and industrial loans rose $12.4 million, or 26.7%, from $46.4 million at December 31, 2004, to $58.8 million at June 30, 2005. Automobile loans decreased from $24.1 million at December 31, 2004, to $13.8 million at June 30, 2005. The Company ceased origination of automobile loans in March 2004.

Total liabilities decreased $16.6 million, or 3.1%, from $527.8 million at December 31, 2004, to $511.2 million at June 30, 2005. The decrease in total liabilities was due principally to a decrease in federal funds purchased and securities sold under agreements to repurchase combined with a nominal decrease in total deposits. The Company utilizes overnight and short term borrowings, primarily in the form of federal funds purchased and securities sold under agreements to repurchase, as a funding source to fund asset growth when necessary. There were $13.0

million of federal funds purchased at June 30, 2005, compared to $27.5 million at December 31, 2004. The decrease in total deposits is primarily the result of a $20.1 million, or 15.9%, decrease in NOW and money market deposits from $126.5 million at December 31, 2004, to $106.4 million at June 30 2005, attributable to the withdrawal of seasonal municipal funds on deposit at December 31, 2004. Offsetting that decrease, demand deposits

increased $12.5 million, or 12.6%, as the Company continues to focus on the growth of core deposits. Time deposits of $100,000 or more, and other time deposits increased $9.4 million, or 13.8%, from $68.8 million at December 31, 2004, to $78.2 million at June 30, 2005, as the Bank utilized time deposits as an alternative funding source when deemed advantageous. Other borrowings aggregated $71.0 million at June 30, 2005.

Stockholders equity increased $1.5 million, or 5.4%, from $27.0 million at December 31, 2004, to $28.5 million at June 30, 2005. The increase in stockholders equity was primarily attributable to net income of $1.7 million and $575,000 from stock issued through the exercise of stock options and the dividend reinvestment and stock purchase plan. Those increases were offset in part by a $404,000 increase in accumulated other comprehensive loss for the six months ended June 30, 2005, and dividends declared of $368,000.

Analysis of Net Interest Income

Net interest income represents the difference between income on interest-earning assets and expense on interest-bearing liabilities. Net interest income depends upon both the volume of interest-earning assets and interest-bearing liabilities and the rates earned or paid on them.

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The following tables set forth certain information relating to the Company s consolidated average balance sheets and its consolidated statements of earnings for the six months ended June 30, 2005 and 2004, and reflect the average yield on interest-earning assets and average cost of interest-bearing liabilities for the periods indicated. Yields and costs are derived by dividing annualized income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively. Average balances are derived from average daily balances. Average loan balances include non-performing loans although the amount of non-performing loans is not material.

	Three Months Ended June 30,					
	2005			2004		
	Average Balance	Interest	Average Yield / Cost	Average Balance	Interest	Average Yield / Cost
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
Federal funds sold and interest-earning deposits	$ 8,411	$ 62	2.95%	$ 1,267	$ 3	.95%
Securities(1)	279,674	2,838	4.06	280,786	2,757	3.93
Loans, net of unearned income and deferred fees(2)	238,015	4,070	6.84	236,426	3,871	6.55
Total interest-earning assets	526,100	6,970	5.30	518,479	6,631	5.12
Non-interest-earning assets	31,652			34,633		
Total assets	$ 557,752			$ 553,112		
Liabilities and Stockholders Equity:						
Interest-bearing liabilities:						
Savings deposits	$ 119,305	490	1.64	$ 101,239	272	1.07
NOW and money market deposits	127,913	579	1.81	116,854	223	76
Certificates of deposit	79,005	652	3.30	89,628	653	2.91
Total interest-bearing deposits	326,223	1,721	2.11	307,721	1,148	1.49
Borrowed funds	85,108	839	3.94	108,970	871	3.20
Subordinated debentures	7,732	209	10.81	7,732	206	10.66
Total interest-bearing liabilities	419,063	2,769	2.64	424,423	2,225	2.10
Other non-interest-bearing liabilities	112,307			100,459		
Total liabilities	531,370			524,882		
Stockholders equity	26,382			28,230		
Total liabilities and stockholders equity	$ 557,752			$ 553,112		
Net interest income/ interest rate spread(3)		$ 4,201	2.66%		$ 4,406	3.02%
Net interest margin(4)			3.19%			3.40%
Ratio of interest-earning assets to interest-bearing liabilities			1.26x			1.22x

(1) Amounts include Federal Home Loan Bank Stock, at cost. Unrealized appreciation / depreciation on available-for-sale securities are recorded in non-interest earning assets.

(2) Amounts exclude the allowance for loan losses and include non-performing loans.
(3) Interest rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average interest-earning assets.

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	Six Months Ended June 30,					
	2005			2004		
	Average Balance	Interest	Average Yield / Cost	Average Balance	Interest	Average Yield / Cost
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
Federal funds sold and interest-earning deposits	$ 5,113	$ 72	2.82%	$ 1,096	$ 5	.91%
Securities(1)	284,121	5,775	4.07	274,860	5,304	3.86
Loans, net of unearned income and deferred fees(2)	238,269	8,021	6.73	233,146	7,671	6.58
Total interest-earning assets	527,503	13,868	5.26	509,102	12,980	5.10
Non-interest-earning assets	30,647			36,599		
Total assets	$ 558,150			$ 545,701		
Liabilities and Stockholders Equity:						
Interest-bearing liabilities:						
Savings deposits	$ 121,335	911	1.50	$ 103,172	563	1.09
NOW and money market deposits	123,241	1,013	1.64	117,364	459	.78
Certificates of deposit	76,745	1,229	3.20	92,764	1,370	2.95
Total interest-bearing deposits	321,321	3,153	1.96	313,300	2,392	1.53
Borrowed funds	93,112	1,760	3.78	96,563	1,637	3.39
Subordinated debentures	7,732	415	10.73	7,732	413	10.68
Total interest-bearing liabilities	422,165	5,328	2.52	417,595	4,442	2.13
Other non-interest-bearing liabilities	109,503			100,157		
Total liabilities	531,668			517,752		
Stockholders equity	26,482			27,949		
Total liabilities and stockholders equity	$ 558,150			$ 545,701		
Net interest income/ interest rate spread(3)		$ 8,540	2.74%		$ 8,538	2.97%
Net interest margin(4)			3.24%			3.35%
Ratio of interest-earning assets to interest-bearing liabilities			1.25x			1.22x

(1) Amounts include Federal Home Loan Bank Stock, at cost. Unrealized appreciation / depreciation on available-for-sale securities are recorded in non-interest earning assets.
(2) Amounts exclude the allowance for loan losses and include non-performing loans.
(3) Interest rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average interest-earning assets.

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Comparison of Operating Results for the Three Months Ended June 30, 2005 and 2004

General

The Company reported net income of $807,000, or diluted earnings per share of $.51 for the three months ended June 30, 2005, compared to a loss of $897,000 for the three months ended June 30, 2004. The loss recognized for the quarter ended June 30, 2004 was attributable to an increase in the Company s provision for loan losses relating to its automobile loan portfolio.

Interest Income

Interest income increased $339,000, or 5.1%, for the three months ended June 30, 2005, compared to the three months ended June 30, 2004. That increase was attributable to the $7.6 million, or 1.5%, increase in the average balance of interest-earning assets from $518.5 million for the three months ended June 30, 2004, to $526.1 million for the three months ended June 30, 2005. The increase in income from the increase in the average balance of interest-earning assets was aided in part by an 18 basis point increase in the average yield on interest-earning assets from 5.12% for the three months ended June 30, 2004, to 5.30% for the three months ended June 30, 2005. The increase in average yield on interest-earning assets was attributable to a 29 basis point increase in the average yield on loans, net of unearned income and deferred fees, from 6.55% for the three months ended June 30, 2004, to 6.84% for the three months ended June 30, 2005, and a 13 basis point increase in yield on securities which increased from 3.93% for the three months ended June 30, 2004, to 4.06% for the three months ended June 30, 2005. In addition to the increase in yield from period to period, the average balance of loans, net of unearned income and deferred fees, increased $1.6 million, or.7%, from $236.4 million for the three months ended June 30, 2004, to $238.0 million for the three months ended June 30, 2005, while the average balance of securities decreased $1.1 million, or .4%, from $280.8 million for three months ended June 30, 2004, to $279.7 million for the three months ended June 30, 2005. As noted above, the decrease in the average balance of securities was the result of sales during the second quarter in which the Company sold $15.0 million of securities and used the proceeds to fund loan demand. The increase in yields is attributable to the increases in short and intermediate term market rates from period to period.

Interest Expense

Interest expense for the three months ended June 30, 2005 was $2.8 million, compared to $2.2 million for the three months ended June 30, 2004, an increase of $544,000, or 24.4%. The increase was attributable to a 54 basis point increase in the average rate paid on the average balance of interest-bearing liabilities from 2.10% for the three months ended June 30, 2004, to 2.64% for the three months ended June 30, 2005. The increase in the average rate paid was attributable to the increases in short-term market rates from period to period. The average balance of interest-bearing liabilities declined by $5.3 million, or 1.3%, from $424.4 million for the three months ended June 30, 2004, to $419.1 million for the three months ended June 30, 2005, offsetting in part the increase in the average rate paid. That decline was attributable to a $23.9 million decrease in the average balance of borrowed funds, partially offset by an $18.5 million increase in the average balance of total interest-bearing deposits. The increase in the average balance of interest-bearing deposits was due to an increase in the average balance of savings and NOW and money market deposits, partially offset by a decrease in the average balance of certificates of deposit. The average balance of subordinated debentures did not change from June 30, 2004 to June 30, 2005.

Interest expense on interest-bearing deposits increased $573,000, or 49.9%, for the three months ended June 30, 2005, from $1.1 million for the three months ended June 30, 2004, to $1.7 million for the three months ended June 30, 2005. That increase was due to a 62 basis point increase in the average rate paid on interest-bearing deposits from 1.49% for the three months ended June 30, 2004, to 2.11% for the three months ended June 30, 2005, combined with an increase in the average balance of interest-bearing deposits. The average balance of savings deposits increased

$18.1 million, or 17.8%, from $101.2 million for the three months ended June 30, 2004, to $119.3 million for the three months ended June 30, 2005. The average balance of NOW and money

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market deposits increased $11.0 million, or 9.5%, from $116.9 million for the three months ended June 30, 2004, to $127.9 million for the three months ended June 30, 2005. Offsetting that increase in deposits, was a $10.6 million decrease in the average balance of certificates of deposits from $89.6 million for the three months ended June 30, 2004, to $79.0 million for the three months ended June 30, 2005. From time to time, the Bank employs various funding strategies to minimize its overall costs of funds while concentrating efforts to increase low cost core deposit relationships.

Interest expense on borrowed funds decreased $32,000, or 3.7%, from $871,000 for the three months ended June 30, 2004, to $839,000 for the three months ended June 30, 2005. The decrease was primarily due to a $23.9 million decrease in the average balance of borrowed funds from $109.0 million for the three months ended June 30, 2004 to $85.1 million for the three months ended June 30, 2005. Offsetting the decline in the average balance of borrowed funds, the average rate paid on borrowed funds increased from 3.20% for the three months ended June 30, 2004, to 3.94% for the three months ended June 30, 2005, primarily resulting from the increase in short term market interest rates from period to period.

Net Interest Income

Net interest income decreased by $205,000, or 4.7%, from $4.4 million for the three months ended June 30, 2004, to $4.2 million for the three months ended June 30, 2005. The average yield on interest-earning assets increased 18 basis points from 5.12% for the three months ended June 30, 2004, to 5.30% for the three months ended June 30, 2005. However, the average rate paid on interest-bearing liabilities increased 54 basis points from 2.10% for the three months ended June 30, 2004, to 2.64% for the three months ended June 30, 2005, resulting in a 36 basis point decrease in the net interest rate spread from 3.02% for the three months ended June 30, 2004, to 2.66% for the three months ended June 30, 2005.

Provision for Loan Losses

The Company made a $50,000 provision for loan losses for the three months ended June 30, 2005, compared to a $5,000,000 provision made for the three months ended June 30, 2004 to recognize losses in the automobile loan portfolio. The determination to make the $50,000 provision for loan losses for the three months ended June 30, 2005, reflects management s qualitative and quantitative assessment of the loan portfolio, net charge-offs and collection of delinquent loans. The allowance for loan losses amounted to $4.1 million at June 30, 2005, and $5.6 million at December 31, 2004. The allowance for loan losses as a percentage of loans was 1.63% at June 30, 2005, and 2.30% at December 31, 2004.

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The following table sets forth information regarding non-accrual loans and loans delinquent 90 days or more and still accruing interest at the dates indicated. It is the Company s general policy to discontinue accruing interest on all loans, which are past-due more than 90 days or when, in the opinion of management, such suspension is warranted. When a loan is placed on non-accrual status, the Company ceases the accrual of interest owed and previously accrued interest is charged against interest income. Loans are generally returned to accrual status when principal and interest payments are current, there is reasonable assurance that the loan is fully collectible and a consistent record of performance has been demonstrated.

	June 30, 2005	December 31, 2004
	(Dollars in thousands)	
Non-accrual loans:		
Commercial and industrial loans	$	$
Commercial real estate loans		
Automobile loans		89
Total non-accrual loans		89
Loans accruing over 90 days:		
Commercial and industrial loans		
Total loans accruing-over 90 days		
Total non-performing loans	$	$ 89
Allowance for loan losses as a percentage of loans(1)	1.63%	2.30%
Allowance for loan losses as a percentage of total non-performing loans	%	6,282%
Non-performing loans as a percentage of loans(1)	%	.04%

(1) Loans include loans, net of unearned income and deferred fees.

Other Operating Income

Other operating income decreased $2.3 million or 66.9%, to $1.2 million for the three months ended June 30, 2005, compared to $3.5 million for the three months ended June 30, 2004. That decrease was primarily attributable to net gains on sales and calls of securities of $2.5 million for the three months ended June 30, 2004. There were no gains on sales or calls of securities for the three months ended June 30, 2005. Service charges on deposit accounts increased $88,000, or 14.2%, from $618,000 for the three months ended June 30, 2004, to $706,000 for the three months ended June 30, 2005. Other operating income increased $98,000 to $226,000 for the three months ended June 30, 2005, as a result of construction loan fees earned and increases in the use of other deposit services. Net gain on sale of residential loans declined $57,000 to $147,000 for the three months ended June 30, 2005, as increasing market interest rates decrease the amount of residential refinance activity.

Other Operating Expenses

Other operating expenses decreased $357,000 or 8.1% from $4.4 million to $4.1 million for the three months ended June 30, 2005. The decrease in operating expenses were a result of decreased expenses associated with the automobile loan portfolio, the Company s implementation of certain cost controls and a modification of its branch expansion plan. Increases in salaries and employee benefits offset that decrease, in part, as the Company increased its infrastructure to comply with expanded regulatory compliance requirements.

Income Taxes

Income tax expense was $443,000 for the three months ended June 30, 2005, compared to an income tax benefit of $592,000 for the three months ended June 30, 2004. For the three months ended June 30, 2005, the Company recorded income before income taxes of $1.3 million, compared to a loss before income taxes of $1.5 million for the three months ended June 30, 2004.

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Comparison of Operating Results for the Six Months Ended June 30, 2005 and 2004

General

The Company reported net income of $1.7 million, or diluted earnings per share of $1.05 for the six months ended June 30, 2005, compared to $24,000, or diluted earnings per share of $.02 for the six months ended June 30, 2004.

Interest Income

Interest income increased $888,000, or 6.8%, for the six months ended June 30, 2005, compared to the six months ended June 30, 2004. That increase was attributable to the $18.4 million, or 3.6%, increase in the average balance of interest-earning assets from $509.1 million for the six months ended June 30, 2004, to $527.5 million for the six months ended June 30, 2005. The increase in income from the increase in the average balance of interest-earning assets was aided in part by a 16 basis point increase in the average yield on interest-earning assets from 5.10% for the six months ended June 30, 2004, to 5.26% for the six months ended June 30, 2005. The increase in average yield on interest-earning assets was attributable to a 21 basis point increase in yield on securities which increased from 3.86% for the six months ended June 30, 2004, to 4.07% for the six months ended June 30, 2005, and a 15 basis point increase in the average yield on loans, net of unearned income and deferred fees, from 6.58% for the six months ended June 30, 2004, to 6.73% for the six months ended June 30, 2005. In addition to the increase in yield from period to period, the average balance of securities increased $9.2 million, or 3.4%, from $274.9 million for six months ended June 30, 2004, to $284.1 million for the six months ended June 30, 2005. The average balance of loans, net of unearned income and deferred fees, increased $5.2 million, or 2.2%, from $233.1 million for the six months ended June 30, 2004, to $238.3 million for the six months ended June 30, 2005. The increase in yield is attributable to increases in market rates from period to period.

Interest Expense

Interest expense for the six months ended June 30, 2005 was $5.3 million, compared to $4.4 million for the six months ended June 30, 2004, an increase of $886,000, or 19.9%. The increase was attributable to a 39 basis point increase in the average rate paid on the average balance of interest-bearing liabilities from 2.13% for the six months ended June 30, 2004, to 2.52% for the six months ended June 30, 2005, coupled with a $4.6 million increase in the average balance of interest-bearing liabilities from $417.6 million for the six months ended June 30, 2004, to $422.2 million for the six months ended June 30, 2005. The increase in the average balance of interest-bearing liabilities was attributable to an $8.0 million increase in the average balance of total interest-bearing deposits, partially offset by a $3.5 million decrease in the average balance of borrowed funds. The increase in the average balance of interest-bearing deposits was due to an increase in the average balance of savings and NOW and money market deposits partially offset by a decrease in the average balance of certificates of deposit. The average balance of subordinated debentures did not change from June 30, 2004 to June 30, 2005.

Interest expense on interest-bearing deposits increased $761,000, or 31.8%, for the six months ended June 30, 2005, from $2.4 million for the six months ended June 30, 2004, to $3.2 million for the six months ended June 30, 2005. That increase was due to a 43 basis point increase in the average rate paid on interest-bearing deposits from 1.53% for the six months ended June 30, 2004, to 1.96% for the six months ended June 30, 2005 and an increase in the average balance of interest-bearing deposits of $8.0 million, or 2.6%, from $313.3 million for the six months ended June 30, 2004, to $321.3 million for the six months ended June 30, 2005. The increase in the average balance of interest-bearing deposits was the result of an increase in the average balance of savings deposits, which increased $18.1 million from $103.2 million for the six months ended June 30, 2004, to $121.3 million for the six months ended June 30, 2005, and the $5.8 million increase in the average balance of NOW and money market deposits from $117.4 million for the six months ended June 30, 2004, to $123.2 million for the six months ended June 30, 2005.

Those increases were offset in part by a $16.1 million decrease in the average balance of time deposits from $92.8 million for the six months ended June 30, 2004, to $76.7 million for the six months ended June 30, 2005. From time to time, the Bank employs various funding strategies to minimize its overall costs of funds while concentrating efforts to increase low cost core deposit relationships.

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Interest expense on borrowed funds increased $123,000, or 7.5%, from $1.6 million for the six months ended June 30, 2004, to $1.8 million for the six months ended June 30, 2005. The increase was primarily due to the increase in the average rate paid on borrowed funds, which increased from 3.39% for the six months ended June 30, 2004, to 3.78% for the six months ended June 30, 2005. The increase in the average rate paid on borrowed funds was offset in part by the $3.5 million, or 3.6% decrease, in the average balance of borrowed funds from $96.6 million for the six months ended June 30, 2004, to $93.1 million for the six months ended June 30, 2005.

Net Interest Income

Net interest income remained level at $8.5 million for the six months ended June 30, 2005. The average yield on interest-earning assets increased 16 basis points from 5.10% for the six months ended June 30, 2004, to 5.26% for the six months ended June 30, 2005. The average rate paid on interest-bearing liabilities increased 39 basis points from 2.13% for the six months ended June 30, 2004, to 2.52% for the six months ended June 30, 2005. The net interest rate spread decreased 23 basis points, from 2.97% for the six months ended June 30, 2004, to 2.74% for the six months ended June 30, 2005.

Provision for Loan Losses

The Company made a $125,000 provision for loan losses for the six months ended June 30, 2005, compared to a $5,500,000 provision made for the six months ended June 30, 2004 to recognize losses in the automobile loan portfolio. The determination to make the $125,000 provision for loan losses for the six months ended June 30, 2005, reflects management s qualitative and quantitative assessment of the loan portfolio, net charge-offs and collection of delinquent loans. The allowance for loan losses amounted to $4.1 million at June 30, 2005, and $5.6 million at December 31, 2004. The allowance for loan losses as a percentage of loans was 1.63% at June 30, 2005, and 2.30% at December 31, 2004.

Other Operating Income

Other operating income decreased $3.0 million, or 57.8%, to $2.2 million for the six months ended June 30, 2005, as compared to $5.2 million for the six months ended June 30, 2004. That decrease was primarily attributable to net gains on sales and calls of securities of $2.9 million for the six months ended June 30, 2004. There were no gains on sales or calls of securities for the six months ended June 30, 2005. Service charges on deposit accounts increased $74,000, or 5.8%, from $1.2 million for the six months ended June 30, 2004, to $1.3 million for the six months ended June 30, 2005. Other operating income increased $128,000 to $391,000 for the six months ended June 30, 2005, as a result of construction loan fees earned and increases in the use of other deposit services. Net gain on sale of residential loans declined $113,000 to $283,000 for the six months ended June 30, 2005, as increasing market interest rates decrease the amount of residential refinance activity.

Other Operating Expenses

Other operating expenses decreased $388,000 or 4.6%, to $8.0 million for the six months ended June 30, 2005. The decrease in operating expenses was a result of decreased automobile loan expenses, the Company s implementation of certain cost controls and a modification of its branch expansion plan. Increases in salaries and employee benefits offset that decrease, in part, as the Company increased its infrastructure to comply with expanded regulatory compliance requirements.

Income Taxes

Income tax expense was $923,000 for the six months ended June 30, 2005, compared to an income tax benefit of $193,000 for the six months ended June 30, 2004. For the six months ended June 30, 2005, the Company recorded income before income taxes of $2.6 million, compared to a loss before income taxes of $169,000 for the six months ended June 30, 2004.

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Liquidity

Liquidity management for the Company requires that funds be available to pay all deposit withdrawals and maturing financial obligations and to meet credit-funding requirements promptly and fully in accordance with their terms. Over a very short time frame, maturing assets provide only a limited portion of the funds required to pay maturing liabilities. The balance of the funds required is provided by liquid assets and the acquisition of additional liabilities, making liability management integral to liquidity management in the short term.

The Company maintains levels of liquidity that it considers adequate to meet its current needs. The Company s principal sources of cash include incoming deposits, the repayment of loans and sales or calls of securities. When cash requirements increase faster than cash is generated, either through increased loan demand or withdrawal of deposited funds, the Company can arrange for the sale of loans, liquidate available-for-sale securities and access its lines of credit, totaling $6.0 million with unaffiliated financial institutions, which enable it to borrow funds on an unsecured basis. The Company has available overnight and one month lines of credit with the Federal Home Loan Bank of New York (FHLB) equal to $63.5 million, which enable it to borrow funds on a secured basis. In addition, the Company could engage in other secured borrowings, including FHLB advances and securities sold under agreements to repurchase.

At June 30, 2005, the Company s other borrowings consisted of convertible and medium term advances from the FHLB. The convertible feature of these advances allows the FHLB, at a specified call date and quarterly thereafter, to convert those advances into replacement funding for the same or a lesser principal amount, based on any advance then offered by the FHLB, at then current market rates. If the FHLB elects to convert those advances, the Bank may repay any portion of the advances without penalty. The convertible advances are secured by various mortgage-backed securities, callable U.S. agency securities, and certain other qualifying commercial real-estate collateral.

At June 30, 2005, convertible and medium term advances outstanding were as follows:

	Amount	Rate	Next Call Date	Contractual Maturity
Medium term advance	$ 10,000,000	2.37%		4/14/2006
Convertible advance	14,000,000	5.49%	8/19/2005	2/19/2008
Convertible advance	15,000,000	4.59%	7/21/2005	1/21/2009
Convertible advance	5,000,000	2.24%	2/3/2006	2/3/2009
Convertible advance	14,000,000	4.97%	7/19/2005	1/19/2011
Convertible advance	3,000,000	4.11%	12/12/2005	12/12/2011
Convertible advance	10,000,000	2.64%	5/28/2008	5/28/2013
	$ 71,000,000			

The primary investing activities of the Company are the purchase of securities available-for-sale and the origination of loans. During the six months ended June 30, 2005, and 2004, the Company s purchases of securities that were classified available-for-sale totaled $135.0 million and $577.7 million, respectively. Loan originations, net of principal repayments on loans, totaled $7.3 million and $14.1 million for the six months ended June 30, 2005, and 2004, respectively. Short term borrowings, principal repayments and maturities and sales of securities were used primarily to fund those activities.

Capital Resources

The Bank is subject to the risk based capital guidelines administered by the banking regulatory agencies. The guidelines currently require all banks to maintain a minimum ratio of total risk based capital to total risk weighted assets of 8%, including a minimum ratio of Tier 1 capital to total risk weighted assets of 4% and a Tier 1 capital to average adjusted assets of 4%. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by the FDIC, the Bank s primary federal regulator that,

if undertaken, could have a direct material effect on the Bank s financial statements. As of December 31, 2004, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action.

In accordance with the requirements of the FDIC and the New York State Banking Department, the Bank must meet certain measures of capital adequacy with respect to leverage and risk-based capital. As of June 30, 2005, the Bank exceeded those requirements with a leverage capital ratio, risk-based capital ratio and total-risk based capital ratio of 6.08%, 10.73%, and 11.98%, respectively.

The Company achieves what it considers capital adequacy through the continuous monitoring of its financial performance and plans for expansion. Sources of the Company s capital are generated primarily through current period earnings and the issuance of common stock via the dividend reinvestment plan or the exercise of stock options. Uses of capital currently result from the payment of dividends on common stock or the repurchase of common stock through a stock repurchase program. In February 2004, the Board of Directors, approved a 5% stock repurchase program that would enable the Company to repurchase approximately 74,000 shares of its outstanding common stock. There have been no repurchases made under that stock purchase program since its announcement. In determining the extent and timing of stock repurchase programs, in addition to capital adequacy, the Company considers the effect on the Company s financial condition, average daily trading volume, and listing requirements applicable to the NASDAQ National Market®. At June 30, 2005, the Company held 336,900 shares of treasury stock at an average cost of $12.40 per share.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The principal objective of the Company s interest rate management is to evaluate the interest rate risk inherent in certain balance sheet accounts, determine the level of risk appropriate given the Company s business strategy, operating environment, capital and liquidity requirements and performance objectives, and manage the risk consistent with guidelines approved by the Board of Directors. Through such management, the Company seeks to reduce the vulnerability of its operations to changes in interest rates. The Board has directed the Investment Committee to review the Company s interest rate risk position on a quarterly basis.

Funds management is the process by which the Company seeks to maximize the profit potential which is derived from the spread between the rates earned on interest-earning assets and the rates paid on interest-bearing liabilities through the management of various balance sheet components. It involves virtually every aspect of the Company s management and decision-making process. Accordingly, the Company s results of operations and financial condition are largely dependent on the movements in market interest rates and the Company s ability to manage its assets and liabilities in response to such movements.

At June 30, 2005, 83.3% of the Company s gross loans had adjustable interest rates and its loan portfolio had an average weighted maturity of 8.7 years. At such date, $28.3 million, or 11.1%, of the Company s securities had adjustable interest rates, and its available-for-sale securities portfolio had an average contractual maturity of 6.6 years. At June 30, 2005, the Company had $37.3 million of time deposits with maturities of one year or less and $15.3 million of time deposits of $100,000 or more, which tend to be less stable sources of funding as compared to core deposits, and represented 13.3% of the Company s interest-bearing liabilities. Due to the Company s level of shorter term time deposits, the cost of funds of the Company may increase at a greater rate in a rising rate environment than if it had a greater amount of core deposits which, in turn, may adversely affect net interest income and net income.

The Company s interest rate sensitivity is monitored through the use of a quarterly interest rate risk analysis model which evaluates (i) the potential change in net interest income over the succeeding four quarters and (ii) the potential change in the fair market value of the equity of the Company (Net Economic Value of Equity), which would result from an instantaneous and sustained interest rate change of zero and plus or minus 200 basis points in 100 basis point increments.

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At June 30, 2005, the effect of instantaneous and sustained interest rate changes on the Company s Net Interest Income and Net Economic Value of Equity are as follows:

	Potential Change in Net Interest Income		Potential Change in Net Economic Value of Equity	
Change in Interest Rates in Basis Points	$ Change	% Change	$ Change	% Change
	(Dollars in thousands)			
200	$ (890)	(4.92)%	$ (718)	(1.79)%
100	(359)	(1.98)	51	0.13
Static				
(100)	(733)	(4.05)	(1,810)	(4.52)
(200)	(2,015)	(11.14)	(6,292)	(15.70)

Item 4. Controls and Procedures

1. Evaluation of disclosure controls and procedures. The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures as of the end of the period covered by the report, based on the evaluation of these controls and procedures required by paragraph (b) of Section 240.13a-14 or Section 240.15d-14 of this chapter, the Chief Executive and Chief Financial officers of the Company concluded that the Company s disclosure controls and procedures were effective.

2. Changes in internal controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial officers.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

The Company s Annual Meeting of Stockholders was held on April 20, 2005, and the following individuals were elected as Directors for a term of three years each:

	Vote For	Votes Withheld	Broker Abstentions	Non-Votes
Harvey Auerbach	1,241,729	2,061		
Frank J. Esposito	1,241,729	2,061		
Douglas C. Manditch	1,241,429	2,361		
John R. McAteer	1,241,929	1,861		

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The term of the following Directors continued after the Annual Meeting: John L. Ciarelli, Esq., Donald Del Duca, Frank DiFazio, Waldemar Fernandez, Gordon A. Lenz, Werner S. Neuburger, Thomas F. Roberts, III, Alfred Romito, John C. Tsunis, Esq.

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized.

LONG ISLAND FINANCIAL CORP.
(Registrant)

Date: August 15, 2005	By:	/s/ DOUGLAS C. MANDITCH **Douglas C. Manditch** **President & Chief Executive Officer**
Date: August 15, 2005	By:	/s/ THOMAS BUONAIUTO **Thomas Buonaiuto** **Vice President & Secretary-Treasurer**

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Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002

CERTIFICATION

I, Douglas C. Manditch, certify, that:

1. I have reviewed this quarterly report on Form 10-Q;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: August 15, 2005

/s/ DOUGLAS C. MANDITCH
Douglas C. Manditch
President & Chief Executive Officer

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Exhibit 31.2 Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002

CERTIFICATION

I, Thomas Buonaiuto, certify, that:

1. I have reviewed this quarterly report on Form 10-Q;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: August 15, 2005

/s/ THOMAS BUONAIUTO
Thomas Buonaiuto
Vice President & Secretary-Treasurer

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Exhibit 32.1 Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Long Island Financial Corp., (the Company) on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Douglas C. Manditch, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Douglas C. Manditch
Douglas C. Manditch
President & Chief Executive Officer
August 15, 2005

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Exhibit 32.2 Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Long Island Financial Corp., (the Company) on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Thomas Buonaiuto, Vice President & Secretary-Treasurer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ THOMAS BUONAIUTO
Thomas Buonaiuto
Vice President & Secretary-Treasurer
August 15, 2005

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Appendix D

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2004

OR

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission file Number 0-29826

LONG ISLAND FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Delaware	**11-3453684**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1601 Veterans Memorial Highway, Suite 120 **Islandia, New York**	**11749**
(Address of principal executive offices)	**(Zip Code)**

(631) 348-0888

(Registrant s telephone number, including area code)

None

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

Common Stock, $.01 par value

(Securities registered pursuant to Section 12(g) of the Act)

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

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

Indicate by check mark whether the registrant is an accelerated filer. Yes ¨ No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the price at which the common equity was last sold on the NASDAQ Stock Market as of the last business day of the registrant s most recently completed second fiscal quarter, was $38,328,967.

The number of shares outstanding of the registrant s common stock was 1,522,315 as of March 1, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the 2004 Annual Report to Stockholders for fiscal year 2004 are incorporated herein by reference Parts II and IV.

2. Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 20, 2005 are incorporated herein by reference Part III.

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LONG ISLAND FINANCIAL CORP.

2004 FORM 10-K

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PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

Statements contained in this Form 10-K, which are not historical facts, are forward looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Amounts herein could vary as a result of market and other factors. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by Long Island Financial Corp. (the Company) with the Securities Exchange Commission from time to time. Such forward-looking statements may be identified by the use of such words as believe, expect, anticipate, should, planned, estimated and potential. Examples of forward-looking statements include, but are not limited to, estim with respect to the financial condition, expected or anticipated revenue, results of operations and business of the Company that are subject to various factors which could cause actual results to differ materially from these estimates. The Company s ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of the Company and its subsidiaries include, but are not limited to, changes in: interest rates; general economic conditions; monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System (FRB); the quality or composition of the loan or investment portfolios; demand for loan products; deposit flows; real estate values; the level of defaults; losses and prepayments on loans held by the Company in portfolio or sold in the secondary markets; demand for financial services in the Company s market area; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; and other economic, competitive, governmental, regulatory, and technological factors affecting the Company s operations, pricing, products and services. The forward-looking statements are made as of the date of this Form 10-K, and, except as required by applicable law, the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements. Those risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Form 10-K.

PART I

ITEM 1. BUSINESS

Long Island Financial Corp. (the Company) is a registered financial holding company, incorporated in Delaware in 1998 at the direction of the Directors of Long Island Commercial Bank (the Bank) for the purpose of becoming a holding company to own all the outstanding common stock of the Bank. Pursuant to a Plan of Acquisition effective January 28, 1999, the Bank became a wholly-owned subsidiary of Long Island Financial Corp., and all of the common stock of the Bank was converted, on a one-for-one basis, into the common stock of Long Island Financial Corp. This transaction is hereinafter referred to as the Reorganization.

The Reorganization under a bank holding company structure provides greater operating flexibility by allowing the Company to conduct a broader range of business activities and permits the Board of Directors of the Company to determine whether to conduct such activities at subsidiaries of the Bank or in separate subsidiaries of the Company. The Reorganization also permits expansion into a broader range of financial services and other business activities that are not currently permitted to the Bank as a New York state-chartered commercial bank. Such activities include, among others, operating non-bank depository institutions, engaging in investment advisory services, and securities brokerage and management consulting activities.

In November 2000, the Company elected to become a financial holding company as provided for in the Financial Services Modernization Act of 1999, also known as the Gramm-Leach-Bliley Act. That Act repealed provisions of the Glass-Steagall Act and permits a financial holding company to engage in a statutorily provided list of financial activities, including insurance and securities underwriting and agency activities, merchant banking and insurance company portfolio activities. The Act also provides for the approval for a financial

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holding company to conduct other activities determined to be financial in nature or incidental to or complementary to such financial activities. The Company, in addition to its commercial banking subsidiary, utilizes two subsidiaries which offer private banking and insurance services to clients of the Company.

The primary objective of the Company is to become a preeminent independent financial services provider by focusing on increasing market share within the communities served by offering superior personal service combined with a wide array of state of the art banking products and services to meet the needs of our commercial and consumer clients.

General

The primary business of the Company is the operation of its wholly-owned subsidiary, the Bank. The Bank is a New York state-chartered commercial bank, which began operations in January 1990, and is engaged in commercial and consumer banking in Islandia, New York, and the surrounding communities in Suffolk and Nassau counties and in Kings County. The Bank offers a broad range of commercial and consumer banking services, including loans to and deposit accounts for small and medium-sized businesses, professionals, high net worth individuals and consumers. The Bank is an independent local bank, emphasizing personal attention and responsiveness to the needs of its customers. The Bank s executive management has substantial banking experience, and executive management and the Board of Directors of the Bank have extensive commercial and personal ties to the communities in Suffolk and Nassau counties and in Kings County.

The Bank conducts a full service commercial and consumer banking business, which primarily consists of attracting deposits from the areas served by its branch network and using those deposits to originate a variety of commercial, consumer and real estate loans. During periods in which the demand for loans which meet the Bank s underwriting and interest rate risk standards is less than the amount of funds available for investment, the Bank invests excess funds in federal funds, mortgage-backed securities, corporate debt, securities issued by the U.S. Government and agencies thereof, and municipal obligations. The Bank s revenues are derived principally from interest income on its loan and securities portfolios. The Bank s principal expenses are interest paid on deposits, interest paid on borrowed funds and other operating expenses. Funding sources, other than deposits, include: secured and unsecured borrowings, available lines of credit, sales of securities under agreements to repurchase, and cash flows from lending and investing activities.

The Company makes available through its Internet website, ***www.licb.com***, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. Such reports are free of charge and are available as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission.

Market Area and Competition

The Company s primary customer base is established, small-to medium-sized businesses, professionals, and high net worth individuals and consumers. The Company believes that emphasizing personal attention and responsiveness to the needs of its clients, including providing state of the art electronic banking services and expanded service hours, contributes to the Company s competitiveness as a financial services provider.

The Bank faces extensive competition in originating loans and in attracting deposits. Competition among financial institutions is generally based upon interest rates offered on deposit accounts, interest rates charged on loans, fees assessed for services performed, the quality and scope of the

services rendered, and the convenience of banking facilities.

A significant number of financial service entities operate within the Company s market area. In one or more aspects of its business, the Company competes directly with other commercial banks, savings and mortgage banking companies, mortgage brokers, and other providers of financial services. Some of these entities are

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significantly larger than the Bank and have substantially greater resources and lending limits, and may offer certain services the Bank does not provide. In addition, many non-bank competitors are not subject to the same extensive Federal regulations that govern financial holding companies and Federally insured banks.

Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Company s market risk arises primarily from interest-rate risk inherent in its lending and deposit taking activities. To that end, management actively monitors and manages its interest-rate risk exposure. The measurement of market risk associated with financial instruments is meaningful only when all related and offsetting on-and off-balance-sheet transactions are aggregated, and the resulting net positions are identified.

The Company s primary objective in managing interest-rate risk is to minimize the adverse impact of changes in interest rates on the Bank s net interest income and capital, and to adjust the Company s asset-liability structure to obtain the maximum yield-cost spread on that structure. The Company relies primarily on its asset-liability management to control interest-rate risk. However, a sudden and substantial increase in interest rates may adversely impact the Company s earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent, or on the same basis. The Company does not engage in trading activities.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table shows the approximate contractual maturities and sensitivities to changes in interest rates of loans, net of unearned income and deferred fees, as of December 31, 2004:

	Commercial and Industrial Loans	Commercial Real Estate Loans	Automobile Loans	Consumer Loans	Residential Real Estate Loans	Total Loans
			(In thousands)			
Maturities:						
Due within one year	$ 29,702	$ 1,310	$ 13,504	$ 121	$	$ 44,637
Due after one but within five years	13,874	8,391	10,623	1,375		34,263
Due after five but within ten years	1,456	33,593		379	3,240	38,668
Due after ten years	1,382	126,855				128,237
Total Due after December 31, 2005	16,712	168,839	10,623	1,754	3,240	201,168
Total amount due	$ 46,414	$ 170,149	$ 24,127	$ 1,875	$ 3,240	$ 245,805
Rate sensitivity:						
Amounts with Fixed Interest Rates	$ 4,382	$ 16,585	$ 10,623	$ 1,467	$	$ 33,057
Amounts with Adjustable Interest Rates	12,330	152,254		287	3,240	168,111
Total Due after December 31, 2005	$ 16,712	$ 168,839	$ 10,623	$ 1,754	$ 3,240	$ 201,168

Economic Conditions, Government Policies, Legislation, and Regulation

The Bank s results of operations are dependent primarily on net interest income, which is the difference between the income earned on its loan and security portfolios and its cost of funds, consisting of interest paid on deposits and borrowings. Results of operations are also affected by the Bank s provision for loan losses and other operating income. Other operating expense of the Bank principally consists of salaries and the expense of employee benefits, occupancy, premises and equipment expense, and other expenses. Results of operations are also significantly affected by economic and competitive conditions, changes in interest rates, government policies, and action of regulatory authorities.

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The Company s results are highly influenced by the monetary and fiscal policies of the federal government and the policies of regulatory agencies, particularly the Board of Governors of the Federal Reserve system (the Federal Reserve). The Federal Reserve implements national monetary policies (with objectives such as curbing inflation and combating recession) through its open-market operations in U.S. Government securities by adjusting the required level of reserves for depository institutions subject to its reserve requirements, and by varying the target federal funds and discount rates applicable to borrowings by financial institutions. The actions of the Federal Reserve in those areas influence the growth of bank loans, investments, and deposits and also affect interest rates earned on interest-earning assets and rates paid on interest-bearing liabilities. The nature and impact on the Company of any future changes in monetary and fiscal policies cannot be fully predicted.

From time to time, legislation, as well as regulations, are enacted which have the effect of increasing the cost of doing business, limiting or expanding permissible activities, or affecting the competitive balance between banks and other financial services providers. Proposals to change the laws and regulations governing the operations and taxation of banks, bank holding companies, and other financial institutions and financial services providers are frequently made in the U.S. Congress, in the state legislatures, and before various regulatory agencies. This legislation may change banking statutes and the Company s operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The Company cannot predict whether any of this potential legislation will be enacted, and if enacted, the effect that it, or any implementing regulations, would have on the Company s financial condition or results of operations.

Lending Activities

General

The Bank offers a variety of commercial and consumer loan products to serve the needs of its clients. The interest rates charged by the Bank on loans are affected principally by rates offered by its competitors, the supply of money available for lending purposes and demand for such loans.

Automobile Loans

Since 2000, the Bank has maintained a program of making non-recourse loans to a local automobile leasing company (the third party) and received as security an assignment of each individual lease and a collateral interest in each automobile. The third party, in addition to providing complete servicing of the portfolio, was obligated for the repayment of the entire principal balance of each loan at the time each individual lease terminated. In March, 2004, the Bank learned that, due to liquidity issues and financial difficulties the third party would not have the ability to fulfill its obligations and ceased origination of non-recourse loans to the automobile leasing company.

The Bank continued to closely monitor issues concerning the third party s performance. The Bank, acting collectively with nine other bank lenders to the third party, utilized internal resources and consulted with the third party enabling the third party to engage the services of experienced industry professionals, to ensure the performance of the servicing of the portfolio, and obtain the timely and orderly disposition of the collateral. The Bank believes the course of action taken during 2004, along with the cooperation of the other nine banks, stabilized the portfolio and will ultimately lead to maximizing the value of disposed collateral.

At December 31, 2004, the automobile loan portfolio consisted of 1,110 loans with balances aggregating $22.8 million. Automobile loans represented 9.4% of the Bank s loan portfolio, net of unearned income and deferred fees. Approximately 85% of the automobile loan balances mature by December 2006. Delinquencies at December 31, 2004, consisted of eight loans, 30-89 days past due, representing $198,712, or .9% of the portfolio, and three loans, aggregating $89,313, or .4% of the portfolio, greater than 90 days past due. Those three loans are classified non-accrual at December 31, 2004. Since the portfolio was underwritten to lessees of high credit quality, those delinquency statistics remain favorable and are in line with the Bank s expectations.

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The Bank continues to recognize losses related to the shortfall between the principal balance of loans and the collateral value realized upon termination of the leases. The extent to which the Bank will suffer loss will depend to a large extent on future market conditions of used automobiles combined with the success of the third party s national remarketing servicer s efforts. Based upon the Bank s continued assessment of the portfolio and review of collateral disposition activity in 2004, the Bank made provisions for loan losses in 2004 of $6.3 million. Total charge-offs, relating to the automobile loan portfolio, amounted to $2.9 million in 2004, on gross loans of $17.0 million.

The Bank incurred operating expenses relating to the automobile loan portfolio of $1.4 million for 2004. Those expenses include expenses for legal services, portfolio servicing and administration, collateral perfection, verification and disposition, and audit and accounting services. While the Bank expects to incur future operating expenses related to the automobile loan portfolio, it expects those expenses to decrease as the portfolio matures. Operating costs for the automobile loan portfolio are expensed when incurred and recorded in automobile loan expense in the consolidated statements of earnings.

Loan Approval and Underwriting

In general, the Bank utilizes a committee process to approve its loans. The President and Chief Lending Officer are authorized to approve unsecured loans up to $250,000 and commercial real estate loans up to $400,000. All other loans are brought before the Loan Committee. The Loan Committee meets one day each month, however, additional meetings are held as the need arises. The Board of Directors receives a monthly report summarizing the loan portfolio activity, and actions taken by the Loan Committee.

It is the policy of the Bank that all loans satisfy basic lending criteria with respect to the applicant, including any guarantor, the ability to repay the loan within the contemplated term, the applicant s character and financial strength, the adequacy of any required security and compliance with the Bank s lending policy.

Loan Portfolio

The following table sets forth the composition of the Bank s loan portfolio at the dates indicated:

	At December 31,				
	2004	2003	2002	2001	2000
	(In thousands)				
Loans held-for-sale:					
Residential real estate loans	$ 604	$ 2,360	$ 1,189	$ 1,472	$ 711
Loans, net:					
Commercial and industrial loans	$ 46,414	$ 42,723	$ 54,001	$ 43,972	$ 39,140
Commercial real estate loans	170,149	145,084	130,275	116,646	93,875
Residential real estate loans	3,240				
Automobile loans	24,127	41,158	34,188	18,300	2,693
Consumer loans	1,875	1,381	2,238	1,312	1,313

Total loans	245,805	230,346	220,702	180,230	137,021
Less:					
Unearned income	(1,342)	(3,328)	(3,396)	(2,258)	(395)
Deferred fees, net	(986)	(890)	(764)	(647)	(612)
Total loans, net of unearned income and deferred fees	243,477	226,128	216,542	177,325	136,014
Allowance for loan losses	(5,591)	(2,290)	(2,346)	(2,028)	(1,872)
Total loans, net	$ 237,886	$ 223,838	$ 214,196	$ 175,297	$ 134,142

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Commercial and Industrial Loans The Bank offers a variety of commercial loan services including term loans, construction loans, demand loans, revolving credit loans, and loans guaranteed in part by the Small Business Administration. A broad range of commercial loans, both collateralized and uncollateralized, are made available to businesses for working capital (including inventory and receivables), business expansion, and for the purchase of machinery and equipment. The purpose of a particular loan generally determines its structure.

Commercial loans are typically underwritten on the basis of the borrower s repayment capacity from cash flow and are generally collateralized by business assets such as, but not limited to, inventory, equipment and accounts receivable. As a result, the availability of funds for the payment of commercial loans may be substantially dependent on the success of the business itself. Further, the collateral underlying the loans may depreciate over time, may not be apt subjects for appraisal and may fluctuate in value based upon the success of the business. Revolving credit lines are primarily collateralized by short-term assets, while term loans are primarily collateralized by long-term or fixed assets. Personal guarantees are normally required for commercial loans. At December 31, 2004, commercial and industrial loans represented 18.9% of total loans.

Commercial Real Estate Loans The Bank originates commercial real estate loans to businesses to finance the acquisition and holding of commercial real estate. The security for the Bank s commercial real estate loans is generally located in the Bank s primary market area and is underwritten on the basis of the value of the underlying real property. Loans secured by commercial real estate generally involve a greater degree of risk than residential real estate loans. Primary risks associated with commercial real estate lending include the borrower s inability to pay the debt due to unsuccessful operation or management of the property and adverse conditions in the real estate market or economy. At December 31, 2004, commercial real estate loans represented 69.2% of total loans.

Consumer Loans Consumer loans made by the Bank include loans for new and used automobiles, personal secured, personal unsecured, and loans secured by deposit accounts. Consumer loans generally carry higher rates of interest than those charged on other types of loans and pose additional risks of collectibility when compared to other types of loans, such as residential real estate loans. In many instances, the Bank must rely on the borrower s ability to repay, since the collateral normally is of reduced value at the time of any liquidation. Accordingly, the initial determination of the borrower s ability to repay is of primary importance in the underwriting of consumer loans.

Residential Real Estate Loans The Bank originates residential real estate loans primarily in its market area. The majority of residential real estate loans are sold, together with the servicing rights to those loans, on a non-recourse basis to institutional investors. The Bank limits its exposure to interest rate fluctuations and credit risk on those loans by obtaining, at the time of origination, a commitment from an institutional investor to purchase that loan from the Bank. By selling the servicing rights to the loans, the Bank avoids the associated risks and expenses of managing and servicing a loan portfolio. Income is generated from the premiums received on the sale of loans and servicing rights, and fees charged and interest earned during the period the Bank holds the loans for sale.

Allowance for Loan Losses

The allowance for loan losses is based on management s on-going evaluation of the risks inherent in its loan portfolio, the national and regional economies, and the real estate market in the Bank s primary lending area. The allowance is maintained at an amount management considers adequate to cover estimated losses in its loan portfolio which are deemed probable and estimable based on information currently known. While, based on information currently available, management believes that the allowance for loan losses is sufficient to cover losses inherent in its loan portfolio at this time. No assurance can be given that future adjustments to the allowance will not be necessary if economic and other conditions differ substantially from the economic and other conditions used by management to determine the current level of the allowance. Management may in the future increase its level of loan loss allowance as a percentage of total loans and non-performing loans as deemed

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necessary. In addition, the Federal Deposit Insurance Corporation (FDIC) and New York State Banking Department (NYSBD) periodically review the Bank s allowance for loan losses as an integral part of their examination process. Either the FDIC or the NYSBD may require the Bank to make additional provisions for loan losses based upon judgments that may differ from those of management thereby negatively impacting the Bank s financial condition and results of operations.

The following table sets forth the activity in the Bank s allowance for loan losses for the periods indicated:

	For the years ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
	(Dollars in thousands)				
Balance at beginning of year	$ 2,290	$ 2,346	$ 2,028	$ 1,872	$ 1,475
Provision for loan losses	6,325	60	270	150	150
Charge-offs:					
Commercial and industrial loans	(149)	(109)	(20)		(187)
Automobile loans	(2,891)				(54)
Consumer loans		(32)	(19)	(19)	(99)
Total charge-offs	(3,040)	(141)	(39)	(19)	(340)
Recoveries:					
Commercial and industrial loans	10	20	75	13	547
Automobile loans	5			6	13
Consumer loans	1	5	12	6	27
Total recoveries	16	25	87	25	587
Net recoveries (charge-offs)	(3,024)	(116)	48	6	247
Balance at end of year	$ 5,591	$ 2,290	$ 2,346	$ 2,028	$ 1,872
Ratio of net charge-offs/average net loans	1.26%	.05%	%	%	%

The following table sets forth the allocation of the Bank s allowance for loan losses at the dates indicated:

	At December 31,									
	2004		**2003**		**2002**		**2001**		**2000**	
	Amount	**Percent of Loans in Each Category to Total Loans**	**Amount**	**Percent of Loans in Each Category to Total Loans**	**Amount**	**Percent of Loans in Each Category to Total Loans**	**Amount**	**Percent of Loans in Each Category to Total Loans**	**Amount**	**Percent of Loans in Each Category to Total Loans**

				(Dollars in thousands)						
Loans held for sale:										
Residential real estate loans	$	100.0%	$	100.0%	$	100.0%	$	100.0%	$	100.0%
Loans, net:										
Commercial and industrial loans	$ 530	18.9%	$ 514	18.5%	$ 684	24.5%	$ 651	24.4%	$ 723	28.6%
Commercial real estate loans	949	69.2%	960	63.0%	1,317	59.0%	1,166	64.7%	939	68.5%
Residential real estate loans	16	1.3%		%		%		%		%
Automobile loans	4,077	9.8%	755	17.9%	307	15.5%	160	10.2%	27	2.0%
Consumer loans	19	.8%	14	.6%	22	1.0%	18	.7%	26	.9%
Unallocated		%	47	%	16	%	33	%	157	%
Total allowance for loan losses	$ 5,591	100.0%	$ 2,290	100.0%	$ 2,346	100.0%	$ 2,028	100.0%	$ 1,872	100.0%

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The Company, as deemed necessary, reviews the methodology underlying the adequacy of the allowance for loan loss calculation and adjusts the allocation of the allowance based upon past experience and known or inherent risks identified in the portfolio. Those known or inherent risks take into account, but are not limited to, the current financial condition of the borrower, impairment of any collateral value, and any adverse trends occurring in the marketplace in which the Company operates that may have an effect on the portfolio.

Non-Accrual Loans The following table sets forth information regarding non-accrual loans and loans delinquent 90 days or more and still accruing interest at the dates indicated. It is the Bank s general policy to discontinue accruing interest on all loans which are past due 90 days or when, in the opinion of management, it is appropriate to discontinue accruing interest. When a loan is placed on non-accrual status, the Bank ceases the accrual of interest owed and previously accrued interest is charged against interest income. Loans are generally returned to accrual status when principal and interest payments are current, there is reasonable assurance that the loan will be fully collectible and a consistent record of performance has been demonstrated.

	At December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands)				
Non-accrual loans:					
Commercial and industrial loans	$	$	$ 307	$ 153	$ 384
Automobile loans	89				
Consumer loans				25	32
Total non-accrual loans	89		307	178	416
Loans contractually past due 90 days or more, other than non-accruing (2)					
Total non-performing loans	$ 89	$	$ 307	$ 178	$ 416
Allowance for loan losses as a percent of total loans (1)	2.30%	1.01%	1.08%	1.14%	1.38%
Allowance for loan losses as a percent of total non-performing loans	6,282%	%	764%	1,139%	450%
Non-performing loans as a percent of total loans (1)	.04%	%	.14%	.10%	.31%

(1) Loans include loans, net of unearned income and deferred fees.
(2) Excludes $108,000 of loans at December 31, 2002, which had matured, however, were current with respect to scheduled periodic principal and/or interest payments. The Bank was in the process of renewing those obligations and/or awaiting anticipated repayment.

Investment Activities

General The Bank maintains a portfolio of securities in such instruments as U.S. government and agency securities, mortgage-backed securities, municipal obligations, and corporate debt securities. The investment policy of the Bank, which is approved by the Board of Directors and implemented by the Bank s Investment Committee (the Committee) as authorized by the Board, is designed primarily to generate acceptable yields for the Bank without compromising the business objectives of the Bank or incurring undue interest rate or credit risk, and to provide and maintain liquidity for the Bank. In reviewing and establishing investment strategies, the Committee considers the business and growth plans of the Bank, the economic environment, the current interest rate sensitivity position of the Bank, the types of securities held, and other factors.

At December 31, 2004, the Company had $278.8 million in investment securities, all classified as available-for-sale, consisting of U.S. Government and Agency obligations, mortgage-backed securities, and municipal obligations. The accounting treatment of the securities of the

Company is addressed in Note 1 of the Notes to the Consolidated Financial Statements in the 2004 Annual Report to Stockholders.

U.S. Government and Agency Obligations. At December 31, 2004, the Bank s U.S. Government and Agency obligations totaled $253.4 million, all of which were classified as available-for-sale. Substantially all of

those securities were callable securities or structured notes, which generally possess higher yields than securities with similar contractual terms to maturity but without these features. These securities range in final maturity from 1.5 to 13 years with an average yield of 4.05%. At various times during the year, a substantial portion of this portfolio is used as collateral for seasonal municipal deposits and other borrowings.

Mortgage-Backed Securities. The Bank purchases mortgage-backed securities in order to: (a) generate positive interest spreads with minimal administrative expense; (b) lower its credit risk as a result of the guarantees provided by FHLMC, FNMA, and GNMA; (c) utilize these securities as collateral for borrowings; and (d) increase the liquidity of the Bank. At December 31, 2004, mortgage-backed securities totaled $25.2 million, or 4.5% of total assets, all of which were classified as available-for-sale. At December 31, 2004, 8.5% of the mortgage-backed securities carried adjustable rates and 91.5% were fixed rate. The mortgage-backed securities had coupon rates ranging from 3.25% to 7.50% and had a weighted average yield of 4.37%.

Municipal Obligations At December 31, 2004, the Bank had a $199,000 municipal obligation in its investment portfolio. The Bank generally considers investment in municipal obligations when the taxable equivalent yields are greater than that of other securities with comparable maturities. Municipal bonds purchased by the Bank are generally required to be rated A or better by at least one national rating agency. Purchases of non-rated general obligation bonds are limited to in-state issues and involve the communities in areas served by the Bank.

Corporate Debt The Bank s investment policy was amended in 2000 to include the purchase of capital notes/trust preferred securities issued primarily by financial institutions up to a limit of $15 million dollars. Those securities represent secondary capital and rank subordinate and junior in right of payment to all indebtedness of the issuing company. To be purchased by the Bank, such higher yielding securities must be rated investment grade by at least one of the national rating agencies. At December 31, 2004, the Company had no corporate debt securities.

At December 31, 2003, the Bank maintained a portfolio of $13.0 million par value of corporate debt securities, consisting of trust preferred securities, pooled trust preferred securities, and subordinated debentures of financial institutions, classified under the provisions of Statement of Financial Accounting Standards No. 115 (SFAS 115) as held-to-maturity. On March 10, 2004, the Bank complied with an issuer s tender offer which resulted in the recognition of a gain of $335,155, from the redemption of a subordinated debenture with an amortized cost of $1.0 million. On March 10, 2004, as a result of that tender offer, the Bank transferred the remaining corporate debt securities, with an amortized cost of $11.5 million and a market value of $13.5 million from the classification of held-to-maturity to available-for-sale . The Bank s compliance with the issuer s tender offer, and subsequent transfer of held-to-maturity securities to available-for-sale, was done for risk management and strategic planning reasons. On April 1, 2004, the Bank sold the entire corporate debt securities portfolio recognizing a gain of approximately $2.5 million.

Federal Home Loan Bank Stock At December 31, 2004, the Bank held Federal Home Loan Bank Stock carried at $4.9 million. Those securities represented the Bank s investment in Federal Home Loan Bank of New York (FHLB) stock. In order to borrow from the FHLB, the Bank is required to purchase shares of FHLB non-marketable equity securities at par. For the year ended December 31, 2004, the dividend yield on the FHLB stock was 2.35%.

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The following table sets forth information regarding the amortized cost (book value) and fair value of the Bank s securities portfolio at the dates indicated:

	At December 31,					
	2004		2003		2002	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Held-to-maturity:						
Corporate debt	$	$	$ 12,474	$ 14,438	$ 12,461	$ 14,027
Total securities held-to-maturity	$	$	$ 12,474	$ 14,438	$ 12,461	$ 14,027
Available-for-sale:						
U.S. Government and Agency obligations	$ 256,102	$ 253,409	$ 176,141	$ 175,194	$ 129,345	$ 130,422
Mortgage-backed securities:						
GNMA	22,128	21,794	33,669	33,283	62,565	63,971
FHLMC	1,982	1,960	3,743	3,757	9,879	10,015
FNMA	1,424	1,452	2,547	2,595	12,920	13,122
Municipal obligations	200	199	2,010	2,138	2,013	2,060
Total securities available-for-sale	$ 281,836	$ 278,814	$ 218,110	$ 216,967	$ 216,722	$ 219,590

The following table sets forth certain information regarding the amortized cost, weighted average yields and contractual maturities of the Bank s securities portfolio as of December 31, 2004.

	One Year or Less		More Than One Year to Five Years		More Than Five Years to Ten Years		More Than Ten Years		Total	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Total Amortized Cost	Weighted Average Yield
	(Dollars in thousands)									
Available-for-sale:										
Debt securities:										
US Government and Agency obligations	$	%	$ 109,772	4.00%	$ 139,187	4.10%	$ 7,143	3.86%	$ 256,102	4.05%
Mortgage-backed securities:										
GNMA							22,128	4.40	22,128	4.40
FHLMC							1,982	4.04	1,982	4.04
FNMA							1,424	4.46	1,424	4.46
Municipal obligations	200	1.65							200	1.65
Total securities, available-for-sale	$ 200	1.65%	$ 109,772	4.00%	$ 139,187	4.10%	$ 32,677	4.26%	$ 281,836	4.08%

Federal Home Loan Bank Stock:								
FHLB stock, at cost	$ 4,925	2.35%	$	%	$	%	$	%	$ 4,925	2.35%

Sources of Funds

Repayments and maturities of securities available-for-sale, loan repayments, deposits and cash flows generated from operations are the primary sources of the Bank s funds for use in lending, investing and for other general purposes.

Deposits

The Bank offers a variety of savings, NOW accounts, money market accounts and certificates of deposit. The Bank offers certificates of deposit, with balances of $100,000 or more, at competitive rates and also offers Individual Retirement Accounts and other qualified plan accounts. The Bank solicits deposit accounts from small

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businesses, professional firms, households, and government institutions located throughout its market area. The Bank does not use brokers to obtain deposits. All deposit accounts are insured under the Bank Insurance Fund of the Federal Deposit Insurance Corporation up to the maximum limits permitted by law.

The following table shows the distribution of the Bank s average deposit accounts in each category of deposits presented for the periods indicated:

	For the years ended December 31,					
	2004		2003		2002	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(dollars in thousands)					
Non-interest bearing accounts	$ 99,172	%	$ 90,793	%	$ 70,198	%
Savings accounts	107,488	1.16%	92,565	1.23%	63,231	1.64
NOW and money market deposits	94,313	0.89%	77,500	0.87%	58,448	1.13
Time deposits, $100,000 or more	11,102	2.08%	14,830	2.25%	30,572	2.29
Other time deposits	72,695	3.11%	90,978	3.49%	94,557	4.24
Total average deposits	$ 384,770		$ 366,666		$ 317,006	

At December 31, 2004, the Bank had outstanding approximately $9.9 million in time deposits, $100,000 or more, maturing as follows:

	(In thousands)
3 months or less	$ 3,296
Over three through six months	813
Over six through 12 months	3,436
Over 12 months	2,318
Total	$ 9,863

Borrowings

The Bank utilizes borrowings to leverage the capital of the Bank and provide liquidity when necessary. At December 31, 2004, other borrowings primarily consisted of $71 million of advances from the FHLB secured by various callable U.S. agency securities, mortgage-backed securities and certain qualifying commercial real estate loans. At certain times, the Bank will use federal funds purchased and sales of securities sold under agreements to repurchase as a lower cost alternative to other borrowings or other sources of funds. Included in federal funds purchased, at December 31, 2004, the Bank has available a 6-month commitment for overnight and one month secured lines of credit with the FHLB totaling $63.5 million. There was $27.5 million outstanding on the overnight line at December 31, 2004. There were no securities sold under agreements

to repurchase at December 31, 2004. Federal funds purchased and overnight and one month lines of credit are generally priced at a spread above the federal funds rate and reprice daily. In addition, the Bank has available $6.0 million in lines of credit with unaffiliated institutions, which enable it to borrow federal funds on an unsecured basis, on which no balance was outstanding at December 31, 2004.

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The following table sets forth certain information regarding the Bank s borrowed funds for the years indicated:

	For the years ended December 31,		
	2004	2003	2002
	(Dollars in thousands)		
FHLB Advances:			
Maximum amount outstanding at any month-end during the year	$ 76,000	$ 65,000	$ 55,000
Average balance outstanding	72,448	60,742	55,000
Balance outstanding at end of year	71,000	61,000	55,000
Weighted average interest rate during the year	4.20%	4.60%	4.80%
Weighted average interest rate at the end of the year	4.12	4.54	4.80
Repurchase Agreements:			
Maximum amount outstanding at any month-end during the year	$ 49,226	$	$
Average balance outstanding	17,030	178	
Balance outstanding at end of year			
Weighted average interest rate during the year	1.69%	1.07%	%
Weighted average interest rate at the end of the year			
Federal Funds Purchased:			
Maximum amount outstanding at any month-end during the year	$ 63,300	$ 25,000	$ 12,800
Average balance outstanding	34,690	12,002	2,214
Balance outstanding at end of year	27,500		
Weighted average interest rate during the year	1.61%	1.21%	1.69%
Weighted average interest rate at the end of the year	2.36		

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

The Company is a party to financial instruments with off-balance-sheet risk and various contractual obligations in the normal course of business. Those financial instruments include commitments to extend credit, unused lines of credit, and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated balance sheets.

The following is a summary of the Company s financial instruments and contractual obligations, including certain on-balance sheet obligations, at December 31, 2004:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
	(in thousands)				
Time deposit maturities	$ 68,768	$ 43,339	$ 21,999	$ 3,430	$
Other borrowings assumed final maturity	71,000		10,000	34,000	27,000
Subordinated debentures assumed final maturity	7,732				7,732
Lease commitments	11,556	1,122	2,126	1,736	6,572

Commitments to extend credit	7,638	7,638			
Unused lines of credit	43,017	36,799	4,957	116	1,145
Standby letters of credit	973	973			
Total	$ 210,684	$ 89,871	$ 39,082	$ 39,282	$ 42,449

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Subsidiary Activities

The Company has three wholly-owned subsidiaries as follows:

Long Island Financial Client Services Corp. Long Island Financial Client Services Corp. was formed for the purpose of providing Private Banking Services to clients of the Company. Private Banking Services provided include, but are not limited to, professional money management, investment planning, life insurance, business insurance, charitable planning, estate planning, business valuation services, business succession planning, and pension design and administration. The operations of Long Island Financial Client Services Corp. were not material to the operating results of the Company for the year ended December 31, 2004.

Long Island Commercial Services Corp. Long Island Commercial Services Corp. was formed for the purpose of providing insurance services to clients of the Company. Insurance services provided include, but are not limited to, group health insurance, group dental plans, business insurance, life insurance, home, auto, boat insurance, and long term care planning. The operations of Long Island Commercial Services Corp. were not material to the operating results of the Company for the year ended December 31, 2004.

Long Island Commercial Bank. The Bank is a New York state-chartered commercial bank, which began operations in 1990, and is engaged in commercial and consumer banking in Islandia, New York, and the surrounding communities in Suffolk and Nassau and in Kings County. The Bank offers a broad range of commercial and consumer banking services, including loans to and deposit accounts for small and medium-sized businesses, professionals, high net worth individuals and consumers.

Long Island Commercial Bank currently has one subsidiary, Long Island Commercial Capital Corporation. Long Island Commercial Capital Corporation was organized for the purpose of investing in mortgage related assets as a real estate investment trust. The Bank transferred commercial real estate loans to Long Island Commercial Capital Corporation, which included certain associated assets and liabilities. In return, the Bank received shares of common and preferred stock of Long Island Commercial Capital Corporation.

In 1999, the Company established the Long Island Commercial Bank Foundation (the Foundation). The purpose of the Foundation is to contribute funds to local entities that are organized and operated exclusively for charitable, educational, religious, scientific, and other specified purposes. The foundation is primarily funded by annual contributions from Long Island Commercial Bank, which equal 1% of the Bank s prior year pretax income. The officers and trustees of the foundation are comprised of certain officers and Board members of the Company.

In addition to the wholly-owned subsidiaries described above, the Company has the following investment in an unconsolidated subsidiary:

LIF Statutory Trust I. On September 7, 2000, the Company issued $7,732,000 of subordinated debentures to LIF Statutory Trust I, a Connecticut grantor business trust. Those subordinated debentures bear an interest rate of 10.60% and are due September 7, 2030. The Company has fully and unconditionally guaranteed the subordinated debentures. LIF Statutory Trust I was formed for the exclusive purpose of purchasing the subordinated debentures from the Company and has received a common stock investment from the Company of $232,000. The Subordinated Debentures are pre-payable, in whole or in part, at the Company s option on or after September 7, 2010 at declining premiums to maturity. Proceeds totaling approximately $7.2 million are being used for general corporate purposes.

Personnel

At December 31, 2004, the Bank employed 115 employees, 9 of which are part-time. No employees are covered by a collective bargaining agreement and the Bank believes its relations with its employees are good.

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Federal and State Taxation

General

The Company, the Bank and its subsidiary report their income using the accrual method of accounting and are subject to federal and state income taxation in the same manner as other corporations. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Company or its subsidiaries. The Internal Revenue Service has not audited the Company or its subsidiaries during the last five years.

Federal Income Taxation

In general, banks are subject to federal income tax in the same manner as other corporations. However, gains and losses realized by banks from the sale or exchange of portfolio debt instruments are generally treated as ordinary income, rather than capital, gains and losses, and a small bank (i.e. one with assets having a tax basis of no more than $500 million), such as the Bank prior to January 1, 2004, is permitted to calculate its deductions for bad debts under a reserve method that is based upon actual charge-offs for the current and preceding five years or a grand-fathered base year reserve, if larger. As of January 1, 2004, the Bank had exceeded the threshold of $500 million in average assets and is required to recapture, for federal tax purposes, its bad debt reserve. The Bank is recapturing the bad debt reserve over a four-year recapture period and has previously provided for the taxes relating to this recapture. Subsequent to January 1, 2004, the Bank is on a specific charge-off method for federal tax purposes.

Corporate Alternative Minimum Tax. In addition to the regular income tax, the Internal Revenue Code of 1986, as amended (the Code) imposes an alternative minimum tax (AMT) in an amount equal to 20% of alternative minimum taxable income (AMTI) to the extent that the AMT exceeds the regular tax. AMTI is regular taxable income as modified by certain adjustments and tax preference items. AMTI includes an amount equal to 75% of the excess of adjusted current earnings over AMTI (determined without regard to this adjustment and prior to reduction for net operating losses). Only 90% of AMTI can be offset by net operating loss carry forwards. The AMT is available as a credit against future regular income tax. The AMT credit can be carried forward indefinitely. The Company does not expect to be subject to the AMT.

Dividends Received Deduction and Other Matters. The Company may exclude from its income 100% of dividends received from the Bank as a member of the same affiliated group of corporations. A 70% dividends received deduction generally applies with respect to dividends received from corporations that are not members of such affiliated group, except that an 80% dividends received deduction applies if the Company and the Bank own more than 20% of the stock of a corporation distributing a dividend. Distributions received by the Bank from Long Island Commercial Capital Corporation are not eligible for the federal dividends received deduction. Long Island Commercial Capital Corporation, as a REIT, is entitled to a 100% dividends paid deduction for federal income tax purposes.

New York State Taxation

The Bank is subject to the New York State Franchise Tax on Banking Corporations in an amount equal to the greater of (i) 7.5% of the Bank s entire net income allocable to New York State during the taxable year, or (ii) the applicable alternative minimum tax. The alternative minimum tax is generally the greatest of (a) .01% of the value of the taxable assets allocable to New York State (b) 3% of alternative entire net income allocated to New York or (c) $250. Entire net income is similar to federal taxable income subject to certain modifications. 60% of dividend

income and gains and losses from subsidiary capital are excluded from New York State entire net income. Distributions received from Long Island Commercial Capital Corporation are eligible for the New York State dividends received deduction.

In January 2005, the Governor of the State of New York proposed legislation that would eliminate the dividends received deduction with respect to dividends received from certain subsidiary real estate investment

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trusts. This proposed change in state tax law would be effective January 1, 2005. Accordingly, if the legislation is passed, all distributions received from Long Island Commercial Capital Corp. to the Bank will be subject to taxation. Elimination of the deduction would result in an increase in the Company s effective tax rate.

In addition, net operating losses cannot be carried back. For tax years beginning on or after January 1, 2002 a deduction for net operating losses sustained in 2002 and subsequent years may be carried forward. The deduction may not exceed the allowable federal net operating loss deduction augmented by the excess of the New York State bad debt deduction over the federal bad debt deduction. The losses may be carried forward for the 20 year period allowed under federal Code Section 172. Alternative entire net income is equal to entire net income without certain adjustments. The Bank is also subject to the 17% Metropolitan Commuter Transportation District Surcharge on its New York Sate Franchise Tax. The Company, the Bank, and their subsidiaries (excluding Long Island Commercial Capital Corporation) file a combined return. For New York State tax purposes, the Bank is not required to recapture its bad debt reserve and will continue to use the reserve method.

City of New York Taxation

The Bank is subject to a New York City banking corporation tax in an annual amount equal to the greater of (a) 9% of entire net income allocable to New York City, or (b) the applicable alternative tax. The applicable alternative tax is the greater of (a) .01% of the value of taxable assets allocable to New York City with certain modifications, (b) 3% of alternative entire net income allocable to New York City, or (c) $125. Entire net income and alternative net income are calculated in a manner similar to New York State including the allowance of a deduction for an addition to the tax bad debt reserve. Net operating losses are not permitted to be carried back or forward for New York City purposes. The income is allocated to New York City based upon three factors: receipts, wages and deposits. The Company, the Bank and their subsidiaries (excluding Long Island Commercial Capital Corporation) file a combined return. For New York City tax purposes, the Bank is not required to recapture its bad debt reserve and will continue to use the reserve method.

New York City may also propose similar legislation to New York State on the elimination of the dividends received deduction.

Delaware Taxation

The Company, as a Delaware holding company not earning income in Delaware, is exempted from the corporate income tax. However, the Company is required to file an annual report with and pay an annual franchise tax based on issued shares and asset size to the State of Delaware.

Supervision and Regulation

General References in this section to applicable statutes and regulations are brief summaries, only, and do not purport to be complete. The readers should consult such statutes and regulations themselves for a full understanding of the details of their operation.

As a consequence of the extensive regulation of commercial banking activities in the United States, the business of Long Island Financial Corp. and its subsidiaries are particularly susceptible to federal and state legislation that may have the effect of increasing or decreasing the cost of

doing business, modifying permissible activities, or enhancing the competitive position of other financial institutions.

Holding Company Regulation As a registered financial holding company, the Company is subject to examination, regulation, and periodic reporting under the Bank Holding Company Act, as administered by the FRB. The Company is required to obtain the prior approval of the FRB to acquire all, or substantially all, of the assets of any bank or bank holding company or to merge with another bank holding company. Prior FRB approval will also be required for the Company to acquire direct or indirect ownership or control of any voting

securities of any bank or bank holding company if, after giving effect to such acquisition, the Company would, directly or indirectly, own or control more than 5% of any class of voting shares of such bank or bank holding company. In evaluating such transactions, the FRB considers such matters as the financial and managerial resources of and future prospects of the companies involved, competitive factors and the convenience and needs of the communities to be served. Bank holding companies may acquire additional banks in any state, subject to certain restrictions such as deposit concentration limits. In addition to the approval of the FRB, before any bank acquisition can be completed, prior approval may also be required to be obtained from other agencies having supervisory jurisdiction over banks to be acquired. The FRB has adopted capital adequacy guidelines for bank holding companies (on a consolidated basis). The Company s total and Tier 1 capital exceeds the requirements established by the FRB.

A bank holding company is generally required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the Company s consolidated net worth. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, FRB order or directive, or any condition imposed by, or written agreement with, the FRB. There is an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

The FRB has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the FRB s policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization s capital needs, asset quality, and overall financial condition. The FRB s policies also require that a bank holding company serve as a source of financial strength to its subsidiary bank or banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary bank or banks where necessary. These regulatory policies could affect the ability of the Company to pay dividends or otherwise engage in capital distributions.

Restrictions on Transactions with Affiliates Section 23A of the Federal Reserve Act imposes quantitative and qualitative limits on transactions between a bank and any affiliate, and requires certain levels of collateral for such transactions. It also limits the amount of advances to third parties which are collateralized by the securities or obligations of the Company or its subsidiaries. Section 23B requires that certain transactions between a bank and its affiliates be on terms substantially the same, or at least as favorable, as those prevailing at the time for comparable transactions with or involving other, nonaffiliated companies. In the absence of such comparable transactions, any transactions between a bank and its affiliates must be on terms and under circumstances, including credit standards that in good faith would be offered to or would apply to nonaffiliated companies.

Sarbanes-Oxley Act of 2002 This enacted statute generally prohibits loans by the Company to its executive officers and directors. However, that act contains a specific exception for loans by the Bank to its executive officers and directors in compliance with federal banking laws. Under such laws, the Bank s authority to extend credit to executive officers, directors and 10% shareholders (insiders), as well as entities such persons control, is limited. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on the Bank s capital position and requires certain board approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees.

The USA Patriot Act The USA Patriot Act of 2001, as amended (the Patriot Act), has imposed substantial new record-keeping and due diligence obligations on banks and other financial institutions, with a

particular focus on detecting and reporting money-laundering transactions involving domestic and international customers. The U.S. Treasury Department has issued and will continue to issue regulations clarifying the Patriot Act s requirements. The Patriot Act requires all financial institutions, as defined, to establish certain anti-money laundering compliance and due diligence programs.

Gramm-Leach-Bliley On November 12, 1999, President Clinton signed into law the Gramm-Leach-Bliley Act of 1999 (also known as the Financial Services Modernization Act). The Financial Services Modernization Act repealed provisions of the Glass-Steagall Act which restricted the affiliation of banks with firms engaged principally in specified securities activities, and provided for regulation of a new form of bank holding company, known as a financial holding company under the Bank Holding Company Act. Financial holding companies, such as the Company, can engage in a statutorily provided list of financial activities, including insurance and securities underwriting and agency activities, merchant banking and insurance company portfolio activities.

New York State and FDIC

The Bank is organized under the New York Banking Law (Banking Law), and its deposits are insured by the Bank Insurance Fund (the BIF) of the FDIC to the extent permitted by law. As a New York bank, the Bank is subject to regular examination and supervision by the NYSBD. As a depository institution, the deposits of which are insured by the FDIC, the Bank also is subject to regulation and supervision by the FDIC. While the Bank is not a member of the Federal Reserve System, it is subject to certain regulations of the FRB. In addition to banking laws, regulations and regulatory agencies, the Bank is subject to various other laws, regulations and regulatory agencies, all of which directly or indirectly affect the Bank s operations.

Federal Securities Laws

The status of the Company as a registered bank holding company under the BHCA does not exempt it from certain Federal and state laws and regulations applicable to corporations generally, including, without limitation, certain provisions of the Federal securities laws. The Company is subject to the periodic reporting, proxy solicitation, tender offer, insider trading restrictions and other requirements under the Securities and Exchange Act of 1934, as amended.

Delaware Corporation Law

The Company is incorporated under the laws of the State of Delaware. Thus, we are subject to the regulation by the State of Delaware and the rights of our shareholders are governed by Delaware General Corporation Law.

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ITEM 2. PROPERTIES

The Bank conducts its business from its main branch office and executive offices located at 1601 Veterans Memorial Highway, Suite 120, Islandia, New York, and eleven branch offices located in Babylon, Smithtown, Westbury, Jericho, Shirley, Ronkonkoma, Melville, Central Islip, Deer Park, Hauppauge, and Bay Ridge-Brooklyn. The following table sets forth information relating to each of the offices of the Bank at December 31, 2004:

Location	Leased or Owned	Date of Lease or Acquisition	Lease Expiration Including Options	Net Book Value at Dec. 31, 2004
				(Dollars in thousands)
Main Office:				
1601 Veterans Memorial Highway, Suite 120 Islandia, New York 11749	Leased	1987	2020	$ 533
Branch Offices:				
400 West Main Street, Babylon, NY 11702	Leased	1995	2005	
50 Route 111, Smithtown, NY 11787	Leased	1997	2012	
900 Merchants Concourse, Westbury, NY 11590	Leased	1997	2008	
390 North Broadway, Jericho, NY 11753	Leased	1997	2008	
950 Montauk Highway, Shirley, NY 11967	Owned	2002		1,245
3425 Veterans Memorial Hwy, Ronkonkoma, NY 11779	Leased	2001	2020	110
610 Broadhollow Road, Melville, NY 11747	Leased	2001	2019	96
320 Carlton Avenue, Central Islip, NY 11722	Leased	2001	2007	28
720 Grand Boulevard, Deer Park, NY 11729	Owned	2001		973
375 86th Street, Brooklyn, NY 11209	Leased	2002	2022	127
350 Motor Parkway, Hauppauge, NY 11788	Leased	2003	2018	59
				$ 3,172

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The above captioned information regarding the market for the Company s common equity and related stockholder matters appears in the 2004 Annual Report to Stockholders under the caption Capital Stock and is incorporated herein by this reference.

There were no repurchases of shares of the common stock of the Company during the three month period ended December 31, 2004.

The following table discloses information related to equity compensation plans approved by security holders for the year ended December 31, 2004. The Company does not have any equity compensation plans not approved by securities holders.

	Number of securities to be issued upon exercise of outstanding stock, warrants and rights	Weighted average exercise price of outstanding options	Number of securities remaining available for further issuance under equity compensation plans
Equity compensation plans approved by security holders	209,009	$ 20.17	58,858

ITEM 6. SELECTED FINANCIAL DATA

Information regarding selected financial data appears on pages 5 and 6 of the 2004 Annual Report to Stockholders under the caption Selected Financial Data and is incorporated herein by this reference.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Management s discussion and analysis of financial condition and results of operation appears on pages 7 through 16 of the 2004 Annual Report to Stockholders under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations and is incorporated herein by this reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in the section captioned Management s Discussion and Analysis of Financial Condition and Results of Operation Management of Interest Rate Risk in the 2004 Annual Report to Stockholders is incorporated herein by this reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of Long Island Financial Corp. and the Report of Independent Registered Public Accounting Firm appear on pages 18 through 38 of the 2004 Annual Report to Stockholders and are incorporated herein by this reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

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ITEM 9A. CONTROLS AND PROCEDURES

1. Evaluation of disclosure controls and procedures. The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures as of the end of the period covered by the report, based on the evaluation of these controls and procedures required by paragraph (b) of Section 240.13a-14 or Section 240.15d-14 of this chapter, the Chief Executive and Chief Financial officers of the Company concluded that the Company s disclosure controls and procedures were effective.

2. Changes in internal controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial officers.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained on pages 5 through 7 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 20, 2005 under the caption Election of Directors is incorporated herein by reference.

The following table sets forth certain information regarding the executive officers of the Company. Officers are re-elected by the Board of Directors annually.

Name	Age	Position(s) Held with the Company
Douglas C. Manditch	57	President and Chief Executive Officer
Thomas Buonaiuto	39	Vice President and Secretary-Treasurer

Biographical Information

Positions held by a director or officers have been held for at least the past five years unless stated otherwise.

Douglas C. Manditch is President and Chief Executive Officer of the Company and of the Bank. He joined Long Island Commercial Bank in 1987, then in formation.

Thomas Buonaiuto serves as Vice President and Secretary-Treasurer of the Company and Executive Vice President and Chief Financial Officer of the Bank. Mr. Buonaiuto s responsibilities include oversight of all areas of operations of the Bank excluding lending.

ITEM 11. EXECUTIVE COMPENSATION

The information contained on pages 11 through 14 of the Proxy Statement for the Annual Meeting of Stockholders to be held on April 20, 2005 under the captions Directors Compensation and Executive Compensation is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained on page 3 and pages 5 through 7 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 20, 2005 under the captions Security Ownership Of Certain Beneficial Owners and Information with Respect to the Nominees, Continuing Directors and Executive Officers is incorporated herein by reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained on page 17 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 20, 2005 under the caption Transactions with Certain Related Persons is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information contained on pages 18 through 19 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 20, 2005 under the caption Independent Auditors is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) 1. Financial Statements

The following financial statements of the Bank are included in the Company s Annual Report to Stockholders for the year ended December 31, 2004 and are incorporated by this reference:

Consolidated Balance Sheets at December 31, 2004 and 2003	D-42
Consolidated Statements of Earnings for the Years Ended December 31, 2004, 2003 and 2002	D-43
Consolidated Statements of Changes in Stockholders Equity for the Years Ended December 31, 2004, 2003 and 2002	D-44
Consolidated Statements of Cash Flows for the Years Ended December 31, 2004, 2003 and 2002	D-45
Notes to Consolidated Financial Statements	D-46
Report of Independent Registered Public Accounting Firm	D-68

The remaining information appearing in the 2004 Annual Report to Stockholders is not deemed to be filed as part of this report, except as expressly provided herein.

2. Financial Statement Schedules

Financial Statement Schedules have been omitted because they are not applicable or the required information is shown in the Financial Statements or Notes thereto.

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(B) Exhibits Required by Securities and Exchange Commission Regulation S-K

Exhibit Number	
2.0	Plan of Acquisition between Long Island Financial Corp. and Long Island Commercial Bank dated as of September 15, 1998*
3.1	Certificate of Incorporation of Long Island Financial Corp., dated September 10, 1998*
3.2	By-Laws of Long Island Financial Corp., effective as of September 10, 1998*
10.0	Long Island Financial Corp. 1998 Stock Option Plan*
10.1	Change of Control Agreement between Long Island Financial Corp. and Douglas C. Manditch**
10.2	Change of Control Agreement between Long Island Financial Corp. and Thomas Buonaiuto**
11.0	Statement re: Computation of Per Share Earnings (Filed herewith)
13.0	2004 Annual Report to Stockholders (Filed herewith)
21.0	Subsidiary information is incorporated by reference to Part I Subsidiary Activities
23.0	Consent of KPMG LLP
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002
99.0	Proxy Statement for Annual Meeting (to be filed)

* Incorporated herein by reference in this document to the S-4 Registration Statement initially filed on September 22, 1998, Registration No. 333-63971

** Incorporated herein by reference in this document from the 2002 Long Island Financial Corp. Form 10-K filed on March 29, 2003.

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SIGNATURES

Pursuant to the requirements of Section 13 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.

LONG ISLAND FINANCIAL CORP.

By: /s/ DOUGLAS C. MANDITCH — Date: March 14, 2005

Douglas C. Manditch

President and Chief Executive Officer

By: /s/ THOMAS BUONAIUTO — Date: March 14, 2005

Thomas Buonaiuto

Vice President and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 14, 2005, by the following persons on behalf of the Registrant and in the capacities indicated.

/s/ HARVEY AUERBACH	/s/ DOUGLAS C. MANDITCH
Harvey Auerbach **Chairman of the Board**	**Douglas C. Manditch** **Director, President and Chief Executive Officer**
/s/ JOHN L. CIARELLI, ESQ.	/s/ JOHN R. MCATEER
John L. Ciarelli, Esq. **Director**	**John R. McAteer** **Director**
/s/ DONALD DEL DUCA	/s/ WERNER S. NEUBURGER
Donald Del Duca **Director**	**Werner S. Neuburger** **Director**
/s/ FRANK J. ESPOSITO	/s/ THOMAS F. ROBERTS, III
Frank J. Esposito **Vice Chairman**	**Thomas F. Roberts, III** **Director**
/s/ WALDEMAR FERNANDEZ	/s/ ALFRED ROMITO
Waldemar Fernandez **Director**	**Alfred Romito** **Director**

/s/ FRANK DIFAZIO

Frank DiFazio
Director

/s/ JOHN C. TSUNIS, ESQ.

John C. Tsunis, Esq.
Vice Chairman

/s/ GORDON A. LENZ

Gordon A. Lenz
Director

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Exhibit 11

Statement re: Computation of Per Share Earnings

(In thousands, except share and per share amounts)

	December 31, 2004	December 31, 2003	December 31, 2002
Net income available to common shareholders	$ 1,807	$ 3,328	$ 2,837
Total weighted average common shares outstanding	1,505,706	1,472,263	1,444,791
Basic earnings per common share	$ 1.20	$ 2.26	$ 1.96
Total weighted average common shares outstanding	1,505,706	1,472,263	1,444,791
Dilutive effect of stock options using the treasury stock method	77,732	70,504	50,849
Total average common and common equivalent shares	1,583,438	1,542,767	1,495,640
Diluted earnings per common share	$ 1.14	$ 2.16	$ 1.90

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Exhibit 13

Portions of the 2004 Annual Report to Stockholders

SELECTED FINANCIAL DATA

The following tables set forth selected financial data for the last five years.

	At or for the years ended December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands, except share data)				
Selected Operating Data:					
Interest income	$ 26,725	$ 24,014	$ 23,327	$ 22,945	$ 20,996
Interest expense	9,305	9,092	9,903	12,039	11,401
Net interest income	17,420	14,922	13,424	10,906	9,595
Provision for loan losses	6,325	60	270	150	150
Other operating income	7,198	4,418	3,254	2,139	1,566
Other operating expenses	15,656	14,076	12,084	9,910	8,377
Income before income taxes	2,637	5,204	4,324	2,985	2,634
Income taxes	830	1,876	1,487	1,023	880
Net income	$ 1,807	$ 3,328	$ 2,837	$ 1,962	$ 1,754
Basic earnings per share	$ 1.20	$ 2.26	$ 1.96	$ 1.35	$ 1.10
Diluted earnings per share	$ 1.14	$ 2.16	$ 1.90	$ 1.33	$ 1.10
Selected Financial Condition Data:					
Total assets	$ 554,809	$ 524,671	$ 492,183	$ 438,622	$ 333,166
Loans, net	237,886	223,838	214,196	175,297	134,142
Allowance for loan losses	5,591	2,290	2,346	2,028	1,872
Securities	283,739	232,491	235,639	217,282	169,422
Deposits	418,295	425,443	400,534	345,917	273,189
Borrowed funds	98,500	61,000	55,000	59,500	29,000
Subordinated debentures	7,732	7,732	7,732	7,732	7,732
Stockholders equity	27,037	26,418	25,573	21,127	19,261
Book value per share	$ 17.86	$ 17.75	$ 17.68	$ 14.67	$ 13.02
Stockholders equity, as adjusted(1)	$ 28,848	$ 27,146	$ 23,746	$ 21,354	$ 20,428
Book value per share, as adjusted(1)	$ 19.06	$ 18.24	$ 16.42	$ 14.83	$ 13.81
Shares outstanding	1,513,478	1,488,311	1,446,226	1,439,926	1,479,426
Average Balance Sheet Data:					
Total assets	$ 547,808	$ 476,472	$ 409,187	$ 346,217	$ 294,116
Loans, net	239,174	218,614	193,194	155,303	131,165
Securities	275,949	214,817	176,306	155,833	145,291
Demand deposits	99,172	90,793	70,198	51,487	40,842

Savings deposits	107,488	92,565	63,231	39,221	31,507
NOW and money market deposits	94,313	77,500	58,448	49,431	43,865
Certificates of deposit	83,797	105,808	125,129	129,246	106,079
Borrowed funds	124,168	72,922	57,214	44,249	47,451
Subordinated debentures	7,732	7,732	7,732	7,732	2,451
Stockholders equity	$ 26,942	$ 25,729	$ 23,409	$ 20,689	$ 18,138

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SELECTED FINANCIAL DATA (cont d)

	At or for the years ended December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands)				
Performance Ratios:					
Return on average assets	.33%	.70%	.69%	.57%	.60%
Return on average equity	6.71	12.93	12.12	9.48	9.67
Average equity to average assets	4.92	5.40	5.72	5.98	6.17
Equity to total assets at end of year	4.87	5.04	5.20	4.82	5.78
Interest rate spread(2)	2.95	2.91	3.03	2.65	2.63
Net interest margin(3)	3.38	3.39	3.57	3.38	3.46
Ratio of average interest-earning assets to average interest-bearing liabilities	1.24	1.23	1.21	1.20	1.17
Non-interest expense to average assets	2.86	2.95	2.95	2.86	2.85
Efficiency ratio(4)	63.60	72.78	72.45	75.97	75.06
Dividend payout ratio	40.00	18.58	18.88	24.44	29.09
Asset Quality Ratios and Other Data:					
Total non-performing loans	$ 89	$	$ 307	$ 178	$ 416
Allowance for loan losses	5,591	2,290	2,346	2,028	1,872
Non-performing loans as a percent of total loans(5)(6)	0.04%	%	.14%	.10%	.31%
Non-performing loans as a percent of total assets(5)	0.02%	%	.06%	.04%	.12%
Allowance for loan losses as a percent of:					
Non-performing loans(5)	6,282%	%	764%	1,139%	450%
Total loans(6)	2.30%	1.01%	1.08%	1.14%	1.38%
Full service offices	12	12	11	8	6

(1) Excludes the unrealized appreciation (depreciation) in available-for-sale securities.
(2) Interest rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
(3) The net interest margin represents net interest income divided by average interest-earning assets.
(4) The efficiency ratio represents the ratio of operating expenses divided by the sum of net interest income and other operating income.
(5) Non-performing loans consist of all non-accrual loans and all other loans 90 days or more past due. It is the Company s policy to generally cease accruing interest on all loans 90 days or more past due.
(6) Loans include loans, net of unearned income and deferred fees.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATION

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

Statements contained in this Annual Report, which are not historical facts, are forward looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Amounts herein could vary as a result of market and other factors. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by Long Island Financial Corp. (the Company) with the Securities Exchange Commission from time to time. Such forward-looking statements may be identified by the use of such words as believe, expect, anticipate, should, planned, estimated and potential. Examples of forward-looking statements include, but are not limited to, estim with respect to the financial condition, expected or anticipated revenue, results of operations and business of the Company that are subject to various factors which could cause actual results to differ materially from these estimates. The Company s ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of the Company and its subsidiaries include, but are not limited to, changes in: interest rates; general economic conditions; monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board; the quality or composition of the loan or investment portfolios; demand for loan products; deposit flows; real estate values; the level of defaults; losses and prepayments on loans held by the Company in portfolio or sold in the secondary markets; demand for financial services in the Company s market area; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; and other economic, competitive, governmental, regulatory, and technological factors affecting the Company s operations, pricing, products and services. The forward-looking statements are made as of the date of this Annual Report, and, except as required by applicable law, the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements. Those risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report.

General Overview

Long Island Financial Corp. (the Company) is a registered financial holding company, organized in 1999, and the parent company of Long Island Commercial Bank (the Bank). The Bank, which began operations in January, 1990, is a New York state-chartered commercial bank, which is engaged in commercial and consumer banking in Islandia, New York and the surrounding communities in Suffolk and Nassau counties and in Kings County. In addition to providing commercial and consumer banking services to its clients, the Company offers financial planning and insurance services through separate subsidiaries of the Company. The array of products and services offered by the Company allows it to generate multiple relationships with existing clients, attract new clients, and operate as a competitive provider of financial products and services in the markets it serves.

The Company s results of operations are dependent primarily on net interest income, which is the difference between the income earned on its loan and securities portfolios and its cost of funds, consisting of interest paid on deposits and borrowings. Results of operations are also affected by the Company s provision for loan losses and other operating income. The Company s other operating expenses consist principally of salaries and employee benefits, occupancy, premises and equipment expense, and other expenses. Results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies and action of regulatory authorities.

The Company originates residential real estate loans primarily in its market area. The Company sells the majority of the residential real estate loans it originates together with the servicing rights to those loans on a non-recourse basis to institutional investors. The Company limits its

exposure to interest rate fluctuations and credit

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risk on those loans by obtaining, at the point of origination, a commitment from an institutional investor to purchase that loan from the Company. Further, by selling the servicing rights to the loans, the Company avoids the associated risks and expenses of managing and servicing a loan portfolio. Income is generated from the premiums received on the sale of loans with servicing rights and on the fees charged and interest earned during the period the Company holds the loans for sale.

Management Strategy

The Company offers a broad range of commercial and consumer banking services, including loans to and deposit accounts for small and medium-sized businesses, professionals, high net worth individuals and consumers. The Bank is an independent local bank, emphasizing personal attention and responsiveness to the needs of its customers. The Company continues to implement an aggressive expansion plan. The key components of that plan are to (i) expand the Company s network of branch offices into existing and new markets, (ii) originate commercial loans and commercial real estate loans, (iii) develop strong customer relationships that generate multiple services for individual customers and repeat business, (iv) continue to add high quality employees and (v) leverage capital with increased deposits from branch expansion and borrowed funds.

The establishment of the financial holding company structure in 1999 provides greater operating flexibility by allowing the Company to conduct a broader range of business activities and permits the Board of Directors of the Company to determine whether to conduct such activities at the Bank or in separate subsidiaries of the Company. This structure permits expansion into a broader range of financial services and other business activities that are not currently permitted to the Bank as a New York state-chartered commercial bank. Such activities include, among others, operating non-bank depository institutions or securities brokerage and management consulting activities. The Company continually evaluates opportunities that would enhance the products and services offered.

Critical Accounting Policies and Estimates

The Company identifies accounting policies and estimates critical to the Company s operations and understanding of the Company s results of operations. Certain accounting policies and estimates are considered to be important to the portrayal of the Company s financial condition, since they require management to make complex or subjective judgments, some of which may relate to matters that are inherently uncertain.

Allowance for Loan Losses

The Company has determined that the methodology used in determining the level of its allowance for loan losses is critical in the presentation and understanding of the Company s consolidated financial statements. The allowance for loan losses represents management s estimate of probable losses inherent in the portfolio. The evaluation process for making provisions for loan losses is subject to numerous estimates and judgments. Changes in these estimates could have a direct impact on the provision for loan losses and could result in a change in the allowance. While management uses available information to determine losses on loans, future additions to the allowance may be necessary based on, among other things, unanticipated changes in economic conditions, particularly in Suffolk and Nassau counties.

In evaluating the portfolio, management takes into consideration numerous factors such as the Company s loan growth, prior loss experience, present and potential risks of the loan portfolio, risk ratings assigned by lending personnel, ratings assigned by the independent loan review function, the present financial condition of the borrowers, current economic conditions, and other portfolio risk characteristics. The Company s

formalized process for assessing the adequacy of the allowance for loan losses and the resultant need, if any, for periodic provisions to the allowance charged to income consists of both individual loan analyses and loan pool analyses. The individual loan analyses are periodically performed on individually significant loans or when otherwise

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deemed necessary and primarily encompass commercial real estate and commercial and industrial loans. Management believes that the Company s allowance for loan losses at December 31, 2004 is adequate to provide for estimated probable losses inherent in the portfolio.

SECURITIES

The fair value of most securities classified as held-to-maturity or available-for-sale are based upon quoted market prices. If quoted market prices are not available, fair values are extrapolated from the quoted prices of similar instruments.

DEFERRED TAX ASSET

The Company uses an estimate of future earnings to support the position that the benefit of the deferred tax asset will be realized. If future income should prove non-existent or less than the amount of the deferred tax asset within the tax years to which they may be applied, the asset may not be realized and net income will be reduced.

MANAGEMENT OF INTEREST RATE RISK

The principal objective of the Company s interest rate risk management is to evaluate the interest rate risk inherent in certain balance sheet accounts, determine the level of risk appropriate, given the Company s business strategy, its operating environment, capital and liquidity requirements and performance objectives, and manage the risk consistent with approved guidelines of the Board of Directors. Through such management, the Company seeks to reduce the vulnerability of its operations to changes in interest rates. The Investment Committee reviews the interest rate risk position of the Company on a quarterly basis.

Funds management is the process by which the Company seeks to maximize the profit potential which is derived from the spread between the rates earned on interest-earning assets and the rates paid on interest-bearing liabilities through the management of various balance sheet components. It involves virtually every aspect of the management and decision-making process of the Company. Accordingly, the results of the Company s operations and financial condition are largely dependent on movements in market interest rates and the ability of the Company to manage its assets and liabilities in response to such movements.

At December 31, 2004, 79.9% of the Company s gross loans had adjustable interest rates and its loan portfolio had an average weighted maturity of 9.6 years. At such date, $28.6 million, or 10.3%, of the Company s securities had adjustable interest rates, and its available-for-sale securities portfolio had an average contractual maturity of 7.2 years. At December 31, 2004, the Company had $36.9 million of time deposits with maturities of one year or less and $9.9 million of time deposits of $100,000 or more, which tend to be less stable sources of funding as compared to core deposits, and represented 11.0% of the Company s interest-bearing liabilities. Due to the Company s level of shorter term time deposits, the cost of funds of the Company may increase at a greater rate in a rising rate environment than if it had a greater amount of core deposits which, in turn, may adversely affect net interest income and net income.

The interest rate sensitivity of the Company is monitored by management through the use of a quarterly interest rate risk analysis model which evaluates (i) the potential change in net interest income over the succeeding four quarter periods and (ii) the potential change in the fair market value of equity of the Company (Net Economic Value of Equity), which would result from an instantaneous and sustained interest rate change from a static position to plus or minus 200 basis points, in 100 basis point increments.

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At December 31, 2004, the effects of instantaneous and sustained interest rate changes on the Company s Net Interest Income and Net Economic Value of Equity would be as follows:

Change in Interest Rates in Basis Points	Potential Change in Net Interest Income		Potential Change in Net Economic Value Of Equity	
	$ Change	% Change	$ Change	% Change
	(Dollars in thousands)			
200	$ (1,448)	(7.50)%	$ (5,917)	(16.96)%
100	(679)	(3.52)	(2,563)	(7.35)
Static				
(100)	(1,090)	(5.65)	297	.85
(200)	(2,470)	(12.80)	(1,391)	(3.99)

Analysis of Net Interest Income

Net interest income represents the difference between income on interest-earning assets and expense on interest-bearing liabilities. Net interest income depends upon both the volume of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them.

The following table sets forth certain information relating to the consolidated average balance sheets of the Company and its consolidated statements of earnings for the years ended December 31, 2004, 2003 and 2002, and reflects the average yield on interest-earning assets and average cost of interest-bearing liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively. Average balances are derived from average daily balances.

	Years Ended December 31,								
	2004			2003			2002		
	Average Balance	Interest	Yield / Cost	Average Balance	Interest	Yield / Cost	Average Balance	Interest	Yield / Cost
	(Dollars in thousands)								
Assets:									
Interest-earning assets:									
Federal funds sold and interest-earning deposits	$ 839	$ 9	1.07%	$ 6,365	$ 67	1.05%	$ 6,344	$ 106	1.67%
Securities(1)	275,949	10,880	3.94	214,817	8,721	4.06	176,306	8,694	4.93
Loans, net of unearned income and deferred fees(2)	239,174	15,836	6.62	218,614	15,226	6.96	193,194	14,527	7.52
Total interest-earning assets	515,962	26,725	5.18	439,796	24,014	5.46	375,844	23,327	6.21
Non-interest-earning assets	31,846			36,676			33,343		
Total assets	$ 547,808			$ 476,472			$ 409,187		
Liabilities and Stockholders Equity:									

Interest-bearing liabilities:									
Savings deposits	$ 107,488	$ 1,250	1.16%	$ 92,565	$ 1,142	1.23%	$ 63,231	$ 1,037	1.64%
NOW and money market deposits	94,313	841	.89	77,500	672	.87	58,448	661	1.13
Certificates of deposit	83,797	2,490	2.97	105,808	3,509	3.32	125,129	4,703	3.76
Total interest-bearing deposits	285,598	4,581	1.60	275,873	5,323	1.93	246,808	6,401	2.59
Borrowed funds	124,168	3,892	3.13	72,922	2,939	4.03	57,214	2,677	4.68
Subordinated debentures	7,732	832	10.76	7,732	830	10.73	7,732	825	10.67
Total interest-bearing liabilities	417,498	9,305	2.23	356,527	9,092	2.55	311,754	9,903	3.18
Other non-interest bearing liabilities	103,368			94,216			74,024		
Total liabilities	520,866			450,743			385,778		
Stockholders equity	26,942			25,729			23,409		
Total liabilities and stockholders equity	$ 547,808			$ 476,472			$ 409,187		
Interest income / interest rate spread(3)		$ 17,420	2.95%		$ 14,922	2.91%		$ 13,424	3.03%
Net interest margin(4)			3.38%			3.39%			3.57%
Ratio of interest-earning assets to interest-bearing liabilities			1.24			1.23			1.21

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(1) Amounts include Federal Home Loan Bank Stock, at cost. Unrealized appreciation/depreciation on available-for-sale securities are recorded in non-interest-earning assets.
(2) Amounts exclude the allowance for loan losses and include non-performing loans.
(3) Interest rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average interest-earning assets.

The following table represents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the interest income and interest expense of the Company during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (change in volume multiplied by prior rate), (ii) changes attributable to changes in rate (change in rate multiplied by prior volume) and (iii) the net change. Changes attributable to the combined impact of volume and rate have been allocated proportionately to separately reflect the changes due to volume and the changes due to rate:

	Year Ended December 31, 2004 Compared to Year Ended December 31, 2003 Increase/(Decrease) Due to			Year Ended December 31, 2003 Compared to Year Ended December 31, 2002 Increase/(Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(Dollars in thousands)					
Interest-earning assets:						
Federal funds sold and interest-earning deposits	$ (59)	1	(58)	$	(39)	(39)
Securities(1)	2,417	(258)	2,159	1,714	(1,687)	27
Loans, net of unearned income and deferred fees(2)	1,386	(776)	610	1,821	(1,122)	699
Total interest-earning assets	3,744	(1,033)	2,711	3,535	(2,848)	687
Interest-bearing liabilities:						
Deposits:						
Savings deposits	177	(69)	108	403	(298)	105
NOW and money market deposits	150	19	169	186	(175)	11
Certificates of deposit	(679)	(340)	(1,019)	(678)	(516)	(1,194)
Total interest-bearing deposits	(352)	(390)	(742)	(89)	(989)	(1,078)
Borrowed funds	1,717	(764)	953	667	(405)	262
Subordinated debentures		2	2		5	5
Total interest-bearing liabilities	$ 1,365	(1,152)	213	$ 578	(1,389)	(811)
Net change in interest income			2,498			1,498

(1) Amounts include Federal Home Loan Bank Stock, at cost. Unrealized appreciation/depreciation on available-for-sale securities are recorded in non-interest-earning assets.
(2) Amounts exclude the allowance for loan losses and include non-performing loans.

COMPARISON OF FINANCIAL CONDITION AT DECEMBER 31, 2004 AND 2003

Total assets increased by $30.1 million, or 5.7%, from $524.7 million at December 31, 2003, to $554.8 million at December 31, 2004. The increase in assets is attributable to a $61.8 million, or 28.5%, increase in securities available-for-sale, which increased from $217.0 million at December 31, 2003, to $278.8 million at December 31, 2004. This increase was the result of the Company s decision to expand the securities available-for-sale portfolio, primarily funded from the sale of $12.5 million of securities classified as held-to-maturity, federal funds sold, and borrowed funds. In addition, loans, net of unearned income and deferred fees, increased $17.4 million, or 7.7%, from $226.1 million at December 31, 2003, to $243.5 million at December 31, 2004. The growth in loans resulted from increases of $25.1 million, or 17.3%, in the commercial real estate loan portfolio

and $3.7 million, or 8.6%, in the commercial and industrial loan portfolio, offset by a decrease in the automobile loan portfolio of $17.0 million, or 41.4%. The Company ceased origination of automobile loans in March 2004. Offsetting asset growth, cash and cash equivalents decreased $36.4 million, or 77.9%, reflecting the timing and balances of seasonal municipal deposits and the redeployment of federal funds sold to fund asset growth. At December 31, 2004, and 2003, seasonal municipal deposits amounted to $58.6 million and $71.8 million, respectively. Deferred tax asset, net, increased $1.8 million, from $1.4 million at December 31, 2003, to $3.2 million at December 31, 2004, which, in turn, was directly related to both the $1.1 million increase in accumulated other comprehensive loss, and the $6.3 million provision for loan losses for the year ended December 31, 2004. Prepaid expenses and other assets increased $1.0 million, from $1.5 million at December 31, 2003, to $2.5 million at December 31, 2004, primarily due to an increase in receivables related to the automobile loan portfolio.

Total deposits decreased $7.1 million, or 1.7%, from $425.4 million at December 31, 2003, to $418.3 million at December 31, 2004. That decrease is primarily attributable to a decrease in other time deposits, which decreased $26.6 million, or 31.1%, from $85.5 million at December 31, 2003 to $58.9 million at December 31, 2004. In addition, time deposits, $100,000 or more, decreased $3.4 million, or 25.7%, from $13.3 million at December 31, 2003, to $9.9 million at December 31, 2004. Offsetting those decreases, were increases in savings deposits of $18.9 million, or 18.1%, from $104.2 million at December 31, 2003, to $123.1 million at December 31, 2004, and in demand deposits of $1.2 million, or 1.2%, from $98.7 million at December 31, 2003, to $99.9 million at December 31, 2004. In addition, NOW and money market deposits increased $2.8 million, or 2.2%, from $123.7 million at December 31, 2003, to $126.5 million at December 31, 2004, despite a $13.2 million decrease in seasonal municipal deposits. The growth in savings, demand, and NOW and money market deposits reflects the Bank s focus on the generation of core deposits to provide a low cost funding source and replace traditionally higher cost funding such as time deposits. The Bank, at various times when deemed appropriate, utilizes other time deposits and time deposits, $100,000 or more, as a funding source.

There were $27.5 million of federal funds purchased at December 31, 2004. Other borrowings, which consist of Federal Home Loan Bank advances, increased $10.0 million, or 16.4%, to $71.0 million at December 31, 2004. Subordinated debentures were $7.7 million at both December 31, 2004 and 2003.

Stockholders equity increased $619,000 to $27.0 million at December 31, 2004, compared to $26.4 million at December 31, 2003. Increases to stockholders equity included net income amounting to $1.8 million for the year ended December 31, 2004, augmented by proceeds from the dividend reinvestment and stock purchase plan and the exercise of stock options amounting to $618,000. Those amounts were offset in part by dividends declared of $723,000, and an increase in the accumulated other comprehensive loss on securities available-for-sale of $1.1 million.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

General

The Company reported net income of $1.8 million for the year ended December 31, 2004, or basic earnings per share of $1.20, and diluted earnings per share of $1.14, compared to net income of $3.3 million, or basic earnings per share of $2.26 and diluted earnings per share of $2.16 for the year ended December 31, 2003.

Interest Income

Interest income, increased $2.7 million, or 11.3%, to $26.7 million for the year ended December 31, 2004, from $24.0 million for the year ended December 31, 2003. The increase was primarily the result of a $76.2 million, or 17.3%, increase in the average balance of interest-earning assets to $516.0 million for the year ended December 31, 2004, from $439.8 million for 2003. The increase in the average balance of interest-earning assets

was offset in part by a 28 basis point decrease in the average yield on interest-earning assets from 5.46% for the year ended December 31, 2003, to 5.18% for the year ended December 31, 2004. The decrease in average yield on interest-earning assets was attributable to a 12 basis point decrease in yield on securities which declined from 4.06% for the year ended December 31, 2003, to 3.94% for the year ended December 31, 2004. The average yield on loans, net of unearned income and deferred fees, decreased 34 basis points from 6.96% for the year ended December 31, 2003 to 6.62% for the year ended December 31, 2004. Partially offsetting the decline in yield from year to year was the $61.1 million, or 28.5%, increase in the average balance of securities from $214.8 million for the year ended December 31, 2003, to $275.9 million for the year ended December 31, 2004. The average balance of loans, net of unearned income and deferred fees, increased $20.6 million, or 9.4%, from $218.6 million for the year ended December 31, 2003, to $239.2 million, for the year ended December 31, 2004.

Interest Expense

Interest expense for the year ended December 31, 2004, was $9.3 million, compared to $9.1 million for the year ended December 31, 2003, an increase of $213,000, or 2.3%. The increase in interest expense was the result of a $61.0 million increase in the average balance of interest-bearing liabilities which reflects a $9.7 million increase in the average balance of interest-bearing deposits and a $51.2 million increase in the average balance of borrowed funds from year to year. Offsetting the increase in the average cost of interest-bearing liabilities due to the increase in average balance of interest-bearing liabilities was a 32 basis point decrease in the average rate paid on interest-bearing liabilities from 2.55% for the year ended December 31, 2003, to 2.23% for the year ended December 31, 2004. The decrease in average rate paid on average interest-bearing liabilities reflects a 33 basis point decrease in the average rate paid on average interest bearing deposits and a 90 basis point decrease in the average rate paid on the average balance of borrowed funds.

Interest expense on interest-bearing deposits for the year ended December 31, 2004, decreased $742,000, or 13.9%, to $4.6 million from $5.3 million for the prior year. That decrease was primarily due to a 33 basis point decrease in the average rate paid on interest-bearing deposits from 1.93% for the year ended December 31, 2003, to 1.60% for 2004. Offsetting in part the decrease in the average rate paid was a $9.7 million year to year increase in the average balance of interest-bearing deposits. The increase in the average balance of interest-bearing deposits was the result of increases in the average balance of savings deposits of $14.9 million, or 16.1%, and NOW and money market deposits of $16.8 million, or 21.7%, partially offset by a $22.0 million, or 20.8%, decrease in the average balance of time deposits. The increase in average balances of savings and NOW and money market deposits is the result of the Company s focus on the development of competitive deposit products that meet the needs of its commercial and consumer clients while providing a lower cost source of funds.

Interest expense on borrowed funds for the year ended December 31, 2004, increased $953,000, or 32.4%, to $3.9 million from $2.9 million for 2003. The increase was primarily due to a $51.3 million, or 70.3%, increase in the average balance of borrowed funds from $72.9 million for the year ended December 31, 2003, to $124.2 million for the year ended December 31, 2004. Offsetting the increase in the average balance was a 90 basis point decrease in the average rate paid on borrowed funds from 4.03% for 2003, to 3.13% for 2004.

Net Interest Income

Net interest income increased by $2.5 million from $14.9 million for the year ended December 31, 2003, to $17.4 million for the year ended December 31, 2004. The average rate paid on interest-bearing liabilities for the period decreased 32 basis points from 2.55% in 2003 to 2.23% in 2004. The average yield on interest-earning assets for the year decreased 28 basis points from 5.46% in 2003 to 5.18% in 2004. The net interest rate spread increased by 4 basis points from 2.91% in 2003 to 2.95% in 2004.

Provision for Loan Losses

The Company s provision for loan losses was $6.3 million and $60,000 for the years ended December 31, 2004, and December 31, 2003, respectively. The provision for loan losses reflects management s qualitative and

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quantitative assessment of the loan portfolio, net charge-offs and collection of delinquent loans. At December 31, 2004, and December 31, 2003, the allowance for loan losses amounted to $5.6 million and $2.3 million, respectively. The increase in the provision and allowance is attributable to realized and estimated losses in the automobile loan portfolio at December 31, 2004. The allowance for loan losses as a percentage of total loans was 2.30% at December 31, 2004, and 1.01% at December 31, 2003.

The determination of the amount of the allowance for loan losses is based on an analysis of the loan portfolio and reflects an amount, which, in management s judgment, is adequate to provide for probable loan losses in the existing portfolio. This analysis considers, among other things, present and known inherent risks in the portfolio, adverse situations, which may affect the borrower s ability to repay, overall portfolio quality, and current and prospective economic conditions. While management uses available information to provide for loan losses, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the Company s allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based upon their judgment of information available to them at the time of their examination.

Other Operating Income

Other operating income increased by $2.8 million, or 62.9%, to $7.2 million for the year ended December 31, 2004, compared to $4.4 million for the year ended December 31, 2003. The increase is attributable to securities transactions resulting in gains of $2.9 million for 2004, compared to gains of $642,000 for 2003. Service charges on deposit accounts increased $351,000, or 17.1%, reflecting growth in the Company s depositor base. Income relating to earnings on bank owned life insurance increased $125,000, or 28.4%, as a result of proceeds received in conjunction with the death of the Company s Chairman.

Other Operating Expenses

Other operating expenses increased $1.6 million, or 11.2%, to $15.7 million for the year ended December 31, 2004, from $14.1 million for the year ended December 31, 2003. The increase in other operating expenses is primarily attributable to the recognition of $1.4 million in automobile loan expense which represents direct costs incurred relative to the automobile loan portfolio.

Income Taxes

Income taxes decreased $1.0 million, or 55.8%, from $1.9 million for the year ended December 31, 2003 to $830,000 for the year ended December 31, 2004 as a result of decreased income before income taxes and increased non-taxable income received as a result of proceeds received in conjunction with the death of the Company s Chairman. The effective tax rate for the year ended December 31, 2004 was 31.5% compared to 36.0% for the year ended December 31, 2003.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

General

The Company reported net income of $3.3 million for the year ended December 31, 2003, or basic earnings per share of $2.26, and diluted earnings per share of $2.16, as compared to net income of $2.8 million, or basic earnings per share of $1.96 and diluted earnings per share of $1.90 for the year ended December 31, 2002.

INTEREST INCOME

Interest income, increased $687,000, or 2.9%, to $24.0 million for the year ended December 31, 2003, from $23.3 million for the year ended December 31, 2002. The increase was primarily the result of a $64.0 million, or

17.0%, increase in the average balance of interest-earning assets to $439.8 million for the year ended December 31, 2003, from $375.8 million for 2002. The increase in the average balance of interest-earning assets was offset in part by a 75 basis point decrease in the average yield on interest-earning assets from 6.21% for the year ended December 31, 2002, to 5.46% for the comparable 2003 period. The decrease in average yield on interest-earning assets was attributable to a 87 basis point decrease in yield on securities which declined from 4.93% for the year ended December 31, 2002, to 4.06% for the year ended December 31, 2003. The average yield on loans, net, decreased 56 basis points from 7.52% for fiscal 2002 to 6.96% for fiscal 2003. Partially offsetting the decline in yield from year to year was the $38.5 million, or 21.8%, increase in the average balance of securities from $176.3 million for the year ended December 31, 2002 to $214.8 million for the year ended December 31, 2003. The average balance of loans, net, increased $25.4 million, or 13.2%, from $193.2 million for the year ended December 31, 2002, to $218.6 million, for the year ended December 31, 2003.

Interest Expense

Interest expense for the year ended December 31, 2003, was $9.1 million, compared to $9.9 million for the year ended December 31, 2002, a decrease of $811,000, or 8.2%. The decrease in interest expense was the result of a 63 basis point decrease in the average rate paid on interest-bearing liabilities from 3.18% for the year ended December 31, 2002, to 2.55% for the year ended December 31, 2003. The decrease in average rate was offset in part by a $44.7 million, or 14.4%, increase in the average balance of total interest-bearing liabilities from $311.8 million for fiscal year 2002 to $356.5 million for fiscal year 2003. The increase in average interest-bearing liabilities reflects a $29.1 million increase in the average balance of interest-bearing deposits and a $15.7 million increase in the average balance of borrowed funds from year to year. There was no change in the average balance of subordinated debentures from December 31, 2002, to December 31, 2003.

Interest expense on interest-bearing deposits for the year ended December 31, 2003, decreased $1.1 million, or 16.8%, to $5.3 million from $6.4 million for the prior year. That decrease was primarily due to a 66 basis point decrease in the average rate paid on interest-bearing deposits from 2.59% for the year ended December 31, 2002, to 1.93% for 2003. Offsetting in part the decrease in the average rate paid was a $29.1 million increase year to year in the average balance of interest-bearing deposits. The increase in the average balance of interest-bearing deposits was the result of increases in the average balance of savings deposits of $29.3 million, or 46.4%, and NOW and money market deposits of $19.1 million, or 32.6%, partially offset by a $19.3 million decrease in the average balance of certificates of deposit. The increase in average balances of interest-bearing deposits is the result of the Company s branch expansion and the development of competitive deposit products that meet the needs of its commercial and consumer clients.

Interest expense on borrowed funds for the year ended December 31, 2003, increased $262,000, or 9.8%, to $2.9 million from $2.7 million for 2002. The increase was primarily due to a $15.7 million, or 27.5%, increase in the average balance of borrowed funds from $57.2 million for the year ended December 31, 2002, to $72.9 million for the year ended December 31, 2003. Offsetting the increase in the average balance was a 65 basis point decrease in the average rate paid on borrowed funds from 4.68% for 2002, to 4.03% for 2003.

Net Interest Income

Net interest income increased by $1.5 million from $13.4 million for the year ended December 31, 2002, to $14.9 million for the year ended December 31, 2003. The average rate paid on total interest-bearing liabilities for the period decreased 63 basis points from 3.18% in 2002 to 2.55% in 2003. The average yield on interest-earning assets for the year decreased 75 basis points from 6.21% in 2002 period to 5.46% in 2003. The net interest rate spread decreased by 12 basis points from 3.03% in 2002 to 2.91% in 2003.

Provision for Loan Losses

The Company s provision for loan losses was $60,000 and $270,000 for the years ended December 31, 2003, and December 31, 2002, respectively. The provision for loan losses reflects management s qualitative and

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quantitative assessment of the loan portfolio, net charge-offs and collection of delinquent loans. At December 31, 2003, and December 31, 2002, the allowance for loan losses amounted to $2.3 million. The allowance for loan losses as a percentage of total loans was 1.01% at December 31, 2003, and 1.08% at December 31, 2002.

The determination of the amount of the allowance for loan losses is based on an analysis of the loan portfolio and reflects an amount, which, in management s judgment, is adequate to provide for probable loan losses in the existing portfolio. This analysis considers, among other things, present and known inherent risks in the portfolio, adverse situations, which may affect the borrower s ability to repay, overall portfolio quality, and current and prospective economic conditions. While management uses available information to provide for loan losses, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the Company s allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based upon their judgment of information available to them at the time of their examination.

Other Operating Income

Other operating income increased by $1.1 million, or 35.8%, to $4.4 million for the year ended December 31, 2003, compared to $3.3 million for the year ended December 31, 2002. The increase is attributable to securities transactions resulting in gains of $642,000 in 2003, compared to gains of $37,000 for 2002. Contingent upon market conditions, the Bank periodically evaluates securities transactions to improve future net interest income and earnings per share. In addition, service charges on deposit accounts increased $337,000, or 19.7%, reflecting the growth in the Company s depositor base.

Other Operating Expenses

Other operating expenses increased $2.0 million, or 16.5%, to $14.1 million for the year ended December 31, 2003, from $12.1 million for the year ended December 31, 2002. Other operating expenses include salaries and employee benefits, occupancy expense, premises and equipment expense, and other expense. The increases are primarily attributable to the Company s planned branch expansion.

Income Taxes

Income taxes increased $389,000, or 26.2%, from $1.5 million for the year ended December 31, 2002 to $1.9 million for the year ended December 31, 2003 as a result of increased income before income taxes. The effective tax rate for the year ended December 31, 2003 was 36.0% compared to 34.4% for the year ended December 31, 2002.

Liquidity and Capital Resources

Liquidity management for the Company requires that funds be available to pay all deposit withdrawals and maturing financial obligations and to meet credit-funding requirements promptly and fully in accordance with their terms. Over a very short time frame, maturing assets provide only a limited portion of the funds required to pay maturing liabilities. The balance of the funds required is provided by liquid assets and the

acquisition of additional liabilities, making liability management integral to liquidity management in the short term.

The Company maintains levels of liquidity that it considers adequate to meet its current needs. The Company s principal sources of cash include incoming deposits, the repayment of loans and sales or calls of securities. When cash requirements increase faster than cash is generated, either through increased loan demand or withdrawal of deposited funds, the Company can arrange for the sale of loans, liquidate available-for-sale securities and access its lines of credit, totaling $6.0 million with unaffiliated financial institutions, which enable it to borrow funds on an unsecured basis. The Company has available overnight and one month lines of credit with the Federal Home Loan Bank of New York (FHLB) equal to $63.5 million, which enable it to borrow

funds on a secured basis. In addition, the Company could engage in other secured borrowings, including FHLB advances and securities sold under agreements to repurchase. At December 31, 2004 and 2003, FHLB advances amounted to $71.0 million and $61.0 million, respectively.

The primary investing activities of the Company are the purchase of securities available-for-sale and the origination of loans. During the years ended December 31, 2004, and 2003, the Company s purchases of securities classified as available-for-sale totaled $621.3 million and $606.8 million, respectively. Loan originations and principal repayments on loans, net, totaled $20.5 million and $9.8 million, for the years ended December 31, 2004 and 2003, respectively. Those activities were funded primarily by deposit growth, principal repayments on loans, borrowings, and principal repayments on securities.

The Company achieves what it considers capital adequacy through the continuous monitoring of its financial performance and plans for expansion. Sources of the Company s capital are generated primarily through current period earnings and the issuance of common stock via the dividend reinvestment plan or the exercise of stock options. Uses of capital currently result from the payment of dividends on common stock or the repurchase of common stock through a stock repurchase program. In February 2004, the Board of Directors approved a 5% stock repurchase program that enables the Company to repurchase approximately 74,000 shares of its outstanding common stock. There have been no repurchases made under that stock purchase program since its announcement. In determining the extent and timing of stock repurchase programs, the Company considers, in addition to capital adequacy, the effect on the Company s financial condition, average daily trading volume, and listing requirements applicable to The NASDAQ National Market®. At December 31, 2004, the Company held 336,900 shares of treasury stock at an average cost of $12.40 per share.

IMPACT OF INFLATION AND CHANGING PRICES

The Financial Statements and Notes thereto presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the measurement of financial position and operating results in terms of historical dollar amounts without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company s operations. Unlike industrial companies, nearly all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a greater impact on the Company s performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), Share-Based Payment. The statement requires that compensation cost relating to share-based payment transactions be recognized in financial statements and that this cost be measured on the fair value of the equity or liability instruments issued. SFAS No. 123 (Revised 2004) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The Company will adopt SFAS No. 123 (Revised 2004) on July 1, 2005 and is currently evaluating the impact the adoption of the standard will have on the Company s consolidated statements of earnings.

At December 31, 2003, the Company adopted FIN No. 46(R), Consolidation of Variable Interest Entities. FIN No. 46, as revised in December, 2003, changes the accounting model for consolidation from one based on consideration of control through voting interests. Whether to consolidate an entity will now also consider whether that entity has sufficient equity at risk to enable it to operate without additional financial support, whether the equity owners in that entity lack the obligation to absorb expected losses or the right to receive residual returns of the entity,

or whether voting rights in the entity are not proportionate to the equity interest and substantially all the entity s activities are conducted for an investor with few voting rights. In accordance with the provisions of FIN No. 46(R), the Company deconsolidated a special purpose entity formed for the purpose of

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issuing Subordinated debentures. The deconsolidation of that subsidiary resulted in certain reclassifications of the consolidated balance sheets and consolidated statements of earnings but had no effect on net income. Those reclassifications have been made to prior year s amounts to conform them to the current year s presentation.

In March 2004, the SEC issued Staff Accounting Bulletin (SAB) No. 105, Application of Accounting Principles to Loan Commitments. SAB No. 105 clarifies certain provisions of SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amended portions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and is effective for periods following June 30, 2004. Together, SAB No. 105 and SFAS No. 149 provide guidance with regard to accounting for loan commitments. Under SAB No. 105 and SFAS No. 149, loan commitments relating to the origination of mortgage loans that will be held for sale shall be accounted for as derivative instruments by the issuer of the commitment. The adoption of SFAS No. 149 on April 1, 2004, did not have any impact on the Company s consolidated financial statements, as the Company has determined that the loan commitments relating to the origination of the mortgage loans held-for-sale outstanding as of December 31, 2004 do not constitute a derivative instrument and therefore do not fall under the scope of SFAS 149. Such loans are originated and sold simultaneously to an institutional investor and therefore do not carry any inherent interest rate risk.

In March 2004, the FASB ratified Emerging Issues Task Force Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, (EITF 03-1), which provides guidance on recognizing other-than-temporary impairments on certain investments. EITF 03-1 is effective for other-than-temporary impairment evaluations for investments accounted for under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, as well as non-marketable equity securities accounted for under the cost method for reporting periods beginning after June 15, 2004. On September 30, 2004, the FASB directed the FASB staff to delay the effective date for the measurement and recognition guidance contained in paragraphs 10-20 of EITF 03-1. This delay will be superseded concurrent with the final issuance of FASB Staff Position EITF 03-1-a. During the period of delay, the Company continues to apply the relevant other-than-temporary guidance under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities.

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CONSOLIDATED BALANCE SHEETS

	December 31,	
	2004	2003
	(In thousands, except share data)	
Assets:		
Cash and due from banks	$ 10,310	$ 21,447
Interest earning deposits	37	98
Federal funds sold		25,200
Total cash and cash equivalents	10,347	46,745
Securities held-to-maturity (fair value of $14,438)		12,474
Securities available-for-sale, at fair value	278,814	216,967
Federal Home Loan Bank stock, at cost	4,925	3,050
Loans, held for sale	604	2,360
Loans, net of unearned income and deferred fees	243,477	226,128
Less allowance for loan losses	(5,591)	(2,290)
Loans, net	237,886	223,838
Premises and equipment, net	5,422	5,756
Accrued interest receivable	3,342	2,401
Bank owned life insurance	7,779	8,213
Deferred tax asset, net	3,169	1,369
Prepaid expenses and other assets	2,521	1,498
Total assets	$ 554,809	$ 524,671
Liabilities and Stockholders Equity:		
Deposits:		
Demand deposits	$ 99,876	$ 98,693
Savings deposits	123,142	104,231
NOW and money market deposits	126,509	123,732
Time deposits, $100,000 or more	9,863	13,272
Other time deposits	58,905	85,515
Total deposits	418,295	425,443
Federal funds purchased and securities sold under agreements to repurchase	27,500	
Other borrowings	71,000	61,000
Subordinated debentures	7,732	7,732
Accrued expenses and other liabilities	3,245	4,078
Total liabilities	527,772	498,253
Stockholders equity:		
Common stock (par value $.01 per share; 10,000,000 shares authorized; 1,850,378 and 1,825,211 shares issued; 1,513,478 and 1,488,311 shares outstanding in 2004 and 2003, respectively)	19	18
Surplus	21,590	20,973
Accumulated surplus	11,417	10,333
Accumulated other comprehensive loss	(1,811)	(728)
Treasury stock at cost, (336,900 shares in 2004 and 2003)	(4,178)	(4,178)

Total stockholders equity	27,037	26,418
Total liabilities and stockholders equity	$ 554,809	$ 524,671

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF EARNINGS

	For the years ended December 31,		
	2004	2003	2002
	(In thousands, except share data)		
Interest income:			
Loans	$ 15,836	$ 15,226	$ 14,527
Securities	10,880	8,721	8,694
Federal funds sold and earning deposits	9	67	106
Total interest income	26,725	24,014	23,327
Interest expense:			
Savings deposits	1,250	1,142	1,037
NOW and money market deposits	841	672	661
Time deposits, $100,000 or more	231	334	699
Other time deposits	2,259	3,175	4,004
Borrowed funds	3,892	2,939	2,677
Subordinated debentures	832	830	825
Total interest expense	9,305	9,092	9,903
Net interest income	17,420	14,922	13,424
Provision for loan losses	6,325	60	270
Net interest income after provision for loan losses	11,095	14,862	13,154
Other operating income:			
Service charges on deposit accounts	2,403	2,052	1,715
Net gain on sales and calls of securities	2,871	642	37
Net gain on sale of residential loans	798	718	691
Earnings on bank owned life insurance	565	440	370
Other	561	566	441
Total other operating income	7,198	4,418	3,254
Other operating expenses:			
Salaries and employee benefits	7,604	7,473	6,415
Occupancy expense	1,289	1,103	894
Premises and equipment expense	1,467	1,386	1,186
Automobile loan expense	1,350		
Other	3,946	4,114	3,589
Total other operating expenses	15,656	14,076	12,084
Income before income taxes	2,637	5,204	4,324
Income taxes	830	1,876	1,487
Net income	$ 1,807	$ 3,328	$ 2,837

Basic earnings per share	$ 1.20	$ 2.26	$ 1.96
Diluted earnings per share	$ 1.14	$ 2.16	$ 1.90

See accompanying notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Common stock	Surplus	Accumulated surplus	Accumulated other comprehensive (loss) income	Treasury stock	Total
			(In thousands, except share data)			
Balance at December 31, 2001	$ 18	$ 20,191	$ 5,323	$ (227)	$ (4,178)	$ 21,127
Comprehensive income:						
Net income			2,837			2,837
Other comprehensive income, net of tax:						
Unrealized appreciation in available-for-sale securities, net of reclassification adjustment(1)				2,054		2,054
Total comprehensive income						4,891
Exercise of stock options and related tax benefit		90				90
Dividends declared on common stock ($.37 per common share)			(535)			(535)
Balance at December 31, 2002	$ 18	$ 20,281	$ 7,625	$ 1,827	$ (4,178)	$ 25,573
Comprehensive income:						
Net income			3,328			3,328
Other comprehensive loss, net of tax:						
Unrealized depreciation in available-for-sale securities, net of reclassification adjustment(1)				(2,555)		(2,555)
Total comprehensive income						773
Dividend reinvestment and stock purchase plan (6,397 shares)		176				176
Exercise of stock options and related tax benefit		516				516
Dividends declared on common stock ($.42 per common share)			(620)			(620)
Balance at December 31, 2003	$ 18	$ 20,973	$ 10,333	$ (728)	$ (4,178)	$ 26,418
Comprehensive income:						
Net income			1,807			1,807
Other comprehensive loss, net of tax:						
Unrealized depreciation in available-for-sale securities, net of reclassification adjustment(1)				(1,083)		(1,083)
Total comprehensive income						724
Dividend reinvestment and stock purchase plan (5,522 shares)		197				197
Exercise of stock options and related tax benefit	1	420				421
Dividends declared on common stock ($.48 per common share)			(723)			(723)
Balance at December 31, 2004	$ 19	$ 21,590	$ 11,417	$ (1,811)	$ (4,178)	$ 27,037

Years ended December 31,

	2004	2003	2002
		(In thousands)	
(1) Disclosure of reclassification amount, net of tax:			
Net unrealized appreciation (depreciation) arising during the year, net of tax	$ 725	$ (2,144)	$ 2,078
Less: Reclassification adjustment for net gains included in net income, net of tax	1,808	411	24
Net change in accumulated other comprehensive (loss) income, net of tax	$ (1,083)	$ (2,555)	$ 2,054

See accompanying notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
	2004	2003	2002
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 1,807	$ 3,328	$ 2,837
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	6,325	60	270
Depreciation and amortization	1,066	1,001	901
Amortization of premiums, net of discount accretion	251	1,703	1,714
Net gain on sales and calls of securities, held-to-maturity	(335)		
Net gain on sales and calls of securities, available-for-sale	(2,536)	(642)	(37)
Loans originated for sale, net of proceeds from sales and gains	1,756	(1,171)	283
Net deferred loan origination fees	96	126	117
Earnings on bank owned life insurance	(373)	(440)	(370)
Bank owned life insurance benefit	(192)		
Deferred income taxes	(1,004)	(63)	(388)
Change in other assets and liabilities:			
Accrued interest receivable	(941)	253	(533)
Prepaid expenses and other assets	(946)	(77)	492
Accrued expenses and other liabilities	(833)	875	(1,143)
Net cash provided by operating activities	4,141	4,953	4,143
Cash flows from investing activities:			
Purchases of securities available-for-sale	(621,340)	(606,822)	(734,077)
Net (purchase) redemption of Federal Home Loan Bank stock	(1,875)	538	(730)
Proceeds from sales of securities held-to-maturity	1,347		
Proceeds from sales of securities available-for-sale	67,137	44,624	1,410
Proceeds from maturities and calls of securities available-for-sale	488,845	524,195	669,183
Principal repayments on securities available-for-sale	15,379	35,541	47,404
Loan originations net of principal repayments	(20,469)	(9,828)	(39,286)
Redemption (purchase) bank owned life insurance, net	922		(1,053)
Purchase of premises and equipment	(732)	(3,227)	(1,502)
Net cash used in investing activities	(70,786)	(14,979)	(58,651)
Cash flows from financing activities:			
Net increase in demand deposit, savings, NOW, and money market deposits	22,871	43,543	67,521
Net decrease in time deposits	(30,019)	(18,634)	(12,904)
Net increase (decrease) in federal funds purchased	27,500		(4,500)
Net increase in other borrowings	10,000	6,000	
Shares issued under the dividend reinvestment and stock purchase plan	197	176	
Exercise of stock options	421	516	90
Payments for cash dividends	(723)	(620)	(535)
Net cash provided by financing activities	30,247	30,981	49,672
Net (decrease) increase in cash and cash equivalents	(36,398)	20,955	(4,836)
Cash and cash equivalents at beginning of year	46,745	25,790	30,626

Cash and cash equivalents at end of year	$ 10,347	$ 46,745	$ 25,790
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$ 9,765	$ 9,538	$ 10,649
Income taxes	$ 2,171	$ 1,221	$ 2,310
Non-cash investing activities:			
Fair value of securities transferred from held-to-maturity to available-for-sale	$ 13,454	$	$

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004, 2003 and 2002

(1) Summary of Significant Accounting Policies

Long Island Financial Corp. (the Company) is a registered Delaware financial holding company, organized in 1999, and the parent company of Long Island Commercial Bank (the Bank). The Bank, which began operations in 1990, is a New York state-chartered bank, which is engaged in commercial and consumer banking in Islandia, New York and the surrounding communities in Suffolk and Nassau counties and in Kings County.

The consolidated financial information included herein combines the results of operations, the assets, liabilities and stockholders equity of the Company and its wholly-owned subsidiaries for all periods presented. All significant inter-company balances and transactions are eliminated in consolidation. A description of significant accounting policies is presented below.

a. Basis of Financial Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

b. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, federal funds sold and other short-term investments, all of which have initial maturities of less than ninety days.

c. Securities

Management determines the appropriate classification of debt and equity securities at the time of purchase. Securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity and marketable equity securities are classified as available-for-sale. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, excluded from earnings and reported as a separate component of accumulated other comprehensive income (loss), in stockholders equity.

Premiums and discounts on debt and mortgage-backed securities are amortized to expense and accreted to income using a method which approximates the interest method over the remaining period to contract maturity, adjusted for anticipated prepayments. Dividend and interest income are recognized when earned. Realized gains and losses on the sale of securities are included in net gain on sales and calls of securities. The cost of securities sold is based on the specific identification method.

d. Federal Home Loan Bank Stock

In connection with the Company s ability to borrow from the Federal Home Loan Bank of New York (FHLB), the Company is required to purchase shares of FHLB non-marketable equity securities at par. The required amount of investment in FHLB non-marketable equity securities is currently determined daily based upon the Company s level of borrowing activity. Excess investment is redeemed weekly or monthly, depending upon the amount of excess. Dividend income is recognized when earned and included in the consolidated statements of earnings as a component of interest income under the caption Securities .

e. Loans, Net

Loans are carried at the principal amount outstanding net of unearned income and fees. Residential real estate loans held-for-sale are carried at the aggregate lower of cost or market value as determined by outstanding commitments from investors. Interest on loans is recognized on the accrual basis. The accrual of income on loans is

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

discontinued when, in management s judgment, collection of principal or interest is uncertain or payments of principal or interest become contractually ninety -days past due. Loans on which the accrual of income has been discontinued are designated as non-accrual loans and income is recognized subsequently only in the period collected. Any accrued but uncollected interest previously recorded on such loans is reversed against interest income of the current period.

Loan origination fees, less certain direct origination costs, are deferred and recognized as an adjustment of the loan yield over the life of the loan by the interest method, which results in a constant rate of return.

f. Allowance For Loan Losses

The determination of the amount of the allowance for loan losses is based on an analysis of the loan portfolio and reflects an amount, which, in management s judgment, is adequate to provide for probable loan losses in the existing portfolio. This analysis considers, among other things, present and known and inherent risks in the portfolio, adverse situations, which may affect the borrower s ability to repay, overall portfolio quality, and current and prospective economic conditions. While management uses available information to provide for loan losses, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the Company s allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgment of information available to them at the time of their examination.

Management considers a loan to be impaired if, based on current information, it is probable that the Company will be unable to collect all scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, the amount of the impairment is measured based on the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, at the loan s observable market price or the fair value of collateral if the loan is collateral dependent. Management excludes large groups of smaller balance homogeneous loans, which are collectively evaluated. Impairment losses are included in the allowance for loan losses through a charge to the provision for loan losses.

g. Premises and Equipment, Net

Premises and equipment are stated at cost, less accumulated depreciation computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of the improvements or terms of the related lease, whichever is shorter.

h. Income Taxes

Income taxes are based upon results reported for financial statement purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

i. Earnings Per Share

Basic earnings per share is calculated by dividing net income available to common stockholders by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by dividing net income available to common stockholders by the weighted average number of shares outstanding during the year plus the maximum dilutive effect of stock issuable upon conversion of stock options.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

j. Treasury Stock

The cost of treasury stock is shown on the consolidated balance sheet as a separate component of stockholders equity and is a reduction to total stockholders equity.

k. Segment Reporting

As a community oriented financial institution, substantially all of the Company s operations involve the delivery of loan and deposit products to customers. Management makes operating decisions and assesses performance based on an ongoing review of these community-banking operations, which constitute the Company s only operating segment for financial reporting purposes.

l. Comprehensive Income

Comprehensive income represents net income plus the net change in unrealized gains or losses on securities available-for-sale for the period and is presented in the consolidated statements of changes in stockholders equity. Accumulated other comprehensive income (loss) represents the net unrealized gains or losses on securities available-for-sale, net of taxes, as of the balance sheet dates.

m. 401(k) Plan

The Company has a 401(k) Profit Sharing Plan (401(k) Plan) for all qualified employees. The terms of the 401(k) Plan provide for employee contributions on a pre-tax basis up to the maximum dollar limit set by law in a taxable year. A discretionary matching contribution will be determined each year by the Company. During 2004, 2003 and 2002, the Company s matching contributions were $268,018, $228,528 and $182,806, respectively.

n. Stock Based Compensation

The Company applies the intrinsic-value based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including FASB Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25, issued in March 2000, to account for its fixed-plan stock

options. Under that method, compensation expense is recorded on the date of grant only if the current market price of the stock exceeded the exercise price. SFAS No. 123, Accounting for Stock Based Compensation, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No. 123. The following table illustrates the effect on net income if the fair-value-based method had been applied to all stock options granted or vested in each period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

	December 31,		
	2004	2003	2002
	(Dollars in thousands, except per share data)		
Net income, as reported	$ 1,807	$ 3,328	$ 2,837
Deduct total stock-based employee compensation expense determined under fair-value-based method for all rewards, net of tax	234	295	157
Pro forma net income	1,573	3,033	2,680
Earnings per share:			
Basic			
As Reported	1.20	2.26	1.96
Pro forma	1.04	2.06	1.85
Diluted			
As Reported	1.14	1.98	1.88
Pro forma	$ .99	$ 1.97	$ 1.79

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions in fiscal 2004, 2003 and 2002; dividend yield of 1.24%, 1.58% and 1.82%; expected volatility of 48.01%, 48.23% and 48.02%; and risk-free interest rates of 2.74%, 2.64% and 4.36%, respectively. The expected option lives were 4 years for 2004 and 2003, and 5 years for 2002.

o. Dividend Reinvestment and Stock Purchase Plan

The Company has a dividend reinvestment and stock purchase plan (Plan). The Plan provides shareholders of common stock with a means of automatically reinvesting cash dividends in shares of common stock. The Plan also provides certain investors with a systematic and convenient method to purchase shares of common stock through optional cash payments. Since the Company s common stock is currently listed on The NASDAQ National Market®, the purchase price on each investment date will be equal to the average price of all shares of common stock purchased on the investment date by the Plan Administrator on behalf of the Plan, including the cost of brokerage commissions, if any.

p. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(2) SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of securities held-to-maturity and available-for-sale at December 31, 2004 and 2003 are as follows:

	December 31, 2004			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Available-for-sale:				
U.S. Government and Agency Obligations	$ 256,102	61	(2,754)	253,409
Mortgage-backed securities				
GNMA	22,128	172	(506)	21,794
FHLMC	1,982	20	(42)	1,960
FNMA	1,424	29	(1)	1,452
Municipal obligations	200		(1)	199
Total securities available-for-sale	$ 281,836	282	(3,304)	278,814

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

	December 31, 2003			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Held-to-maturity:				
Corporate debt	$ 12,474	1,964		14,438
Total held-to-maturity	$ 12,474	1,964		14,438
Available-for-sale:				
U.S. Government and Agency obligations	$ 176,141	345	(1,292)	175,194
Mortgage-backed securities				
GNMA	33,669	371	(757)	33,283
FHLMC	3,743	54	(40)	3,757
FNMA	2,547	53	(5)	2,595
Corporate debt	2,010	135	(7)	2,138
Total securities available-for-sale	$ 218,110	958	(2,101)	216,967

The amortized cost and estimated fair value of debt securities at December 31, 2004, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2004	
	Available-for-Sale	
	Amortized cost	Fair value
	(In thousands)	
Due within one year	$ 200	199
Due after one year through five years	109,772	108,883
Due after five years through ten years	139,187	137,454
Due after ten years	32,677	32,278
	$ 281,836	278,814

At December 31, 2003, the Bank maintained a portfolio of $13.0 million par value of corporate debt securities, consisting of trust preferred securities, pooled trust preferred securities, and subordinated debentures of financial institutions, classified under the provisions of Statement of Financial Accounting Standards No. 115 (SFAS 115) as held-to-maturity. On March 10, 2004, the Bank complied with an issuer s tender offer which resulted in the recognition of a gain of $335,155, from the redemption of a subordinated debenture with an amortized cost of $1.0 million. On March 10, 2004, as a result of that tender offer, the Bank transferred the remaining corporate debt securities, with an amortized cost of $11.5 million and a market value of $13.5 million from the classification of held-to-maturity to available-for-sale . The Bank s compliance with the issuer s tender offer, and subsequent transfer of held-to-maturity securities to available-for-sale, was done for risk management and strategic planning reasons. On April 1, 2004, the Bank sold the entire corporate debt securities portfolio recognizing a gain of approximately $2.5 million.

Proceeds from the sales of securities available-for-sale totaled approximately $67.1 million, $44.6 million, and $1.4 million during the years ended December 31, 2004, 2003 and 2002, respectively. Gross gains from sales of those securities totaled approximately $2,607,000, $578,000, and $37,000 for the years ended December 31, 2004, 2003 and 2002, respectively. Gross losses from the sale of those securities totaled approximately $97,000 for the year ended December 31, 2004. There were no losses from the sale of those securities for the years ended

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

December 31, 2003 and 2002. Gains realized from called securities available-for-sale totaled approximately $26,000 and $64,000 for the years ended December 31, 2004 and 2003, respectively.

Securities classified as available-for-sale of approximately $95.2 million and $79.0 million were pledged as collateral for FHLB advances at December 31, 2004 and 2003, respectively. In addition, $171.4 million and $131.4 million of available-for-sale securities were pledged for deposits and other purposes as required by law at December 31, 2004 and 2003, respectively.

The following table summarizes the unrealized losses of available-for-sale portfolio as follows:

	December 31, 2004					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Available-for-sale:						
U.S. Government and Agency obligations	$ 179,638	(2,131)	39,514	(623)	219,152	(2,754)
Mortgage-backed securities	620	(1)	17,298	(548)	17,918	(549)
Municipal securities	199	(1)			199	(1)
Total securities available-for-sale	$ 180,457	(2,133)	56,812	(1,171)	237,269	(3,304)

Unrealized losses on U.S Government and Agency obligations, and mortgage-backed securities, have not been realized into income because the issuer s bonds are of high credit quality and management has the intent and ability to hold those securities for the foreseeable future, and the decline in fair value is largely due to increases in market interest rates from the date of purchase. The fair value is expected to recover as the securities approach their maturity dates and or market rates decline.

(3) LOANS, NET

Loans, net are summarized as follows:

	December 31,			
	2004		2003	
	(Dollars in thousands)			
Loans held-for-sale:				
Residential real estate loans	$ 604	100.0%	$ 2,360	100.0%
Loans, net:				
Commercial and industrial loans	$ 46,414	18.9%	$ 42,723	18.5%
Commercial real estate loans	170,149	69.2	145,084	63.0
Residential real estate loans	3,240	1.3		
Automobile loans	24,127	9.8	41,158	17.9
Consumer loans	1,875	0.8	1,381	0.6
	245,805	100.0%	230,346	100.0%
Less:				
Unearned income	(1,342)		(3,328)	
Deferred fees, net	(986)		(890)	
Allowance for loan losses	(5,591)		(2,290)	
Total loans, net	$ 237,886		$ 223,838	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

The Company grants commercial and industrial loans as well as commercial mortgages and consumer loans in Nassau and Suffolk counties and in Kings County, New York. A portion of the Company s loan portfolio is concentrated in commercial loans and business revolving lines of credit, which are secured or partially secured by accounts receivable, inventory and other assets. Those loans comprise approximately 18.9% and 18.5% of the portfolio at December 31, 2004 and 2003, respectively. The Company s commercial loan borrowers are generally small local businesses whose cash flows and ability to service debt are susceptible to changes in economic conditions. Accordingly, the deterioration of local economic conditions could increase the credit risk associated with that segment of the portfolio.

Since 2000, the Bank has maintained a program of making non-recourse loans to a local automobile leasing company (the third party) and received as security an assignment of each individual lease and a collateral interest in each automobile. The third party, in addition to providing complete servicing of the portfolio, was obligated for the repayment of the entire principal balance of each loan at the time each individual lease terminated. In March, 2004, the Bank learned that, due to liquidity issues and financial difficulties, the third party would not have the ability to fulfill its obligations and ceased origination of non-recourse loans to the automobile leasing company.

The Bank continued to closely monitor issues concerning the third party s performance. The Bank, acting collectively with nine other bank lenders to the third party, utilized internal resources and consulted with the third party enabling the third party to engage the services of experienced industry professionals, to ensure the performance of the servicing of the portfolio, and obtain the timely and orderly disposition of the collateral. The Bank believes the course of action taken during 2004, along with the cooperation of the other nine banks, stabilized the portfolio and will ultimately lead to maximizing the value of disposed collateral.

At December 31, 2004, the automobile loan portfolio consisted of 1,110 loans with balances aggregating $22.8 million. Automobile loans represented 9.4% of the Bank s loan portfolio, net of unearned income and deferred fees. Approximately 85% of the automobile loan balances mature by December 2006. Delinquencies at December 31, 2004, consisted of eight loans, 30-89 days past due, representing $198,712, or .9% of the portfolio, and three loans, aggregating $89,313, or .4% of the portfolio, greater than 90 days past due. Those three loans are classified non-accrual at December 31, 2004. Since the portfolio was underwritten to lessees of high credit quality, those delinquency statistics remain favorable and are in line with the Bank s expectations.

The Bank continues to recognize losses related to the shortfall between the principal balance of loans and the collateral value realized upon termination of the leases. The extent to which the Bank will suffer loss will depend to a large extent on future market conditions of used automobiles combined with the success of the third party s national remarketing servicer s efforts. Based upon the Bank s continued assessment of the portfolio and review of collateral disposition activity in 2004, the Bank made provisions for loan losses in 2004 of $6.3 million. Total charge-offs, relating to the automobile loan portfolio, amounted to $2.9 million in 2004, on gross loans of $17.0 million.

The Bank incurred operating expenses relating to the automobile loan portfolio of $1.4 million for 2004. Those expenses include expenses for legal services, portfolio servicing and administration, collateral perfection, verification and disposition, and audit and accounting services. While the Bank expects to incur future operating expenses related to the automobile loan portfolio, it expects those expenses to decrease as the portfolio matures. Operating costs for the automobile loan portfolio are expensed when incurred and recorded in automobile loan expense in the consolidated statements of earnings.

At December 31, 2004 and 2002, there were 3 loans and 2 loans, respectively, with an aggregate remaining balance of approximately, $89,000 and $307,000, respectively, on which the accrual of interest had been

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

discontinued. The impact of such non-accrual loans on the Company s interest income for the years ended December 31, 2004 and 2002 was not significant.

The Company s recorded investment in loans that are considered impaired totaled $280,000, $293,000 and $544,000 at December 31, 2004, 2003 and 2002, respectively. No corresponding impairment reserve is required. The average recorded investment in impaired loans was $222,000, $261,000 and $551,000 in 2004, 2003 and 2002, respectively. Interest on all impaired loans remains current under the extended terms. The impact of such impaired loans on the Company s interest income for the years ended December 31, 2004, 2003, and 2002 was not significant.

Loans to related parties include loans to directors of the Company and their related companies. Such loans are made in the ordinary course of business on substantially the same terms as loans to other individuals and businesses of comparable risks. The following analysis shows the activity of related party loans:

	For the years ended December 31,	
	2004	**2003**
	(In thousands)	
Balance at beginning of year	$ 4,166	$ 4,102
New loan and additional disbursements	3,149	918
Repayments	(1,701)	(854)
Balance at end of year	$ 5,614	$ 4,166

(4) Allowance For Loan Losses

An analysis of the changes in the allowance for loan losses account is as follows:

	For the years ended December 31,		
	2004	**2003**	**2002**

	(In thousands)		
Balance at beginning of year	$ 2,290	$ 2,346	$ 2,028
Provision for loan losses	6,325	60	270
Charge-offs:			
Commercial and industrial loans	(149)	(109)	(20)
Automobile loans	(2,891)		
Consumer loans		(32)	(19)
Total charge-offs	(3,040)	(141)	(39)
Recoveries:			
Commercial and industrial loans	10	20	75
Automobile loans	5		
Consumer loans	1	5	12
Total recoveries	16	25	87
Net (charge-offs) recoveries	(3,024)	(116)	48
Balance at end of year	$ 5,591	$ 2,290	$ 2,346

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

(5) PREMISES AND EQUIPMENT

A summary of premises and equipment at cost, less accumulated depreciation and amortization are as follows:

	December 31	
	2004	**2003**
	(In thousands)	
Land	$ 858	$ 858
Leasehold improvements	1,825	1,823
Buildings	1,408	1,187
Furniture, fixtures and equipment	7,044	6,535
	11,135	10,403
Less accumulated depreciation and amortization	(5,713)	(4,647)
	$ 5,422	$ 5,756

Depreciation and amortization charged to operations for the years ended December 31, 2004, 2003 and 2002 amounted to approximately $1.1 million, $1.0 million, and $901,000, respectively.

(6) DEPOSITS

The Bank offers a variety of savings, NOW accounts, money market accounts and time deposits. The Bank offers time deposits, with balances of $100,000 or more, at competitive rates and also offers Individual Retirement Accounts and other qualified plan accounts. The Bank solicits deposit accounts from small businesses, professional firms, households, and government institutions located throughout its market area. The Bank does not use brokers to obtain deposits. All deposit accounts are insured under the Bank Insurance Fund of the Federal Deposit Insurance Corporation up to the maximum limits permitted by law.

At December 31, 2004, the Bank had outstanding approximately $9.9 million in time deposits, $100,000 or more, maturing as follows:

		(In thousands)
3 months or less	$	3,296
Over three through six months		813
Over six through 12 months		3,436
Over 12 months		2,318
Total	$	9,863

The aggregate amount of overdrawn deposit balances reclassified as loans was $1.3 million and $791,000 at December 31, 2004 and 2003, respectively.

Included in NOW and money market deposits, at December 31, 2004 and 2003, were approximately $58.6 million and $71.8 million, respectively, of seasonal municipal deposits.

(7) Borrowed Funds

The Company enters into sales of securities under agreements to repurchase (repurchase agreements). Those are fixed coupon agreements, which are treated as financing transactions, and the obligations to repurchase are reflected as a liability in the balance sheet. The dollar amount of securities underlying the agreements remains in the asset account. During the period of the agreement, the securities are delivered to either a third-party, or

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

directly to the broker, who holds the collateral until maturity. There were no outstanding repurchase agreements at December 31, 2004 and 2003. Repurchase agreements averaged approximately $17.0 million, and $178,000, for the years ended December 31, 2004 and 2003, respectively. The maximum amount of repurchase agreements outstanding at any month end in 2004 was $49.2 million. There were no repurchase agreements outstanding at the end of any month in 2003.

There were $27.5 million in federal funds purchased at December 31, 2004. There were no federal funds purchased at December 31, 2003. Federal funds purchased averaged approximately $34.7 million, $12.0 million, and $2.2 million for the years ended December 31, 2004, 2003 and 2002, respectively. The maximum amount outstanding at the end of any month was $63.3 million, $25.0 million, and $12.8 million, respectively, for the years ended December 31, 2004, 2003 and 2002.

Included in federal funds purchased, the Bank has available overnight and one month lines of credit with the FHLB of $63.5 million, which enable it to borrow funds on a secured basis. At December 31, 2004, the Bank s other borrowings consisted of $71.0 million of convertible and medium term advances from the FHLB. The convertible feature of those advances allows the FHLB to convert those advances into replacement funding on a specified date and then quarterly thereafter, for the same or lesser principal amount, based on any advance offered by the FHLB, at current market rates. If the FHLB elects to convert those advances, the Bank may repay any portion of the advances without penalty. Those convertible and medium term advances are secured by various mortgage-backed securities, callable U.S. agency securities, and certain qualifying commercial real estate loans. Convertible and medium term advances outstanding at December 31, 2004 and 2003 are as follows:

December 31, 2004	Principal	Rate	Call Date	Maturity Date
Convertible advance	$ 14,000,000	5.49%	2/19/2005	2/19/2008
Convertible advance	15,000,000	4.59	1/21/2005	1/21/2009
Convertible advance	5,000,000	2.24	2/3/2006	2/3/2009
Convertible advance	14,000,000	4.97	1/19/2005	1/19/2011
Convertible advance	3,000,000	4.11	12/12/2005	12/12/2011
Convertible advance	10,000,000	2.64	5/28/2008	5/28/2013
Medium term advance	10,000,000	2.37		4/14/2006
Total	$ 71,000,000			

December 31, 2003	Principal	Rate	Call Date	Maturity Date
Convertible advance	$ 14,000,000	5.49%	2/19/2004	2/19/2008
Convertible advance	15,000,000	4.59	1/21/2004	1/21/2009
Convertible advance	14,000,000	4.97	1/20/2004	1/19/2011
Convertible advance	3,000,000	4.11	12/12/2005	12/12/2011
Convertible advance	10,000,000	2.64	5/28/2008	5/28/2013
Medium term advance	5,000,000	3.99		12/13/2004

Total	$ 61,000,000

(8) SUBORDINATED DEBENTURES

The Company adopted FIN 46(R) at December 31, 2003. Under the provisions of FIN 46(R), the Company deconsolidated LIF Statutory Trust I, a subsidiary trust. As a result, the Company accounted for its investment in the trust as an asset, its subordinated debentures as a liability, and the interest paid on those debentures as interest expense. Also, as permitted by FIN 46(R), prior period presentations have been restated to conform to the current presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

On September 7, 2000, the Company issued $7,732,000 of subordinated debentures to LIF Statutory Trust I, a Connecticut grantor business trust. Those subordinated debentures, bear an interest rate of 10.60% and are due September 7, 2030. The Company has fully and unconditionally guaranteed the subordinated debentures. LIF Statutory Trust I was formed for the exclusive purpose of purchasing the subordinated debentures from the Company and has received a common stock investment from the Company of approximately $232,000. The Subordinated Debentures are pre-payable, in whole or in part, at the Company s option on or after September 7, 2010 at declining premiums to maturity. Proceeds totaling approximately $7.2 million are being used for general corporate purposes.

The balance outstanding on the Subordinated debentures was $7,732,000 at December 31, 2004 and 2003. The costs associated with the subordinated debentures issued have been capitalized and are being amortized using the interest method over a period of ten years. Distributions on the subordinated debentures are payable semi-annually and are reflected in the consolidated statements of earnings as a component of interest expense under the caption Subordinated debentures.

(9) Income Taxes

Income tax expenses are summarized as follows:

	For the years ended December 31,		
	2004	**2003**	**2002**
		(In thousands)	
Current			
Federal	$ 1,632	$ 1,688	$ 1,633
State and local	202	251	242
	1,834	1,939	1,875
Deferred			
Federal	(893)	(56)	(343)
State	(111)	(7)	(45)
	(1,004)	(63)	(388)
Income tax expense	$ 830	$ 1,876	$ 1,487

The effective income tax rates for the years ended December 31, 2004, 2003 and 2002 were 31.5%, 36.0% and 34.4%, respectively. The reconciliation between the statutory Federal income tax rate and the effective tax rate is as follows:

	For the years ended December 31,		
	2004	**2003**	**2002**
Tax on income at statutory rate	34.0%	34.0%	34.0%
Tax effects of:			
State income tax, net of federal income tax benefit	1.9	3.1	3.0
Bank owned life insurance	(6.3)	(2.8)	(2.1)
Other, net	1.9	1.7	(.5)
Tax at effective rate	31.5%	36.0%	34.4%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

	December 31,	
	2004	2003
	(In thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 1,922	$ 635
Deferred compensation	351	298
Unrealized depreciation in available-for-sale securities	1,211	415
Other	8	21
Gross deferred tax assets	3,492	1,369
Deferred tax liabilities:		
Depreciation	(323)	
Gross deferred tax liabilities	(323)	
Net deferred tax asset	$ 3,169	$ 1,369

At December 31, 2004, management believes it is more likely than not that the consolidated results of future operations of the Company will generate sufficient taxable income to realize the deferred tax assets of the Company and therefore a valuation allowance against the gross deferred tax assets is not considered necessary.

As of January 1, 2004, the Bank had exceeded the threshold of $500 million in average assets and is required to recapture, for federal tax purposes, its bad debt reserve. The Bank is recapturing the bad debt reserve over a four-year recapture period and has previously provided for the taxes relating to this recapture. Subsequent to January 1, 2004, the Bank is on a specific charge-off method for federal tax purposes.

(10) Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements by Federal banking agencies. The risk based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profiles to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Under those guidelines, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk weighted assets and

off-balance sheet items. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators, that, if undertaken, could have a direct material effect on the Company s financial statements. As of December 31, 2004, the most recent notification from the federal banking regulator categorized the Company as well capitalized under the regulatory framework for prompt corrective action. Under the capital adequacy guidelines, a well capitalized institution must maintain a minimum total risk based capital to total risk weighted assets ratio of at least 10%, a minimum Tier 1 capital to total risk weighted assets ratio of at least 6%, a minimum leverage ratio of at least 5% and is not subject to any written order, agreement or directive. There are no conditions or events since such notification that management believes have changed this classification.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

The following tables set forth the regulatory capital at December 31, 2004 and 2003, under the rules applicable at such dates. At such dates, management believes that the Company and the Bank meet all capital adequacy requirements to which they are subject.

	December 31, 2004			
	Actual		Regulatory Minimum	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 Leverage Ratio				
(Tier 1 capital to quarterly average assets)				
The Company	$ 36,348	6.62%	21,957	4.00%
The Bank	31,967	5.83	21,939	4.00
Tier 1 Risk-based Capital Ratio				
(Tier 1 capital to risk weighted assets)				
The Company	36,348	11.52	12,619	4.00
The Bank	31,967	10.15	12,601	4.00
Total Risk-based Capital Ratio				
(Total risk-based capital to risk weighted assets)				
The Company	40,312	12.78	25,238	8.00
The Bank	35,926	11.40	25,203	8.00

	December 31, 2003			
	Actual		Regulatory Minimum	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 Leverage Ratio				
(Tier 1 capital to quarterly average assets)				
The Company	$ 34,646	7.10%	19,506	4.00%
The Bank	29,552	6.06	19,496	4.00
Tier 1 Risk-based Capital Ratio				
(Tier 1 capital to risk weighted assets)				
The Company	34,646	11.36	12,203	4.00
The Bank	29,552	9.70	12,186	4.00
Total Risk-based Capital Ratio				
(Total risk-based capital to risk weighted assets)				
The Company	36,936	12.11	24,406	8.00
The Bank	31,842	10.45	24,373	8.00

(11) LEASE COMMITMENTS

The Company has obligations under a number of non-cancelable leases on properties used for banking purposes. Rental expense for the years ended December 31, 2004, 2003, and 2002 was approximately $1.1 million, $908,000, and $762,000, respectively. Minimum annual rentals, exclusive of taxes and other charges, under operating leases are summarized as follows:

Years ending December 31,	**Amount**
	(In thousands)
2005	$ 1,122
2006	1,095
2007	1,031
2008	903
2009	833
Thereafter	6,572
Total	$ 11,556

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

(12) Disclosures About Fair Value of Financial Instruments

SFAS No. 107, Disclosure about Fair Value of Financial Instruments, requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth as follows:

	December 31, 2004		December 31, 2003	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
Cash and due from banks	$ 10,310	10,310	$ 21,447	21,447
Interest earning deposits	37	37	98	98
Federal funds sold			25,200	25,200
Securities held-to-maturity			12,474	14,438
Securities available-for-sale	278,814	278,814	216,967	216,967
Federal Home Loan Bank Stock, at cost	4,925	4,925	3,050	3,050
Loans, held-for-sale	604	604	2,360	2,400
Loans, net of unearned income and deferred fees	243,477	244,665	226,128	228,226
Accrued interest receivable	3,342	3,342	2,401	2,401
Bank owned life insurance	7,779	7,779	8,213	8,213
Deposits:				
Demand, savings, NOW and money market deposits	349,527	349,527	326,656	326,656
Time deposits, $100,000 or more, and other time deposits	68,768	67,366	98,787	97,249
Federal funds purchased and securities sold under agreements to repurchase	27,500	27,500		
Other borrowings	71,000	68,841	61,000	58,677
Subordinated debentures	7,732	7,197	7,732	7,344

Cash and Due from Banks, Interest Earning Deposits, Federal Funds Sold, and Securities

The carrying amounts for cash and due from banks approximate fair value as they mature in 90 days or less and do not present unanticipated credit concerns. Interest earning deposits are subject to rate changes at any time and therefore are considered to be carried at their estimated fair value. The fair values of federal funds sold, held-to-maturity securities and available-for-sale securities are estimated based on bid quotations received from securities dealers or from prices obtained from firms specializing in providing securities pricing services.

Loans

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit risks. For potential problem loans, which includes non-performing loans, the present value result is separately discounted consistent with management s assumptions in evaluating the adequacy of the allowance for loan losses.

Deposits

All deposits, except certificates of deposit, are subject to rate changes at any time, and therefore are considered to be carried at estimated fair value. The fair value of time deposits was estimated by computing the present value of contractual future cash flows for each time deposit. The present value rate utilized was the rate offered by the Company at the date of estimation on certificates with an initial maturity equal to the term of the existing certificates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

Borrowings and Subordinated Debentures

The estimated fair values of borrowings and subordinated debentures are valued using estimated discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements.

Commitments

The fair value of commitments is estimated using the fees charged at the date of estimation to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counter parties.

The commitments existing at December 31, 2004 and 2003 would be offered at substantially the same rates and under substantially the same terms that would be offered by the Company at December 31, 2004 and 2003 to the counter parties, therefore, the carrying value of existing commitments is considered to be equivalent to the estimated fair value.

Limitations

SFAS No. 107 requires disclosures of the estimated fair value of financial instruments. Fair value estimates are made at a specific time, based on relevant market information about the financial instrument. Those estimates do not reflect any premium or discount that could result from offering for sale at one time the Company s entire holdings of a particular financial instrument nor the resultant tax ramifications or transaction costs. Because no market exists for a significant portion of the Company s financial instruments, fair value estimates are based on judgments regarding current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on-and-off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets of the Company that are not considered financial assets include premises and equipment and deferred tax assets. In addition, the tax ramifications related to the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered.

(13) EARNINGS PER SHARE RECONCILIATION

The following table is the reconciliation of basic and diluted earnings per share as required under SFAS No.128 for the years ended December 31, 2004, 2003 and 2002:

	2004	2003	2002
	(In thousands, except share and per share amounts)		
Net income available to common shareholders	$ 1,807	$ 3,328	$ 2,837
Total weighted average common shares outstanding	1,505,706	1,472,263	1,444,791
Basic earnings per common share	$ 1.20	$ 2.26	$ 1.96
Total weighted average common shares outstanding	1,505,706	1,472,263	1,444,791
Effect of dilutive securities: Stock Options	77,732	70,504	50,849
Total average common and common equivalent shares	1,583,438	1,542,767	1,495,640
Diluted earnings per common share	$ 1.14	$ 2.16	$ 1.90

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

(14) Other Commitments and Contingent Liabilities

a. Off-Balance Sheet Risks

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. Those financial instruments include commitments to extend credit and unused lines of credit. Such financial instruments are reflected in the Company s financial statements when and if proceeds associated with the commitments are disbursed.

The Company s exposure to credit loss for commitments to extend credit and unused lines of credit in the event of nonperformance by the other party to the financial instrument is represented by the contractual amount of those commitments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments.

	Contract Amounts	
	December 31, 2004 Variable	December 31, 2003 Variable
	(In thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 7,638	$ 8,886
Unused lines of credit	43,017	39,446
	$ 50,655	$ 48,332

Commitments to extend credit and lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the commitment letter or loan note. Commitments and lines of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments and lines of credit are expected to expire without being drawn upon, the total commitment and unused lines of credit amounts do not necessarily represent future cash requirements. The Company evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management s credit evaluation of the counter party. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

b. Obligations Under Guarantees

As of December 31, 2004, the Company had issued guarantees in the form of standby letters of credit. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The guarantees are generally extended for a term of one year, and are secured in a manner similar to existing extensions of credit. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. For each guarantee issued, the Company would have to perform under the guarantee if the customer defaults on a payment. The Company is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company has recorded such guarantees at their respective fair values as an other liability . The following table summarizes the Company s standby letters of credit at December 31, 2004:

	Expire within one year	Expire after one year	Total outstanding amount	Maximum potential amount of future payments
			(in thousands)	
Standby letters of credit	$ 973	$	$ 973	$ 973

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

c. Securities

At December 31, 2004, the Bank had no outstanding commitments to purchase investment securities.

d. Other Matters

The Company is required to maintain balances with the Federal Reserve Bank of New York for reserve and clearing requirements. The amount of this reserve requirement is $450,000 at December 31, 2004.

The Company is subject to certain pending and threatened legal actions which arise out of the normal course of business. Management believes that the resolution of any pending or threatened litigation will not have a material effect on the Company s financial statements.

(15) STOCK OPTION & EMPLOYEE BENEFIT PLANS

a. Stock Option Plan

The Long Island Financial Corp. 1998 Stock Option Plan (the Stock Option Plan) currently authorizes the granting of options to purchase 330,000 shares of common stock of the Company. All officers and other employees of the Company and directors of the Company are eligible to receive awards under the Stock Option Plan. Options under this plan are either non-statutory stock options or incentive stock options. Each option entitles the holder to purchase one share of the Common Stock at an exercise price equal to the fair market value on the date of grant. At December 31, 2004, 58,858 options to purchase shares of common stock are available for future grants. Option transactions for the years ended December 31, 2004, 2003 and 2002 are as follows:

	Number of Shares of		
	Incentive Stock Options	Non Qualified Options to Directors	Weighted Average Exercise Price

Balance outstanding at December 31, 2001	57,000	94,500	$ 12.46
Granted	15,500	9,800	16.95
Forfeited			
Exercised		6,300	12.43
Balance Outstanding at December 31, 2002	72,500	98,000	$ 13.11
Granted	32,250	32,500	25.00
Forfeited	500		15.57
Exercised	1,750	33,938	12.89
Balance outstanding at December 31, 2003	102,500	96,562	$ 17.01
Granted	20,584	10,008	38.00
Forfeited	1,000		38.00
Exercised	4,350	15,295	15.00
Balance Outstanding at December 31, 2004	117,734	91,275	20.17
Options exercisable at December 31, 2004	76,016	62,151	$ 16.35

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

The following table summarizes information about stock options outstanding at December 31, 2004:

Range of Exercise Price	Number of Options Outstanding at December 31, 2004	Weighted Average Remaining Contractual Life of Options Outstanding	Weighted Average Exercise Price	Options Exercisable at December 31, 2004	Weighted Average Exercise Price
$ 10.88 - $12.50	81,217	4.21 years	$ 12.28	81,217	$ 12.28
$ 13.50 - $16.95	37,850	6.63	15.48	25,430	15.22
$ 25.00 - $38.00	89,942	8.41	29.28	31,520	27.77
$ 10.88 - $38.00	209,009	6.46 years	$ 20.17	138,167	$ 16.35

b. Bank Owned Life Insurance

Life insurance benefits are provided to certain executive officers and Directors of the Company. As a result, bank owned life insurance is carried at its cash surrender value as an asset in the consolidated balance sheets. Increases in the cash surrender value of the insurance are reflected as other operating income, and the related mortality expense is recognized as salaries and employee benefits in the consolidated statements of earnings.

In conjunction with the death of the Company s Chairman, the Company received proceeds of $922,000 from the redemption of related bank owned life insurance. Included in those proceeds was a non taxable insurance benefit payment in the amount $192,000.

c. Change-in-Control Arrangements

Certain executive officers have arrangements that provide for the payment of a multiple of base salary, should a change in control, as defined, occur. These payments are limited under guidelines for deductibility pursuant to the Internal Revenue Code.

d. Director and Executive Officer Incentive Retirement Plan

In March 1999, the Company adopted the Director and Executive Officer Incentive Retirement Plan to provide directors and certain executive officers with an incentive to remain with the Company. Pursuant to the plan, the Company pays into a deferral account annually a percentage of fees earned or annual base compensation. The amount paid into each deferral account is determined annually by the Board of Directors.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

(16) CONDENSED PARENT COMPANY ONLY FINANCIAL STATEMENTS

The earnings or losses of subsidiaries are recognized by the Company using the equity method of accounting. Accordingly, undistributed earnings or losses of the subsidiaries are recorded as increases or decreases in the Company s investment in the subsidiaries. The following are the condensed financial statements of the Company as of and for the years ended December 31, 2004 and 2003.

CONDENSED BALANCE SHEETS

	December 31,	
	2004	2003
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 4,505	$ 4,321
Investment in subsidiaries	30,210	28,831
Other assets	513	1,466
Total assets	35,228	34,618
Liabilities and Stockholders Equity:		
Other liabilities	459	468
Subordinated debentures	7,732	7,732
Stockholders equity	27,037	26,418
Total liabilities and stockholders equity	$ 35,228	$ 34,618

CONDENSED STATEMENTS OF EARNINGS

	For the years ended December 31,		
	2004	2003	2002
		(in thousands)	
Dividends received from subsidiaries	$	$	$ 3,000

Interest income	63	50	57
Total income	63	50	3,057
Subordinated debt	832	829	824
Other operating expenses	71	62	84
Total expenses	903	891	908
(Loss) income before income tax benefit and equity in undistributed earnings of subsidiaries	(840)	(841)	2,149
Income tax benefit	294	315	326
(Loss) income before equity in undistributed earnings of the subsidiaries	(546)	(526)	2,475
Equity in undistributed earnings of subsidiaries	2,353	3,854	362
Net income	$ 1,807	$ 3,328	$ 2,837

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

CONDENSED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
	2004	**2003**	**2002**
		(in thousands)	
Cash flows from operating activities:			
Net income	$ 1,807	$ 3,328	$ 2,837
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in the undistributed earnings of subsidiaries	(2,353)	(3,854)	(362)
Change in other assets and liabilities:			
Other assets	844	(516)	(306)
Other liabilities	(9)	29	40
Net cash provided by (used in) operating activities	289	(1,013)	2,209
Cash flows from financing activities:			
Payments for cash dividends	(723)	(620)	(535)
Exercise of stock options	421	516	90
Shares issued under dividend reinvestment and stock purchase plan	197	176	
Net cash (used in) provided by financing activities	(105)	72	(445)
Net increase (decrease) in cash and cash equivalents	184	(941)	1,764
Cash and cash equivalents at beginning of year	4,321	5,262	3,498
Cash and cash equivalents at the end of the year	$ 4,505	$ 4,321	$ 5,262

(17) RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), Share-Based Payment. The statement requires that compensation cost relating to share-based payment transactions be recognized in financial statements and that this cost be measured on the fair value of the equity or liability instruments issued. SFAS No. 123 (Revised 2004) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The Company will adopt SFAS No. 123 (Revised 2004) on July 1, 2005 and is currently evaluating the impact the adoption of the standard will have on the Company s consolidated statements of earnings.

At December 31, 2003, the Company adopted FIN No. 46(R), Consolidation of Variable Interest Entities. FIN No. 46, as revised in December, 2003, changes the accounting model for consolidation from one based on consideration of control through voting interests. Whether to consolidate an entity will now also consider whether that entity has sufficient equity at risk to enable it to operate without additional financial support, whether the equity owners in that entity lack the obligation to absorb expected losses or the right to receive residual returns of the entity, or whether voting rights in the entity are not proportionate to the equity interest and substantially all the entity s activities are conducted for an investor with few voting rights. In accordance with the provisions of FIN No. 46(R), the Company deconsolidated a special purpose entity formed for the purpose of issuing Subordinated debentures. The deconsolidation of that subsidiary resulted in certain reclassifications of the consolidated balance sheets and consolidated statements of earnings but had no effect on net income. Those reclassifications have been made to prior year s amounts to conform them to the current year s presentation.

In March 2004, the SEC issued Staff Accounting Bulletin (SAB) No. 105, Application of Accounting Principles to Loan Commitments. SAB No. 105 clarifies certain provisions of SFAS No. 149, Amendment of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004, 2003 and 2002

Statement 133 on Derivative Instruments and Hedging Activities, which amended portions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and is effective for periods following June 30, 2004. Together, SAB No. 105 and SFAS No. 149 provide guidance with regard to accounting for loan commitments. Under SAB No. 105 and SFAS No. 149, loan commitments relating to the origination of mortgage loans that will be held for sale shall be accounted for as derivative instruments by the issuer of the commitment. The adoption of SFAS No. 149 on April 1, 2004, did not have any impact on the Company s consolidated financial statements, as the Company has determined that the loan commitments relating to the origination of the mortgage loans held-for-sale outstanding as of December 31, 2004 do not constitute a derivative instrument and therefore do not fall under the scope of SFAS 149. Such loans are originated and sold simultaneously to an institutional investor and therefore do not carry any inherent interest rate risk.

In March 2004, the FASB ratified Emerging Issues Task Force Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, (EITF 03-1), which provides guidance on recognizing other-than-temporary impairments on certain investments. EITF 03-1 is effective for other-than-temporary impairment evaluations for investments accounted for under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, as well as non-marketable equity securities accounted for under the cost method for reporting periods beginning after June 15, 2004. On September 30, 2004, the FASB directed the FASB staff to delay the effective date for the measurement and recognition guidance contained in paragraphs 10-20 of EITF 03-1. This delay will be superseded concurrent with the final issuance of FASB Staff Position EITF 03-1-a. During the period of delay, the Company continues to apply the relevant other-than-temporary guidance under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities.

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QUARTERLY FINANCIAL DATA

(UNAUDITED)

The following is a summary of financial data by quarter end for the years ended December 31, 2004 and 2003:

	2004				2003			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except share data)							
Selected Operating Data:								
Interest income	$ 6,349	6,631	6,895	6,850	$ 6,098	5,932	5,848	6,136
Interest expense	2,217	2,225	2,362	2,501	2,393	2,360	2,175	2,164
Net interest income	4,132	4,406	4,533	4,349	3,705	3,572	3,673	3,972
Provision for loan losses	500	5,000	75	750	60			
Net interest income/(loss) after provision for loan losses	3,632	(594)	4,458	3,599	3,645	3,572	3,673	3,972
Other operating income	1,671	3,533	995	999	948	1,063	1,136	1,271
Other operating expenses	3,983	4,428	3,638	3,607	3,349	3,419	3,575	3,733
Income/(loss) before income taxes	1,320	(1,489)	1,815	991	1,244	1,216	1,234	1,510
Income tax/(benefit)	399	(592)	664	359	446	434	440	556
Net income/(loss)	$ 921	(897)	1,151	632	$ 798	782	794	954
Basic earnings/(loss) per share	$ 0.61	(0.60)	0.76	0.42	$ .55	.53	.54	.64
Diluted earnings/(loss) per share	$ 0.58	(0.56)	0.73	0.40	$ .53	.51	.51	.61
Basic weighted average common shares outstanding	1,498,528	1,503,606	1,508,636	1,511,953	1,449,530	1,471,263	1,481,347	1,486,405
Diluted weighted average common shares outstanding	1,584,728	1,588,510	1,580,404	1,585,147	1,513,895	1,547,694	1,555,731	1,560,789

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Stockholders And Board of Directors of Long Island Financial Corp.:

We have audited the accompanying consolidated balance sheets of Long Island Financial Corp. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of earnings, changes in stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Long Island Financial Corp. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004 in conformity with United States generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
March 11, 2005

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Capital Stock

The common stock of Long Island Financial Corp. trades on The NASDAQ National Market® under the symbol LICB. The following table shows the high and low sales price of the common stock and the dividends declared during the period indicated in 2004 and 2003.

	High	Low	Dividends Declared
2004			
1st Quarter	$ 46.69	$ 29.00	$ 0.12
2nd Quarter	$ 41.40	$ 33.20	$ 0.12
3rd Quarter	$ 41.00	$ 29.50	$ 0.12
4th Quarter	$ 39.50	$ 29.25	$ 0.12
2003			
1st Quarter	$ 27.25	$ 22.56	$ 0.10
2nd Quarter	$ 31.50	$ 26.60	$ 0.10
3rd Quarter	$ 30.50	$ 26.50	$ 0.10
4th Quarter	$ 31.49	$ 26.57	$ 0.12

At December 31, 2004, there were approximately 328 shareholders of record not including the number of persons or entities holding stock in nominee or street name though various brokers and banks. There were 1,513,478 shares of common stock outstanding at December 31, 2004.

A copy of the Form 10-K as filed with the Securities and Exchange Commission and the Company s Code of Ethics and Business Conduct may be obtained by stockholders without charge upon written request to Thomas Buonaiuto, Vice President, Secretary & Treasurer, Long Island Financial Corp., 1601 Veterans Memorial Highway, Suite 120, Islandia, NY 11749.

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Exhibit 23

Consent Of Experts and Counsel

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Long Island Financial Corp.:

We consent to incorporation by reference in the Registration Statements (Nos. 333-86111 and 333-83758 and 333-89870) on Form S-8 and (No. 333-104073) on Form S-3 of Long Island Financial Corp. of our report dated March 11, 2005, relating to the consolidated balance sheets of Long Island Financial Corp. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of earnings, changes in stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2004, which report is incorporated by reference in the December 31, 2004 Annual Report on Form 10-K of Long Island Financial Corp.

/s/ KPMG LLP

New York, New York

March 14, 2005

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Exhibit 31.1

Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002

CERTIFICATION

I, Douglas C. Manditch, certify, that:

1. I have reviewed this annual report on Form 10-K;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: March 14, 2005

/s/ DOUGLAS C. MANDITCH
Douglas C. Manditch
President & Chief Executive Officer

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Exhibit 31.2

Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002

CERTIFICATION

I, Thomas Buonaiuto, certify, that:

1. I have reviewed this annual report on Form 10-K;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: March 14, 2005

/s/ THOMAS BUONAIUTO
Thomas Buonaiuto
Vice President & Secretary-Treasurer

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Exhibit 32.1

Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Long Island Financial Corp., (the Company) on Form 10-K for the period ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Douglas C. Manditch, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DOUGLAS C. MANDITCH
Douglas C. Manditch
President & Chief Executive Officer
March 14, 2005

A signed original of this written statement required by Section 906 has been provided to Long Island Financial Corp. and will be retained by Long Island Financial Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 32.2

Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Long Island Financial Corp., (the Company) on Form 10-K for the period ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Thomas Buonaiuto, Vice President & Treasurer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ THOMAS BUONAIUTO
Thomas Buonaiuto
Vice President & Secretary-Treasurer
March 14, 2005

A signed original of this written statement required by Section 906 has been provided to Long Island Financial Corp. and will be retained by Long Island Financial Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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The Board of Directors recommends a vote FOR approval of the Agreement and Plan of Merger.

Please Mark Here for Address Change or Comments

SEE REVERSE SIDE

FOR AGAINST ABSTAIN

1. The approval of the Agreement and Plan of Merger, dated August 1, 2005, by and between New York Community Bancorp, Inc. and Long Island Financial Corp., and of the transactions contemplated by the Agreement and Plan of Merger.

FOR AGAINST ABSTAIN

2. To transact any other business that properly comes before the Special Meeting of Stockholders, or any adjournment or postponement of the Special Meeting, including, without limitation, a motion to adjourn the Special Meeting to another time or place for the purpose of soliciting additional proxies i n order to approve the Agreement and Plan of Merger or otherwise.

This proxy, properly signed and dated, will be voted as directed, but, if no instructions are specified, this proxy will be voted FOR the approval of the Agreement and Plan of Merger and FOR the other proposal listed. If any other business is presented at the Special Meeting, including whether or not to adjourn the meeting, this proxy will be voted by the proxy in his best judgment. At the present time, the Board of Directors knows of no other business to be presented at the Special Meeting.

Dated: , 2005

Signature of Stockholder

Signature of Co-Holder (If Any)

The above signed acknowledges receipt from Long Island Financial Corp. prior to the execution of this proxy, of a Notice of Special Meeting of Stockholders and a proxy statement-prospectus for the Special Meeting of Stockholders.

Please sign exactly as your name appears on this card. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If shares are held jointly, each holder may sign but only one signature is required.

FOLD AND DETACH HERE

Vote by Telephone or Mail

24 Hours a Day, 7 Days a Week

Telephone voting is available through 11:59 PM New York Time the day prior to special meeting day.

Your telephone vote authorizes the named proxy to vote your shares in the same manner as if you marked, signed, dated and returned your proxy card.

Telephone 1-866-540-5760

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

OR

Mail

Mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

If you vote your proxy by telephone, you do NOT need to mail back your proxy card.

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LONG ISLAND FINANCIAL CORP.

SPECIAL MEETING OF STOCKHOLDERS

November 16, 2005, 12 Noon, New York Time

This Proxy is solicited by the Board of Directors of the Company.

The undersigned hereby appoints William C. Morrell, Esq., with full power of substitution, to act as proxy for the undersigned, and to vote all shares of common stock of Long Island Financial Corp. which the undersigned is entitled to vote at the Special Meeting of Stockholders, to be held on November 16, 2005, at 12 Noon, New York time, at the Stonebridge Country Club located at 2000 Raynors Way, Smithtown, Long Island, New York 11787, and at any and all adjournments or postponements of the meeting with all of the powers the undersigned would possess if personally present at such meeting as follows:

(Continued and to be signed and dated on reverse side)

Address Change/Comments (Mark the corresponding box on the reverse side)

FOLD AND DETACH HERE