Oritani Financial Corp
Form 10-Q
February 09, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2010

OR

o **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. 001-34786

Oritani Financial Corp.

(Exact name of registrant as specified in its charter)

Delaware	**30-0628335**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

370 Pascack Road, Township of Washington, New Jersey 07676

(Address of Principal Executive Offices)

(201) 664-5400

(Registrant s telephone number)

N/A

(Former name or former address, if changed since last report)

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

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO þ

As of February 9, 2011, there were 56,202,485 shares of the Registrant s common stock, par value $0.01 per share, issued and outstanding.

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Part I. Financial Information

Item 1. Financial Statements

Oritani Financial Corp. and Subsidiaries

Township of Washington, New Jersey

Consolidated Balance Sheets

(in thousands, except share data)

	December 31, 2010 *(unaudited)*	June 30, 2010
Assets		
Cash on hand and in banks	$ 5,634	$ 6,511
Federal funds sold and short term investments	697	339,828
Cash and cash equivalents	6,331	346,339
Loans, net	1,631,425	1,505,880
Securities available for sale, at market value	314,661	358,723
Mortgage-backed securities held to maturity, market value of $55,081 and $68,622 at December 31, 2010 and June 30, 2010, respectively	53,484	66,468
Mortgage-backed securities available for sale, at market value	419,571	78,477
Loans held for sale, at fair value	9,484	
Bank Owned Life Insurance (at cash surrender value)	31,088	30,529
Federal Home Loan Bank of New York stock (FHLB), at cost	30,756	25,081
Accrued interest receivable	9,493	9,425
Investments in real estate joint ventures, net	5,449	5,562
Real estate held for investment	1,182	1,221
Real estate owned	6,102	3,031
Office properties and equipment, net	14,688	14,832
Deferred tax assets, net	27,091	23,154
Other assets	8,306	8,698
Total Assets	$ 2,569,111	$ 2,477,420
Liabilities		
Deposits	$ 1,255,972	$ 1,289,746
Borrowings	621,680	495,552
Advance payments by borrowers for taxes and insurance	12,056	11,060
Official checks outstanding	4,496	4,742
Other liabilities	32,965	32,927
Total liabilities	1,927,169	1,834,027
Stockholders Equity		
Common stock, $0.01 par value; 150,000,000 shares authorized; 56,202,485 issued and outstanding at December 31, 2010 and June 30, 2010	562	562
Additional paid-in capital	488,835	488,684
Unallocated common stock held by the employee stock ownership plan	(29,421)	(30,033)
Retained income	187,228	182,172

Accumulated other comprehensive (loss) income, net of tax	(5,262)	2,008
Total stockholders equity	641,942	643,393
Total Liabilities and Stockholders Equity	$ 2,569,111	$ 2,477,420

See accompanying notes to unaudited consolidated financial statements.

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Oritani Financial Corp. and Subsidiaries
Township of Washington, New Jersey
Consolidated Statements of Income
Three and Six Months Ended December 31, 2010 and 2009 (unaudited)
(in thousands, except per share data).

	Three months ended December 31, 2010	Three months ended December 31, 2009	Six months ended December 31, 2010	Six months ended December 31, 2009
Interest income:				
Interest on mortgage loans	$ 24,695	$ 20,775	$ 48,991	$ 42,065
Interest on securities held to maturity and dividends on FHLB stock	410	360	702	717
Interest on securities available for sale	1,906	2,136	4,129	3,738
Interest on mortgage-backed securities held to maturity	412	887	905	1,918
Interest on mortgage-backed securities available for sale	1,887	1,281	3,175	2,718
Interest on federal funds sold and short term investments	27	28	191	90
Total interest income	29,337	25,467	58,093	51,246
Interest expense:				
Deposits	3,827	5,810	8,095	12,123
Borrowings	5,223	5,247	10,408	10,494
Total interest expense	9,050	11,057	18,503	22,617
Net interest income before provision for loan losses	20,287	14,410	39,590	28,629
Provision for loan losses	2,500	2,500	4,500	5,050
Net interest income	17,787	11,910	35,090	23,579
Other income:				
Service charges	400	328	687	756
Real estate operations, net	251	321	599	710
Income from investments in real estate joint ventures	205	256	239	608
Bank-owned life insurance	278	294	559	588
Net gain on sale of assets			718	1,043
Net (loss) gain on sales of and writedowns of securities		(191)	13	(190)

Other income		52		59		101		98
Total other income		1,186		1,067		2,916		3,613
Other expenses:								
Compensation, payroll taxes and fringe benefits		5,249		5,458		10,206		10,216
Advertising		183		169		360		329
Office occupancy and equipment expense		557		575		1,151		1,104
Data processing service fees		296		279		599		546
Federal insurance premiums		331		585		669		1,159
Real estate owned operations		115		212		346		222
Other expenses		1,030		888		2,158		1,418
Total operating expenses		7,761		8,166		15,489		14,994
Income before income tax expense		11,212		4,811		22,517		12,198
Income tax expense		4,116		1,882		8,271		4,786
Net income	$	7,096	$	2,929	$	14,246	$	7,412
Net income available to common stockholders	$	7,096	$	2,822	$	14,246	$	7,206
Basic and fully diluted income per common share	$	0.13	$	0.05	$	0.27	$	0.13

See accompanying notes to unaudited consolidated financial statements.

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Oritani Financial Corp. and Subsidiaries
Township of Washington, New Jersey
Consolidated Statements of Stockholders Equity
Six Months ended December 31, 2010 and 2009 (unaudited)
(In thousands)

	Common stock	Additional paid-in capital	Treasury stock	Un-allocated common stock held by ESOP	Retained income	Accumu-lated other compre-hensive (loss) income, net of tax	Total stock-holders equity
Balance at June 30, 2009	$ 130	$ 130,375	$ (53,418)	$ (13,909)	$ 176,199	$ 721	$ 240,098
Comprehensive income:							
Net income					7,412		7,412
Unrealized holding gain on securities available for sale arising during year, net of tax						265	265
Reclassification adjustment for losses included in net income, net of tax						58	58
Amortization related to post-retirement obligations, net of tax						70	70
Total comprehensive income							7,805
Cash dividend declared					(1,083)		(1,083)
Purchase of treasury stock			(1,231)				(1,231)
Compensation cost for stock options and restricted stock		1,782					1,782
ESOP shares allocated or committed to be released		140		397			537
Tax benefit from stock-based compensation		42					42
Balance at December 31, 2009	$ 130	$ 132,339	$ (54,649)	$ (13,512)	$ 182,528	$ 1,114	$ 247,950
Balance at June 30, 2010	$ 562	$ 488,684	$	$ (30,033)	$ 182,172	$ 2,008	$ 643,393
Comprehensive income:							
Net income					14,246		14,246
Unrealized holding loss on securities available for sale arising during year, net of tax						(7,368)	(7,368)
						8	8

Reclassification adjustment for losses included in net income, net of tax							
Amortization related to post-retirement obligations, net of tax						90	90
Total comprehensive income							6,976
Cash dividend declared					(9,190)		(9,190)
Compensation cost for stock options and restricted stock		10					10
ESOP shares allocated or committed to be released		156		612			768
Exercise of stock options		(15)					(15)
Balance at December 31, 2010	$ 562	$ 488,835	$	$ (29,421)	$ 187,228	$ (5,262)	$ 641,942

See accompanying notes to unaudited consolidated financial statements.

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Oritani Financial Corp. and Subsidiaries
Township of Washington, New Jersey
Consolidated Statements of Cash Flows
(unaudited)

	Six months ended December 31, 2010	2009
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 14,246	$ 7,412
Adjustments to reconcile net income to net cash provided by operating activities:		
ESOP and stock-based compensation expense	778	2,319
Depreciation of premises and equipment	435	395
Amortization and accretion of premiums and discounts, net	75	1
Provision for losses on loans	4,500	5,050
Amortization and accretion of deferred loan fees, net	(465)	(457)
Decrease (increase) in deferred taxes	1,126	(1,338)
Impairment charge on securities		202
Gain on sale of securities	(13)	(12)
Gain on sale of assets		(1,043)
Gain on sale of real estate owned	(718)	
Writedown of real estate owned	214	212
Increase in cash surrender value of bank owned life insurance	(559)	(588)
Increase in accrued interest receivable	(68)	(819)
Decrease (increase) in other assets	561	(6,509)
(Decrease) increase in other liabilities	(119)	3,596
Net cash provided by operating activities	19,993	8,421
Cash flows from investing activities:		
Net increase in loans receivable	(132,732)	(84,245)
Purchase of mortgage loans	(9,848)	(3,694)
Proceeds from sales of mortgage loans		4,000
Purchase of securities available for sale	(197,485)	(251,027)
Purchase of mortgage-backed securities held to maturity	(5,010)	
Purchase of mortgage-backed securities available for sale	(397,692)	
Principal payments on mortgage-backed securities held to maturity	18,054	23,075
Principal payments on mortgage-backed securities available for sale	48,411	24,042
Proceeds from calls and maturities of securities available for sale	236,880	75,000
Proceeds from sales of mortgage-backed securities held to maturity		9,361
Proceeds from sales of mortgage-backed securities available for sale		6,087
Proceeds from sales of securities available for sale	250	500
Purchase (redemption) of Federal Home Loan Bank of New York stock	(5,675)	68
Proceeds from sale of real estate owned	949	
Proceeds from sale of real estate held for investment		1,182
Additional investment in real estate held for investment	(49)	(42)
Additional investment in real estate joint ventures	(150)	(387)

Distributions received from real estate joint ventures	262	309
Purchase of fixed assets	(311)	(1,348)
Net cash used in investing activities	(444,146)	(197,119)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(33,774)	82,877
Purchase of treasury stock		(1,231)
Dividends paid to shareholders	(9,190)	(1,521)
Tax benefit from stock-based compensation		42
Exercise of stock options	(15)	
Increase in advance payments by borrowers for taxes and insurance	996	1,046
Proceeds from borrowed funds	209,450	
Repayment of borrowed funds	(83,322)	(1,552)
Net cash provided by financing activities	84,145	79,661
Net decrease in cash and cash equivalents	(340,008)	(109,037)
Cash and cash equivalents at beginning of period	346,339	135,369
Cash and cash equivalents at end of period	$ 6,331	$ 26,332
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$ 18,489	$ 22,766
Income taxes	$ 4,629	$ 2,674
Noncash transfer		
Loans receivable transferred to real estate owned	$ 6,316	$ 812

See accompanying notes to unaudited consolidated financial statements.

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1. Basis of Presentation

The consolidated financial statements are composed of the accounts of Oritani Financial Corp., its wholly owned subsidiaries, Oritani Bank (the Bank); Hampshire Financial, LLC, and Oritani, LLC, and the wholly owned subsidiaries of Oritani Bank; Oritani Finance Company, Ormon LLC (Ormon), and Oritani Investment Corp., as well as its wholly owned subsidiary, Oritani Asset Corporation (a real estate investment trust), collectively, the Company. All significant intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, all of the adjustments (consisting of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the six month period ended December 31, 2010 are not necessarily indicative of the results of operations that may be expected for the fiscal year ending June 30, 2011.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for the preparation of the Form 10-Q. The consolidated financial statements presented should be read in conjunction with the Company s audited consolidated financial statements and notes to consolidated financial statements included in the Company s June 30, 2010 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on September 13, 2010.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities presented in the Consolidated Balance Sheets at December 31, 2010 and June 30, 2010 and in the Consolidated Statements of Income for the three and six months ended December 31, 2010 and 2009. Actual results could differ significantly from those estimates.

A material estimate that is particularly susceptible to significant changes relates to the determination of the allowance for loan losses. The allowance for loan losses represents management s best estimate of losses known and inherent in the portfolio that are both probable and reasonable to estimate. While management uses the most current information available to estimate losses on loans, actual losses are dependent on future events and, as such, increases in the allowance for loan losses may be necessary.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank s allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

2. Earnings Per Share

Basic earnings per share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. ASC 260, *Earnings Per Share* , provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. We determined that the nonvested restricted stock awards outstanding at December 31, 2009, all of which vested upon completion of the second step transaction, were participating securities. Accordingly, earnings per common share is computed using the two-class method. The weighted average common shares outstanding includes the average number of shares of common stock outstanding and allocated or committed to be released Employee Stock Ownership Plan shares.

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Diluted earnings per share is computed using the same method as basic earnings per share, but reflects the potential dilution that could occur if stock options were exercised and converted into common stock and unvested shares of restricted stock were to vest. These potentially dilutive shares would then be included in the weighted average number of shares outstanding for the period using the treasury stock method. When applying the treasury stock method, we add: (1) the assumed proceeds from option exercises; (2) the tax benefit that would have been credited to additional paid-in capital assuming exercise of non-qualified stock options and vesting of shares of restricted stock; and (3) the average unamortized compensation costs related to unvested shares of restricted stock and stock options. We then divide this sum by our average stock price to calculate shares assumed to be repurchased. The excess of the number of shares issuable over the number of shares assumed to be repurchased is added to basic weighted average common shares to calculate diluted EPS.
The following is a summary of the Company s earnings per share calculations and reconciliations of net income to net income available to common shareholders and basic to diluted earnings per share.

	For the Three Months ended December 31,		For the Six Months ended December 31,	
	2010	2009	2010	2009
	(in thousands, except earnings per share data)			
Net income	$ 7,096	$ 2,929	$ 14,246	$ 7,412
Undistributed earnings allocated to unvested restricted awards		(107)		(206)
Net income available to common shareholders	$ 7,096	$ 2,822	$ 14,246	$ 7,206
Weighted average common shares outstanding basic	52,645	53,532	52,626	55,107
Effect of dilutive non-vested shares and stock options outstanding	157			
Weighted average common shares outstanding diluted	52,802	53,532	52,626	55,107
Earnings per share-basic	$ 0.13	$ 0.05	$ 0.27	$ 0.13
Earnings per share-diluted	$ 0.13	$ 0.05	$ 0.27	$ 0.13

3. Stock Transactions

Oritani Financial Corp. (the Company) is a Delaware corporation that was incorporated in March 2010 to be the successor to Oritani Financial Corp. (Oritani-federal), a federal corporation and the former stock holding company for Oritani Bank, upon completion of the second step transaction of Oritani Financial Corp., MHC, the former mutual holding company parent. The conversion was completed on June 24, 2010. The Company sold a total of 41,363,214 shares of common stock at $10.00 per share in the related offering. Concurrent with the completion of the offering, shares of Oritani-federal common stock owned by public stockholders were exchanged for 1.50 shares of the Company s common stock. In lieu of fractional shares, shareholders were paid in cash. The Company also issued 481,546 shares of common stock for the accelerated vesting of restricted stock awards triggered by the conversion. As a result of the offering, the exchange, and the shares issued due to the accelerated vesting of stock awards, as of June 30, 2010, the Company had 56,202,485 shares of common stock outstanding. Net proceeds from the offering were $401.8 million. As a result of the conversion, all per share information for periods prior to the completed conversion has been revised to reflect the 1.50 -to- 1.0 exchange rate. This stock transaction is referred to as the second step transaction throughout this document.

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4. Equity Incentive Plan

All stock awards granted under the 2007 Plan vested upon completion of the second step transaction. In addition, all of the options that were issued under the 2007 Plan, except for the 50,000 options issued subsequent to May 24, 2010, also vested upon completion of the second step transaction. Stock options generally vest over a five-year service period and expire ten years from issuance. Options vest immediately upon a change in control and expire 90 days after termination of service, excluding disability or retirement. The Company recognizes compensation expense for all option grants over the awards respective requisite service periods. Management estimated the fair values of all option grants using the Black-Scholes option-pricing model. Since there is limited historical information on the volatility of the Company s stock, management considered the average volatilities of similar entities for an appropriate period in determining the assumed volatility rate used in the estimation of fair value. Management estimated the expected life of the options using the simplified method. The Treasury yield in effect at the time of the grant provides the risk-free rate for periods within the contractual life of the option. The Company classified share-based compensation for employees and outside directors within compensation and fringe benefits in the consolidated statements of income to correspond with the same line item as the cash compensation paid.

The fair value of the options was estimated using the Black-Scholes options-pricing model with the following assumptions:

	November 2010	May 2010
Option shares granted	20,000	30,000
Expected dividend yield	4.33%	3.93%
Expected volatility	38.22%	37.79%
Risk-free interest rate	1.91%	2.53%
Expected option life	6.5	6.5

Stock-based compensation expense of $10,000 and $1.8 million was recognized for the six months ended December 31, 2010 and 2009, respectively.

The following is a summary of the Company s stock option activity and related information for its options plan as of December 31, 2010 and changes therein during the three months then ended:

	Number of Stock Options	Grant Date Fair Value	Exercise Price	Contractual Life (years)
Outstanding at June 30, 2010	2,792,588	$ 2.30	$ 10.43	7.9
Granted	20,000	2.73	11.11	10.0
Exercised	12,773	2.29	10.43	7.6
Forfeited				
Expired				
Outstanding at December 31, 2010	2,799,815	$ 2.30	$ 10.43	7.4
Exercisable at December 31, 2010	2,749,815			

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Expected future compensation expense related to the non-vested options outstanding as of December 31, 2010 is $119,000 over a weighted average period of 3.4 years.

5. Postretirement Benefits

The Company provides several post-retirement benefit plans to directors and to certain active and retired employees. The Company has a nonqualified Directors Retirement Plan (the Retirement Plan), a nonqualified Benefit Equalization Plan (BEP Plan) which provides benefits to employees who are disallowed certain benefits under the Company s qualified benefit plans and a Post Retirement Medical Plan (the Medical Plan) for directors and certain eligible employees. Net periodic benefit costs for the three and six months ended December 31, 2010 and 2009 are presented in the following table (in thousands):

	BEP Plan and Retirement Plan			
	Three months ended December 31,		Six months ended December 31,	
	2010	2009	2010	2009
Service cost	$ 56	$ 54	$ 114	$ 127
Interest cost	73	85	147	158
Amortization of unrecognized:				
Prior service cost	15	15	30	30
Net loss	33	23	67	39
Total	$ 177	$ 177	$ 358	$ 354

	Medical Plan			
	Three months ended December 31,		Six months ended December 31,	
	2010	2009	2010	2009
Service cost	$ 22	$ 14	$ 43	$ 28
Interest cost	50	45	101	89
Amortization of unrecognized:				
Prior service cost				
Net loss	27	15	54	30
Total	$ 99	$ 74	$ 198	$ 147

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6. Loans

Net Loans are summarized as follows:

	December 31, 2010	June 30, 2010
	(In thousands)	
First mortgage loans:		
One to four family	$ 201,293	$ 244,126
Multifmaily real estate	441,314	360,380
Commerical real estate	846,060	760,076
Total first mortgage real estate	1,488,667	1,364,582
Second mortgage and equity loans	43,138	48,110
Construction and land loans	106,556	102,137
Other loans	22,528	21,753
Total loans	1,660,889	1,536,582
Less:		
Deferred loan fees, net	(5,283)	(4,800)
Allowance for loan losses	(24,181)	(25,902)
Net loans	$ 1,631,425	$ 1,505,880

Loans held for sale amounted to $9.5 million and $0 at December 31, 2010, and June 30, 2010, respectively.

The Company s allowance for loan losses is analyzed quarterly and many factors are considered, including growth in the portfolio, delinquencies, nonaccrual loan levels, and other environmental factors. See discussion of delinquent loans in Comparison of Financial Condition at December 31, 2010 and June 30, 2010. There have been no material changes to the allowance for loan loss methodology disclosed in the Company s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on September 13, 2010.

The activity in the allowance for loan losses for the three and six months ended December 31, 2010 is summarized as follows:

	Three months ended December 31, (In thousands)		Six months ended December 31, (In thousands)	
	2010	2009	2010	2009
Balance at beginning of period	$ 27,007	$ 21,165	$ 25,902	$ 20,680
Provisions for loan losses	2,500	2,500	4,500	5,050
Recoveries of loans previously charged off	80	3	80	3
Loans charged off	(5,406)	(1,504)	(6,301)	(3,569)
Balance at end of period	$ 24,181	$ 22,164	$ 24,181	$ 22,164

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The following table details the amount of loans receivables that are evaluated individually, and collectively, for impairment, and the related portion of allowance for loan loss that is allocated to each loan portfolio segment.

	Residential	Multifamily	Commercial Real Estate	Second mortgage and equity loans	Construction and land loans	Other loans	Unallocated	Total
	At December 31, 2010							
Allowance for credit losses:								
Individually evaluated for impairment	$	$	$ 47	$	$ 93	$	$	$ 140
Collectively evaluated for impairment	1,473	1,952	13,817	401	3,844	611	1,943	24,041
Total	$ 1,473	$ 1,952	$ 13,864	$ 401	$ 3,937	$ 611	$ 1,943	$ 24,181
Loans receivables:								
Individually evaluated for impairment	$	$	$ 816	$	$ 9,709	$ 1,500	$	$ 12,025
Collectively evaluated for impairment	201,293	441,314	845,244	43,138	96,847	21,028		1,648,864
Total	$ 201,293	$ 441,314	$ 846,060	$ 43,138	$ 106,556	$ 22,528	$	$ 1,660,889

The Company continuously monitors the credit quality of its loan receivables in an ongoing manner. In addition to internal staff, the Company utilizes the services of a third party loan review firm to rate the credit quality of its loan receivables. Credit quality is monitored by reviewing certain credit quality indicators. Assets classified as Satisfactory are deemed to possess average to superior credit quality, requiring no more than normal attention. Assets classified as Pass/Watch have generally acceptable asset quality yet possess higher risk characteristics/circumstances than satisfactory assets. Such characteristics include strained liquidity, slow pay, stale financial statements or other circumstances requiring greater attention from bank staff. We classify an asset as Special Mention if the asset has a potential weakness that warrants management s close attention. Such weaknesses, if left uncorrected may result in the deterioration of the repayment prospects of the asset. An asset is considered Substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Included in the Substandard caption at December 31, 2010 are all loans that were past due 90 days (or more) and all impaired loans. The following table provides information about the loan credit quality at December 31, 2010:

Credit Quality Indicator at December 31, 2010

Special

	Satisfactory	Pass/Watch	Mention	Substandard	Total
First mortgage loan balaces:					
One to four family	$ 194,071	$ 3,882	2,846	494	$ 201,293
Multifamily	428,476	8,209	4,250	379	441,314
Commercial real estate	781,280	17,735	23,954	23,091	846,060
Second mortgage and equity loans	42,683	250		205	43,138
Construction and land loans	82,777	5,401	3,188	15,190	106,556
Other loans	18,499	2,332	197	1,500	22,528
Total	$ 1,547,786	$ 37,809	$ 34,435	$ 40,859	$ 1,660,889

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The following table provides an analysis of the age of the recorded investment in loans that are past due at the end of the period.

	At December 31, 2010						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Nonaccrual
First mortgage loan balaces:							
One to four family	$ 1,086	773	494	$ 2,353	198,940	$ 201,293	494
Multifamily	54	818	233	1,105	440,209	441,314	233
Commercial real estate	12,961	575	16,819	30,355	815,705	846,060	16,819
Second mortgage and equity loan	359	137	204	700	42,438	43,138	204
Construction and land loans			7,305	7,305	99,251	106,556	7,305
Other loans		134		134	22,394	22,528	
Total	$ 14,460	$ 2,437	$ 25,055	$ 41,952	$ 1,618,937	$ 1,660,889	$ 25,055

The Company defines an impaired loan as a loan for which it is probable, based on current information, that the Company will not collect all amounts due under the contractual terms of the loan agreement. At December 31, 2010 impaired loans were primarily collateral-dependent and totaled $12.0 million of which $3.5 million of impaired loans had a specific allowance for credit losses of $140,000 and $8.5 million of impaired loans had no specific allowance for credit losses. At June 30, 2010 impaired loans were primarily collateral dependent and totaled $21.9 million, of which $17.0 million of impaired loans had a related allowance for credit losses of $1.4 million and $4.9 million of impaired loans had no related allowance for credit losses.

The following table provides information about the Company s impaired loans at December 31, 2010:

	Recorded Investment	Unpaid Principle Balance	Allowance	Average Recorded Investment	Interest Income Recognized
Commercial real estate	769	816	47	809	
Construction and land loans	9,616	9,709	93	10,026	73
Other loans	1,500	1,500		1,500	38
Total	$ 11,885	$ 12,025	$ 140	$ 12,335	$ 111

Troubled debt restructured loans are those loans whose terms have been modified because of deterioration in the financial condition of the borrower. Modifications could include extension of the terms of the loan, reduced interest rates, and forgiveness of accrued interest and/or principal. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or, if the obligation yields a market rate (a rate equal to or greater than the rate the Company was willing to accept at the time of the restructuring for a new loan with comparable risk), until the year subsequent to the year in which the restructuring takes place, provided the borrower has performed under the modified terms for a six month period. Included in impaired loans at December 31, 2010 are $6.4 million of loans which are deemed troubled debt restructurings. These loans are performing under the restructured terms and are accruing interest. The Company had no troubled-debt restructurings at June 30, 2010.

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7. Mortgage-backed Securities Held to Maturity

The following is a comparative summary of mortgage-backed securities held to maturity at December 31, 2010 and June 30, 2010:

	December 31, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Mortgage-backed securities:				
FHLMC	$ 9,996	474		10,470
FNMA	22,669	639		23,308
GNMA	2,128	34		2,162
CMO	18,691	450		19,141
	$ 53,484	1,597		55,081

	June 30, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Mortgage-backed securities:				
FHLMC	$ 11,449	566		12,015
FNMA	21,593	755		22,348
GNMA	2,282	34		2,316
CMO	31,144	799		31,943
	$ 66,468	2,154		68,622

The Company did not sell any mortgage-backed securities held to maturity during the six months ended December 31, 2010. Mortgage-backed securities with fair values of $47.8 million and $67.8 million at December 31, 2010 and June 30, 2010, respectively, were pledged to FHLB of New York (FHLBNY) as collateral for advances. The Company did not record other than temporary impairment charges on securities held to maturity during the six months ended December 31, 2010 or 2009.

The contractual maturities of mortgage-backed securities held-to-maturity generally exceed 20 years; however, the effective lives are expected to be shorter due to anticipated prepayments. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

At December 31, 2010 and June 30, 2010, there were no gross unrealized losses on mortgage-backed securities held to maturity.

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8. Securities and Mortgage-Backed Securities Available for Sale

The following is a comparative summary of securities and mortgage-backed securities available for sale at December 31, 2010 and June 30, 2010:

	December 31, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
	(In thousands)			
Securities available for sale				
U.S. Government and federal agency obligations				
Due in one year or less	$ 10,000	33		10,033
Due in one to five years	274,812	600	3,000	272,412
Due in five to ten years	23,469	76		23,545
Corporate bonds	2,000	54		2,054
Mutual funds	4,434	266		4,700
Equity securities	1,763	192	38	1,917
	$ 316,478	1,221	3,038	314,661
Mortgage-backed securities:				
FHLMC	$ 13,189	717		13,906
FNMA	30,295	923	111	31,107
CMO	380,712	607	6,761	374,558
	$ 424,196	2,247	6,872	419,571

	June 30, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Securities available for sale				
U.S. Government and federal agency obligations				
Due in one or less	$ 10,000	183		10,183
Due in one to five years	325,970	2,215		328,185
Due in five to ten years	11,500	91		11,591
Corporate bonds	2,000	72		2,072
Mutual funds	4,671	266		4,937
Equity securities	1,763	74	82	1,755
	$ 355,904	2,901	82	358,723
Mortgage-backed securities:				
FHLMC	$ 17,988	1,073		19,061

FNMA		22,869	1,192	41	24,020
GNMA					
CMO		34,399	997		35,396
	$	75,256	3,262	41	78,477

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Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

The Company did not sell any available for sale securities during the six months ended December 31, 2010 and 2009. The Mutual Fund caption relates to holdings of shares in an Asset Management Fund with underlying investments in adjustable rate mortgages. There were no impairment charges on this security for the six months ended December 31, 2010 and 2009. Proceeds from the sale of the mutual fund were $250,000 and $500,000 for six months ending December 31, 2010 and 2009, respectively. The Company recognized gains from the sale of mutual funds of $13,000 and $12,000 for the six months ended December 31, 2010 and 2009, respectively. The Equity securities caption relates to holdings of shares in financial institutions common stock. There were no impairment charges on these securities for the six months ended December 31, 2010. The company recorded a non-cash impairment charge to earnings of $202,000 for the six months ended December 31, 2009 on equity securities. Available for sale securities with fair values of $253.5 million and $266.4 million at December 31, 2010 and June 30, 2010, respectively, were pledged to the FHLBNY as collateral for advances.

Gross unrealized losses on securities and mortgage-backed securities available for sale and the estimated fair value of the related securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2010 and June 30, 2010 were as follows:

	December 31, 2010					
	Less than 12 months		Greater than 12 months		Total	
	Estimated market value	Gross unrealized losses	Estimated market value	Gross unrealized losses	Estimated market value	Gross unrealized losses
	(In thousands)					
Securities available for sale:						
U.S. Government and federal agency obligations	$ 161,006	3,000			161,006	3,000
Equity securities	1,089	38			1,089	38
	$ 162,095	3,038			162,095	3,038
Mortgage-backed securities:						
FNMA	$ 15,019	111			15,019	111
CMO	$ 333,880	6,761			333,880	6,761
	$ 348,899	6,872			348,899	6,872

	June 30, 2010					
	Less than 12 months		Greater than 12 months		Total	
	Estimated market value	Gross unrealized losses	Estimated market value	Gross unrealized losses	Estimated market value	Gross unrealized losses
	(In thousands)					
Securities available for sale:						

Equity securities	$	998	82	998	82
	$	998	82	998	82
Mortgage-backed securities:					
FNMA		24,020	41	24,020	41
	$	24,020	41	24,020	41

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At December 31, 2010, management has evaluated the securities in the above table and has concluded that none of the securities with losses has impairments that are other-than-temporary. The Equity securities caption relates to holdings of shares in financial industry common stock. Management evaluated its portfolio of equity securities and, based on its evaluation of the financial condition and near-term prospects of an issuer, management believed that it could recover its investment in the security.

9. Fair Value Measurements

The Company adopted ASC 820, *Fair Value Measurements and Disclosures*, on July 1, 2008. Under ASC 820, fair value measurements are not adjusted for transaction costs. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Basis of Fair Value Measurement:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Price or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

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

The Company s cash instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

The types of instruments whose values are based on quoted market prices in active markets include most U.S. government and agency securities, mortgage-backed securities, many other sovereign government obligations, and active listed securities. Such instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy. As required by ASC 820, the Company does not adjust the quoted price for such instruments.

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The following table sets forth the Company s financial assets that were accounted for at fair values on a recurring basis as of December 31, 2010 and June 30, 2010 by level within the fair value hierarchy. As required by ASC 820, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurements (in thousands):

	Fair Value as of December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Measured on a recurring basis:				
Assets:				
Securities available for sale				
U.S. Government and federal agency obligations	$ 305,990	$	$ 305,990	$
Corporate bonds	2,054		2,054	
Mutual Funds	4,700	4,700		
Equity Securities	1,917	1,917		
Total securities available for sale	$ 314,661	$ 6,617	$ 308,044	$
Mortgage-backed securities available for sale				
FHLMC	13,906		13,906	
FNMA	31,107	10,095	21,012	
CMO	374,558	30,256	344,302	
Total mortgage-backed securities available for sale	$ 419,571	$ 40,351	$ 379,220	$

	Fair Value as of June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Measured on a recurring basis:				
Assets:				
Securities available for sale				
U.S. Government and federal agency obligations	$ 349,959	$ 67,050	$ 282,909	$
Corporate bonds	2,072		2,072	
Mutual Funds	4,937	4,937		
Equity Securities	1,755	1,755		
Total securities available for sale	$ 358,723	$ 73,742	$ 284,981	$

Mortgage-backed securities available for sale								
FHLMC		19,061				19,061		
FNMA		24,020				24,020		
CMO		35,396				35,396		
Total mortgage-backed securities available for sale	$	78,477	$		$	78,477	$	

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Also, the Company may be required, from time to time, to measure the fair value of certain other financial assets on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. The adjustments to fair value usually result from the application of lower-of-cost-or-market accounting or write downs of individual assets.
The following table sets forth the Company s financial assets that were accounted for at fair values on a nonrecurring basis as of December 31, 2010 and June 30, 2010 by level within the fair value hierarchy. As required by ASC 820, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurements (in thousands):

	Fair Value as of December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Measured on a non-recurring basis:				
Assets:				
Impaired loans:				
Commercial real estate	$ 769	$	$	$ 769
Construction and land loans	9,616			9,616
Other loans	1,500			1,500
Total impaired loans	$ 11,885			11,885
Loans Held for sale	$ 9,484	$	$	$ 9,484
Real estate owned				
One to four family	$ 318	$	$	$ 318
Commercial real estate	3,849			3,849
Construction and loan loans	1,935			1,935
Total real estate owned	$ 6,102	$	$	$ 6,102

	Fair Value as of June 30, 2010	Quoted Prices (Level 1)	Significant (Level 2)	Unobservable (Level 3)
Measured on a non-recurring basis:				
Assets:				
Impaired loans:				
Commercial real estate	$ 5,454	$	$	$ 5,454
Construction and land loans	14,973			14,973
Total impaired loans	20,427			20,427
Real estate owned				
Commercial real estate	$ 2,656	$	$	$ 2,656
Construction and loan loans	375			375

Total real estate owned	$	3,031	$		$	$	3,031

Impaired Loans: The Company had impaired loans with outstanding principal balances of $12.0 million and $21.9 million at December 31, 2010 and June 30, 2010, respectively, that were recorded at their estimated fair value (less cost to sell) of $11.9 million and $20.4 million at December 31, 2010 and June 30, 2010, respectively. Specific reserves for impaired loans totaled $140,000 at December 31, 2010 and $1.4 million at June 30, 2010. The Company recorded net impairment charges of $3.2 million and $2.7 million for the six months ended December 31, 2010 and 2009, respectively. Impaired loans are valued utilizing current appraisals adjusted downward by management, as necessary, for changes in relevant valuation factors subsequent to the appraisal date and are considered level 3 inputs.

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Loans Held for Sale: The Company had loans held for sale of $9.5 million at December 31, 2010. There were no loans held for sale at June 30, 2010. Loans held for sale are valued utilizing current appraisals adjusted downward by management, as necessary, for changes in relevant valuation factors subsequent to the appraisal date, including indicative sale values and are considered level 3 inputs.

Other Real Estate Owned: The Company had assets acquired through foreclosure or deed-in-lieu of foreclosure of $6.1 million at December 31, 2010 and $3.0 million at June 30, 2010. Other real estate owned is recorded at estimated fair value less estimated selling costs when acquired, thus establishing a new cost basis. Fair value is generally based on independent appraisals. These appraisals include adjustments to comparable assets based on the appraisers market knowledge and experience, and are considered level 3 inputs. When an asset is acquired, the excess of the loan balance over fair value, less estimated selling costs, is charged to the allowance for loan losses. If the estimated fair value of the asset declines, a write-down is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in the economic conditions. Subsequent valuation adjustments to other real estate owned totaled $214,000 for the six months ended December 31, 2010, reflective of continued deterioration in estimated fair values. Operating costs after acquisition are expensed.

10. Fair Value of Financial Instruments

ASC 825, *Financial Instruments* , requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions are set forth below for the Company s financial instruments.

Cash and Cash Equivalents

For cash on hand and due from banks and federal funds sold and short-term investments, the carrying amount approximates fair value.

Securities

The fair value of securities is estimated based on bid quotations received from securities dealers, if available. If a quoted market price is not available, fair value is estimated using quoted market prices of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued.

FHLB of New York Stock

The fair value for FHLB stock is its carrying value, since this is the amount for which it could be redeemed. There is no active market for this stock and the Bank is required to maintain a minimum balance based upon the unpaid principal of home mortgage loans.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential mortgage, construction, land and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories. This method of estimating fair value does not incorporate the exit-price concept of fair value prescribed by ASC 820, *Fair Value Measurements and Disclosures.*

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Fair value of performing loans is estimated by discounting cash flows using estimated market discount rates at which similar loans would be made to borrowers and reflect similar credit ratings and interest rate risk for the same remaining maturities.

Fair value for significant nonperforming loans is based on recent external appraisals of collateral securing such loans, adjusted for the timing of anticipated cash flows.

Deposit Liabilities

The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, and NOW and money market accounts, is equal to the amount payable on demand as of December 31, 2010 and June 30, 2010. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Borrowings

The fair value of borrowings due in six months or less is equal to the amount payable. The fair value of all other borrowings is calculated based on the discounted cash flow of contractual amounts due, using market rates currently available for borrowings of similar amount and remaining maturity.

Commitments to Extend Credit and to Purchase or Sell Securities

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of commitments to purchase or sell securities is estimated based on bid quotations received from securities dealers.

The estimated fair values of the Company s financial instruments are presented in the following table. Since the fair value of off-balance-sheet commitments approximates book value, these disclosures are not included.

	December 31, 2010		**June 30, 2010**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	(In thousands)			
Financial assets:				
Cash and cash equivalents	$ 6,331	6,331	346,339	346,339
Securities available for sale	314,661	314,661	358,723	358,723
Mortgage-backed securities held to maturity	53,484	55,081	66,468	68,622
Mortgage-backed securities available for sale	419,571	419,571	78,477	78,477
Federal Home Loan Bank of New York stock	30,756	30,756	25,081	25,081
Loans,net	1,631,425	1,740,059	1,505,880	1,604,852
Loans held for sale	9,484	9,484		
Financial liabilities deposits	1,255,972	1,257,481	1,289,746	1,293,912
Financial liabilities borrowings	621,681	662,646	495,552	549,967

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Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These 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. Because no market exists for a significant portion of the Company s financial instruments, fair value estimates are based on judgments regarding future expected loss experience, 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. Significant assets and liabilities that are not considered financial assets or liabilities include the mortgage banking operation, deferred tax assets, and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

11. Deposits

Deposits are summarized as follows:

	December 31, 2010	June 30, 2010
	(In thousands)	
Checking accounts	$ 143,905	$ 131,029
Money market accounts	281,729	297,540
Savings accounts	148,602	146,675
Time deposits	681,736	714,502
Total deposits	$ 1,255,972	$ 1,289,746

12. Income Taxes

In June 2006, the FASB issued ASC 740, *Income Taxes* , which establishes a recognition threshold and measurement for income tax positions recognized in an enterprise s financial statements. ASC 740 also prescribes a two-step evaluation process for tax positions. The first step is recognition and the second is measurement. For recognition, an enterprise judgmentally determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the more-likely-than-not recognition threshold it is measured and recognized in the financial statements as the largest amount of tax benefit that is greater than 50% likely of being realized. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Company recognizes accrued interest and penalties related to unrecognized tax benefits, where applicable, in income tax expense.

Tax positions that meet the more-likely-than-not recognition threshold at the effective date of ASC 740 may be recognized or, continue to be recognized, upon adoption of this standard. The Company, through its various wholly owned subsidiaries, deploys several tax strategies. Based on the facts surrounding these strategies and applicable laws, the Company believes these strategies are more likely than not of being sustained under examination. The Company believes it will receive 100% of the benefit of the tax positions and has recognized the effects of the tax positions in the financial statements.

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The Company files income tax returns in the United States federal jurisdiction and in New Jersey and Pennsylvania state jurisdictions and will begin filing returns in New York for 2010. The Company is no longer subject to federal and state income tax examinations by tax authorities for years prior to 2006. Currently, the Company is not under examination by any taxing authority.

13. Real Estate Joint Ventures, net and Real Estate Held for Investment

The Company accounts for investments in joint ventures under the equity method. The balance reflects the cost basis of investments, plus the Company s share of income earned on the joint venture operations, less cash distributions, including excess cash distributions, and the Company s share of losses on joint venture operations. Cash received in excess of the Company s recorded investment in a joint venture is recorded as unearned revenue in other liabilities. The net book value of real estate joint ventures was $4.9 million and $5.0 million at December 31, 2010 and June 30, 2010, respectively.

Real estate held for investment includes the Company s undivided interest in real estate properties accounted for under the equity method and properties held for investment purposes. Cash received in excess of the Company s recorded investment for an undivided interest in real estate property is recorded as unearned revenue in other liabilities. The operations of the properties held for investment purposes are reflected in the financial results of the Company and included in the Other Income caption in the Income Statement. Properties held for investment purposes are carried at cost less accumulated depreciation. The net book value of real estate held for investment was $(147,000) and $(197,000) at December 31, 2010 and June 30, 2010, respectively.

14. Recent Accounting Pronouncements

In July 2010, the FASB issued Accounting Standards Update 2010-20, which amends ASC Topic 310 (Receivables) to require significant new disclosures about the credit quality of financing receivables and the allowance for credit losses. The objective of the new disclosures is to improve financial statement users understanding of (1) the nature of an entity s credit risk associated with its financing receivables, and (2) the entity s assessment of that risk in estimating its allowance for credit losses, as well as changes in the allowance and the reasons for those changes. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio s risk and performance (either by portfolio segment or by class of financing receivables). The required disclosures include, among other things, a rollforward of the allowance for credit losses by portfolio segment, as well as information about credit quality indicators and modified, impaired, non-accrual, and past due loans. The disclosures related to period-end information is required in all interim and annual reporting periods ending on or after December 15, 2010 (December 31, 2010 for the Bank). Disclosures of activity that occurs during a reporting period (e.g., loan modifications and the rollforward of the allowance for credit losses by portfolio segment) will be required in interim or annual periods beginning on or after December 15, 2010 (March 31, 2011 for the Bank). We adopted these requirements on December 31, 2010.

In January 2010, the FASB issued Accounting Standards Update 2010-06, which amends ASC Topic 820 (Fair Value Measurements and Disclosures) to add new requirements for disclosures about significant transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also requires disaggregation of fair value disclosures for each class of assets and liabilities and disclosures about inputs and valuation techniques used to measure fair value. The guidance is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide Level 3 activity on a gross basis, which will be effective for fiscal years beginning after December 15, 2010 (including interim periods). In the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. We adopted these requirements on January 1, 2010.

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In June 2009, the FASB issued ASC 810 (formerly Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R)), relating to the variable interest entities (VIE). The objective of the guidance is to improve financial reporting by enterprises involved with VIE s and to provide more relevant and reliable information to users of financial statements. ASC 810 addresses the effects of eliminating the qualifying special-purpose entity concept, changes the approach to determining the primary beneficiary of a VIE and requires companies to assess more frequently whether a VIE must be consolidated. These provisions also require enhanced interim and year-end disclosures about the significant judgments and assumptions considered in determining whether a VIE must be consolidated, the nature of restrictions on a consolidated VIE s assets, the risks associated with a company s involvement with a VIE and how that involvement affects the company s financial position, financial performance and cash flows. This guidance is effective for fiscal years beginning after November 15, 2009 and for interim periods within those fiscal years with early application prohibited. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In June 2009, the FASB issued guidance which amends the derecognition guidance in topic 860, Transfer and Servicing, to enhance reporting about transfers of financial assets, including securitizations, and where companies having continuing exposure to the risks related to transferred financial assets. The guidance eliminates the concept of qualifying special-purpose entity , changes the requirements for derecognizing financial assets and requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. This guidance is effective for financial asset transfers occurring in fiscal years beginning after November 15, 2009. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In 2008, the FASB issued Staff Position No. FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets (ASC Topic 715-20-65). This guidance expands the disclosure by requiring the following new disclosures: 1) how investment allocation decisions are made by management; 2) major categories of plan assets; and 3) significant concentrations of risk. Additionally, ASC 715-20-65 will require an employer to disclose information about the valuation of plan assets similar to that required in ASC topic 820 Fair Value Measurements and Disclosures. This guidance is effective for fiscal years beginning after December 15, 2009. The adoption did not have a material effect on the consolidated financial statements.

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

Forward Looking Statements

This Quarterly Report contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward looking statements may be identified by reference to a future period or periods, or by use of forward looking terminology, such as may, will, believe, expect, estimate, anticipate, continue, or similar terms or variations on those terms, or the negative o terms. Forward looking statements are subject to numerous risks and uncertainties, including, but not limited to, those related to the economic environment, particularly in the market areas in which Oritani Financial Corp. (the Company) operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset-liability management, the financial and securities markets and the availability of and costs associated with sources of liquidity. The Company wishes to caution readers not to place undue reliance on any such forward looking statements, which speak only as of the date made. The Company wishes to advise readers that the factors listed above could affect the Company s financial performance and could cause the Company s actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions, which may be made to any forward looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Overview

Oritani Financial Corp. (the Company) is a Delaware corporation that was incorporated in March 2010 to be the successor to Oritani Financial Corp. (Oritani-Federal), a federal corporation. Oritani-Federal is the former stock holding company for Oritani Bank. In conjunction with the second step transaction of Oritani Financial Corp., MHC, the former mutual holding company parent, Oritani-Federal ceased to exist and the Company became its successor. The second step transaction was completed on June 24, 2010. The Company sold a total of 41,363,214 shares of common stock at $10.00 per share in the related stock offering. Concurrent with the completion of the offering, shares of Oritani-Federal common stock owned by public stockholders were exchanged for 1.50 shares of the Company s common stock. In lieu of fractional shares, shareholders were paid in cash. The Company also issued 481,546 shares of common stock for the accelerated vesting of restricted stock awards triggered by the conversion. As a result of the offering, the exchange, and shares issued due to the accelerated vesting, as of June 30, 2010, the Company had 56,202,485 shares outstanding. Net proceeds from the offering were $401.8 million. As a result of the conversion, all share information for periods prior to the conversion has been revised to reflect the 1.50- to- 1.0 exchange rate.

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Oritani Financial Corp. is a Delaware chartered stock holding company of Oritani Bank. Oritani Financial Corp. owns 100% of the outstanding shares of common stock of Oritani Bank. Oritani Financial Corp. has engaged primarily in the business of holding the common stock of Oritani Bank and two limited liability companies that own a variety of real estate investments. In addition, Oritani Financial Corp. has engaged in limited lending to the real estate investment properties in which (either directly or through one of its subsidiaries) Oritani Financial Corp. has an ownership interest. Oritani Bank s principal business consists of attracting retail and commercial bank deposits from the general public and investing those deposits, together with funds generated from operations, in multi-family and commercial real estate loans, one- to four-family residential mortgage loans as well as in second mortgage and equity loans, construction loans, business loans, other consumer loans, and investment securities. We originate loans primarily for investment and hold such loans in our portfolio. Occasionally, we will also enter into loan participations. Our primary sources of funds are deposits, borrowings and principal and interest payments on loans and securities. Our revenues are derived principally from interest on loans and securities as well as our investments in real estate and real estate joint ventures. We also generate revenues from fees and service charges and other income. Our results of operations depend primarily on our net interest income which is the difference between the interest we earn on interest-earning assets and the interest paid on our interest-bearing liabilities. Our net interest income is primarily affected by the market interest rate environment, the shape of the U.S. Treasury yield curve, the timing of the placement of interest-earning assets and interest-bearing liabilities, and the prepayment rate on our mortgage-related assets. Provisions for loan losses and asset impairment charges can also have a significant impact on our results of operations. Other factors that may affect our results of operations are general and local economic and competitive conditions, government policies and actions of regulatory authorities.

Our business strategy is to operate as a well-capitalized and profitable financial institution dedicated to providing exceptional personal service to our individual and business customers. Our primary focus has been, and will continue to be, growth in multi-family and commercial real estate lending. We do not originate or purchase sub-prime loans, and our loan portfolio does not include any such loans.

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

Balance Sheet Summary

Total Assets. Total assets increased $91.7 million, or 3.7%, to $2.57 billion at December 31, 2010, from $2.48 billion at June 30, 2010. The increase was primarily in loans and mortgage-backed securities available for sale which were partially offset by decreases in cash and cash equivalents and securities available for sale.

Cash and Cash Equivalents. Cash and cash equivalents (which include fed funds and short term investments) decreased $340.0 million, or 98.2%, to $6.3 million at December 31, 2010, from $346.3 million at June 30, 2010. The balance at June 30, 2010 was primarily due to the proceeds from the second step transaction. These funds were deployed as quickly as possible while prudently following the disciplines of the Company s investment policy. These excess funds were fully deployed over the six month period. Management is striving to ultimately deploy the proceeds in loans. Until that is practical, excess funds have been deployed in securities available for sale and MBS available for sale. The MBS that are currently being purchased are securities of government sponsored agencies with a relatively short repayment windows and limited extension risk. While the yield on such securities is low, management is prioritizing structure over yield.

Net Loans. Loans, net increased $125.5 million to $1.63 billion at December 31, 2010, from $1.51 billion at June 30, 2010. The Company continued its emphasis on loan originations, particularly multifamily and commercial real estate loans. Loan originations totaled $244.0 million and purchases totaled $9.8 million for the six months ended December 31, 2010.

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Delinquency and non performing asset information is provided below:

	12/31/2010	9/30/2010	6/30/2010	3/31/2010	12/31/2009
Delinquency Totals					
			(in thousands)		
30 - 59 days past due	$ 14,460	$ 9,306	$ 12,330	$ 6,670	$ 9,613
60 - 89 days past due	2,437	3,278	4,629	4,293	1,974
Nonaccrual	25,055	41,720	38,125	41,170	51,907
Total	$ 41,952	$ 54,304	$ 55,084	$ 52,133	$ 63,494

	12/31/2010	9/30/2010	6/30/2010	3/31/2010	12/31/2009
Non Performing Asset Totals					
			(in thousands)		
Nonaccrual loans, per above	$ 25,055	$ 41,720	$ 38,125	$ 41,170	$ 51,907
Real Estate Owned	6,102	5,074	3,031	434	600
Loans Held For Sale	9,484				
Total	$ 40,641	$ 46,794	$ 41,156	$ 41,604	$ 52,507

Over the quarter ended December 31, 2010, total delinquent loans decreased $12.4 million; nonaccrual loans decreased $16.7 million and nonperforming assets decreased $6.1 million. The vast majority of the decrease in total delinquent loans and nonaccrual loans was due to the transfer of a construction loan to loans held for sale as described below. This loan had a balance of $14.4 million at September 30, 2010. All reserves against this loan were charged off and the remaining balance of $9.5 million was transferred to loans held for sale. In addition, a $3.7 million nonaccrual loan was disposed through a short sale of the underlying collateral with an $80,000 recovery. There were no disposals of real estate owned (REO) during the quarter. Three additional properties were acquired via deed in lieu of foreclosure over the quarter. Although the REO balance increased over the quarter, the Company has greater confidence regarding the disposal of REO properties versus nonaccrual loans as title to the property has been obtained and the disposal process is controlled by the Company. There was an increase in the 30-59 day past due total over the quarter. The increase is primarily due to three loans that total $7.4 million. Two of these three loans are now fully current. Management has met with the borrower of the third loan and currently expects the matter will be resolved prior to March 31, 2011. Included in loans at December 31, 2010 are $6.4 million of loans which are deemed troubled debt restructurings. These loans are performing under the restructured terms and are accruing interest. The Company had no troubled-debt restructurings at June 30, 2010.

A discussion of the significant components of the nonaccrual loan total at September 30 and December 31, 2010 follows. These loans have been discussed in prior public filings.

A condominium construction project in Northern New Jersey which totaled $14.4 million at September 30, 2010. As described in prior filings, the project is complete but Oritani has been unable to obtain certificates of occupancy (CO s) from the municipality. CO s are necessary to sell the residential units. While legal remedies remain a possibility, the Company has contracted with a marketing agent to solicit bids for the property. At September 30, 2010, there was a $2.0 million specific reserve on this loan. This specific reserve was increased by $2.9 million over the quarter ended December 31, 2010. The entire specific reserve was charged off as of December 31, 2010 and the loan was transferred to Loans held for sale at the remaining value of $9.5 million.

A $14.1 million loan secured by a multi-tenant commercial property in Hudson County, New Jersey. The borrower has experienced cash flow difficulties. As discussed in prior filings, Oritani has been in litigation with this borrower, foreclosure proceedings are continuing, summary judgment against the borrowers has been obtained and all tenant rent payments are being made directly to Oritani. The rents received were sufficient to make each of the monthly payments during the quarter. While various proposals to pay delinquent amounts and resolve this matter have been discussed, nothing satisfactory to Oritani has been proposed and Oritani is investigating alternate methods of disposing of this problem loan.

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A $3.7 million warehouse participation loan that was a component of the September 30, 2010 nonaccrual total was disposed through a short sale of the underlying collateral over the quarter with an $80,000 recovery.

A $2.7 million construction loan for a luxury home in Morris County, New Jersey. Construction at the property ceased and foreclosure proceedings have commenced. The loan is classified as impaired as of December 31, 2010. In accordance with the results of the impairment analysis for this loan, based primarily on a recent appraisal, specific reserves totaling $93,000 have been recorded against this loan.

A $2.1 million residential construction loan for two luxury homes and an improved lot located in Essex County, New Jersey. Oritani currently expects to acquire title to these properties via deed in lieu of foreclosure during the quarter ending March 31, 2011. The loan was classified as impaired as of December 31, 2010. In accordance with the results of the impairment analysis for this loan, a $270,000 reserve was required. This amount was charged off as of December 31, 2010, which reduced the balance to $2.1 million.

There are eleven other smaller loans, totaling $6.2 million, classified as nonaccrual at December 31, 2010.

As discussed in prior filings, the Company has continued its aggressive posture toward delinquent borrowers. The Company realizes that this posture contributes to the high level of delinquencies but believes this is the most prudent path to addressing problem loans.

Securities Available For Sale. Securities AFS decreased $44.0 million to $314.7 million at December 31, 2010, from $358.7 million at June 30, 2010. The decrease was primarily due to security calls of $236.9 million partially offset by purchases of $197.5 million. See Comparison of Operating Results for the Quarter Ended December 31, 2010 and 2009, Total Interest Income for the Company s rationale for investing in this investment option.

Mortgage-backed Securities Available For Sale. Mortgage-backed securities AFS increased $341.1 million to $419.6 million at December 31, 2010, from $78.5 million at June 30, 2010. See Comparison of Operating Results for the Quarter Ended December 31, 2010 and 2009, Total Interest Income for the Company s rationale for investing in this investment option.

Real Estate Owned. Real estate owned (REO) increased $3.1 million to $6.1 million at December 31, 2010, from $3.0 million at June 30, 2010. The increase is due to the Bank acquiring title to five properties during the six months ended December 31, 2010 with book values of $6.3 million less write-downs of $214,000. The increase from acquisitions was offset by the sale of two REO properties with net book values of $3.0 million. Proceeds from the sale of REO were $3.7 million and a net gain of $718,000 was recognized.

Deposits. Deposits decreased $33.8 million, or 2.6%, to $1.26 billion at December 31, 2010, from $1.29 billion at June 30, 2010. Primarily due to the Company s high liquidity position, many deposit products were repriced lower. This action helped reduce interest expense but also negatively impacted deposit balances. Strong deposit growth remains a strategic objective of the Company and is expected to return as excess liquidity is fully deployed. A new branch location is expected to open in early 2011.

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Borrowings. Borrowings increased $126.1 million, or 25.5%, to $621.7 million at December 31, 2010, from $495.6 million at June 30, 2010. The increase is due to the Company s usage of short term borrowings with a low cost, thereby increasing spread and margin. The Company expects to redeploy a portion of short term borrowings into longer term borrowings to protect against future increases in interest rates. This redeployment will increase the cost of the borrowings.

Stockholders Equity. Stockholders equity decreased $1.5 million to $641.9 million at December 31, 2010, from $643.4 million at June 30, 2010. The decrease was due to a decline in the fair value of the available for sale portfolio and dividends paid partially offset by net income for the six month period. The increase in interest rates that occurred in December, 2010 had a negative impact on the value of the available for sale portfolio. At December 31, 2010, there were 56,202,485 shares outstanding. Our book value per share was $11.42. Based on our December 31, 2010 closing price of $12.24 per share, the Company stock was trading at 1.07% of book value.

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Average Balance Sheet for the Three and Six Months Ended December 31, 2010 and 2009

The following tables present certain information regarding Oritani Financial Corp. s financial condition and net interest income for the three and six months ended December 31, 2010 and 2009. The tables present the annualized average yield on interest-earning assets and the annualized average cost of interest-bearing liabilities. We derived the yields and costs by dividing annualized income or expense by the average balance of interest-earning assets and interest-bearing liabilities, respectively, for the periods shown. We derived average balances from daily balances over the periods indicated. Interest income includes fees that we consider adjustments to yields.

Average Balance Sheet and Yield/Rate Information
For the Three Months Ended (unaudited)

	December 31, 2010			December 31, 2009		
	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans [1]	$ 1,590,622	$ 24,695	6.21%	$ 1,351,360	$ 20,775	6.15%
Securities held to maturity [2]	26,639	410	6.16%	25,498	360	5.65%
Securities available for sale	333,233	1,906	2.29%	296,328	2,136	2.88%
Mortgage backed securities held to maturity	48,362	412	3.41%	97,215	887	3.65%
Mortgage backed securities available for sale	356,186	1,887	2.12%	111,001	1,281	4.62%
Federal funds sold and short term investments	37,658	27	0.29%	27,669	28	0.40%
Total interest-earning assets	2,392,700	29,337	4.90%	1,909,071	25,467	5.34%
Non-interest-earning assets	104,458			88,733		
Total assets	$ 2,497,158			$ 1,997,804		
Interest-bearing liabilities:						
Savings deposits	148,427	228	0.61%	145,908	325	0.89%
Money market	272,585	679	1.00%	253,462	993	1.57%
Checking accounts	161,790	215	0.53%	105,125	206	0.78%
Time deposits	688,411	2,705	1.57%	697,361	4,286	2.46%
Total deposits	1,271,213	3,827	1.20%	1,201,856	5,810	1.93%
Borrowings	530,173	5,223	3.94%	507,818	5,247	4.13%
Total interest-bearing liabilities	1,801,386	9,050	2.01%	1,709,674	11,057	2.59%
Non-interest-bearing liabilities	50,316			41,433		
Total liabilities	1,851,702			1,751,107		

Stockholders equity	645,456		246,697	
Total liabilities and stockholders equity	$ 2,497,158		$ 1,997,804	
Net interest income		$ 20,287		$ 14,410
Net interest rate spread (3)		2.89%		2.75%
Net interest-earning assets (4)	$ 591,314		$ 199,397	
Net interest margin (5)		3.39%		3.02%
Average of interest-earning assets to interest-bearing liabilities		132.83%		111.66%

(1) Includes loans held for sale and nonaccrual loans.

(2) Includes Federal Home Loan Bank Stock.

(3) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(4) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(5) Net interest margin represents net interest income divided by average total interest-earning assets.

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Average Balance Sheet and Yield/Rate Information
For the Six Months Ended (unaudited)

	December 31, 2010			December 31, 2009		
	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans (1)	$ 1,570,361	$ 48,991	6.24%	$ 1,336,861	$ 42,065	6.29%
Securities held to maturity (2)	25,848	702	5.43%	25,513	717	5.62%
Securities available for sale	342,520	4,129	2.41%	260,372	3,738	2.87%
Mortgage backed securities held to maturity	54,040	905	3.35%	103,686	1,918	3.70%
Mortgage backed securities available for sale	263,451	3,175	2.41%	117,249	2,718	4.64%
Federal funds sold and short term investments	129,259	191	0.30%	48,471	90	0.37%
Total interest-earning assets	2,385,479	58,093	4.87%	1,892,152	51,246	5.42%
Non-interest-earning assets	101,874			86,387		
Total assets	$ 2,487,353			$ 1,978,539		
Interest-bearing liabilities:						
Savings deposits	148,133	486	0.66%	146,313	675	0.92%
Money market	284,860	1,430	1.00%	237,403	2,008	1.69%
Checking accounts	150,696	453	0.60%	101,795	404	0.79%
Time deposits	698,248	5,726	1.64%	702,046	9,036	2.57%
Total deposits	1,281,937	8,095	1.26%	1,187,557	12,123	2.04%
Borrowings	512,603	10,408	4.06%	508,145	10,494	4.13%
Total interest-bearing liabilities	1,794,540	18,503	2.06%	1,695,702	22,617	2.67%
Non-interest-bearing liabilities	48,019			39,125		
Total liabilities	1,842,559			1,734,827		
Stockholders equity	644,794			243,712		
	$ 2,487,353			$ 1,978,539		

Total liabilities and stockholder s equity						
Net interest income		$ 39,590			$ 28,629	
Net interest rate spread (3)			2.81%			2.75%
Net interest-earning assets (4)	$ 590,939			$ 196,450		
Net interest margin (5)			3.32%			3.03%
Average of interest-earning assets to interest-bearing liabilities			132.93%			111.59%

(1) Includes loans held for sale and nonaccrual loans.

(2) Includes Federal Home Loan Bank Stock.

(3) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(4) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

(5) Net interest margin represents net interest income divided by average total interest-earning assets.

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Comparison of Operating Results for the Quarter Ended December 31, 2010 and 2009

Net Income. Net income increased $4.2 million to $7.1 million, or $0.13 per basic and diluted share, for the quarter ended December 31, 2010, from $2.9 million, or $0.05 per basic and diluted share, for the corresponding 2009 quarter. The primary cause of the increased income in the 2010 period was increased net interest income. Our annualized return on average assets was 1.14% for the quarter ended December 31, 2010 and 0.59% for the corresponding 2009 quarter.

Total Interest Income. Total interest income increased $3.9 million or 15.2%, to $29.3 million for the three months ended December 31, 2010, from $25.5 million for the three months ended December 31, 2009. The largest increase occurred in interest on loans, which increased $3.9 million or 18.9%, to $24.7 million for the three months ended December 31, 2010, from $20.8 million for the three months ended December 31, 2009. During that same period, the average balance of loans increased $239.3 million and the yield on the portfolio increased 6 basis points. Changes in other captions of interest income are primarily due to management s investment decisions as well as a continued decrease in market interest rates. Excess liquidity has generally been deployed in investments classified as available for sale (AFS) as such classifications provide greater flexibility should cash needs develop. Specific investments purchased consider the risk/reward profile of the investment and the projected cash needs of the Company. One of the typical investments of the Company was callable notes of government sponsored agencies with limited optionality and call features that increase the likelihood that the note would be called. As the excess liquidity from the second step transaction was deployed, the Company also favored mortgage backed securities (MBS) AFS. The Company sought investments with improved cash flows (versus callable notes). The Company selected certain short structures of MBS with limited extension risk issued by government sponsored agencies while increasing its MBS AFS portfolio. It was felt that such investments provide reasonable risk/reward profiles based on the projected cash needs and interest rate risk position of the Company. As of December 31, 2010, the excess liquidity from the second step transaction had been fully deployed and investment purchases are expected to decrease versus the level experienced over the six months ended December 31, 2010. Interest on securities available for sale (AFS) decreased $230,000, or 10.8%, to $1.9 million for the three months ended December 31, 2010, from $2.1 million for the three months ended December 31, 2009. The average balance of securities AFS increased $36.9 million for the three months ended December 31, 2010 versus the corresponding 2009 period. The yield on the portfolio decreased 60 basis points primarily due to current market rates as well as the conservative structure of the 2010 purchases. Interest on mortgage-backed securities MBS held to maturity (HTM) decreased $475,000, or 53.6%, to $412,000 for the three months ended December 31, 2010, from $887,000 for the three months ended December 31, 2009. Cash flows from this portfolio were not reinvested into held to maturity securities. The average balance of MBS HTM decreased $48.9 million for the three months ended December 31, 2010 versus the corresponding 2009 period, while the yield on the portfolio decreased 24 basis points. Interest on MBS AFS increased $606,000 to $1.9 million for the three months ended December 31, 2010, from $1.3 million for the three months ended December 31, 2009. The average balance of MBS AFS increased $245.2 million for the three months ended December 31, 2010 versus the corresponding 2009 period, while the yield on the portfolio decreased 250 basis points.

Total Interest Expense. Total interest expense decreased $2.0 million, or 18.2%, to $9.1 million for the three months ended December 31, 2010, from $11.1 million for the three months ended December 31, 2009. Interest expense on deposits decreased $2.0 million, or 34.1%, to $3.8 million for the three months ended December 31, 2010, from $5.8 million for the three months ended December 31, 2009. The average balance of deposits increased $69.4 million over the period while the average cost of these funds decreased 73 basis points. Market interest rates allowed the Bank to reprice many maturing time deposits, as well as other interest bearing deposits, at lower rates, decreasing the cost of funds. Interest expense on borrowings decreased $24,000 to $5.2 million for the three months ended December 31, 2010. The average balance of borrowings increased $22.4 million over the period while the cost decreased 19 basis points.

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Net Interest Income Before Provision for Loan Losses. Net interest income before provision for loan losses increased $5.9 million, or 40.8%, to $20.3 million for the three months ended December 31, 2010, from $14.4 million for the three months ended December 31, 2009. The Company s net interest rate spread increased to 2.89% for the three months ended December 31, 2010, from 2.75% for the three months ended December 31, 2009. The Company s net interest margin increased to 3.39% for the three months ended December 31, 2010, from 3.02% for the three months ended December 31, 2009. The spread and margin benefited from the steep yield curve in both periods but to a greater extent in 2010. The low interest rate environment and steep yield curve allowed the Company to reprice deposits at lower rates with a lesser impact on loan rates. The Company believes that the majority of the deposit portfolio has been repriced at lower rates but the downward pressure on loan rates remains. A recent increase in longer term interest rates is alleviating some of this pressure. The Company s net interest rate spread and net interest margin were hindered by the nonaccrual loan level in both the 2010 and 2009 periods. The Company s net interest income was reduced $674,000 and $854,000 for the three months ended December 31, 2010 and 2009, respectively, due to the impact of nonaccrual loans.

Provision for Loan Losses. The Company recorded provisions for loan losses of $2.5 million for both the three months ended December 31, 2010 and three months ended December 31, 2009. See discussion of allowance for loan losses in Comparison of Financial Condition at December 31, 2010 and June 30, 2010 and footnote 7 of the financial statements.

Other Income. Other income increased $119,000 to $1.2 million for the three months ended December 31, 2010, from $1.1 million for the three months ended December 31, 2009. Service charges increased $72,000 to $400,000 for the three months ended December 31, 2010, from $328,000 for the three months ended December 31, 2009, primarily due to payment of late charges during the 2010 period. Net income on the real estate investment captions of net real estate operations and income from investments in real estate joint ventures decreased $121,000 to $456,000 for the three months ended December 31, 2010, from $577,000 for the three months ended December 31, 2009. The change is due to several components. The income reported in these captions is dependent upon the operations of various properties and is subject to fluctuation. Overall, however, joint venture operations have been slightly impacted by increased vacancies and operational costs. In addition to these factors, income has been significantly reduced since March 2010 at one commercial property due to a flood. Repairs and improvements have been made at this property. Return to normal operations and cash flows at this property resumed at the end of the 2010 period. A $202,000 impairment charge for equity securities was recognized in the 2009 period and no similar charge was required in 2010.

Operating Expenses. Operating expenses decreased $405,000 to $7.8 million for the three months ended December 31, 2010, from $8.2 million for the three months ended December 31, 2009. The decrease was primarily in compensation, FDIC insurance premiums and real estate operations partially offset by increases in other expenses. Compensation, payroll taxes and fringe benefits decreased $209,000 primarily due to an $887,000 decrease in the cost associated with the Company s stock benefit plan. A significant portion of awards and options granted under the stock benefit plan fully vested in June 2010 and the 2009 period included greater expenses associated with the vested shares than the 2010 period. This decrease was partially offset by a $563,000 increase in the cost associated with the Company s ESOP. Federal deposit insurance premiums decreased $254,000 over the periods primarily due to decreased FDIC insurance rates based on our increased capital levels. Other expense increased $142,000 to $1.0 million for the three months ended December 31, 2010, from $888,000 for the corresponding 2009 period primarily due to expenses associated with problem assets.

Income Tax Expense. Income tax expense for the three months ended December 31, 2010 was $4.1 million on pre-tax income of $11.2 million, resulting in an effective tax rate of 36.7%. Income tax expense for the three months ended December 31, 2009 was $1.9 million on pre-tax income of $4.8 million, resulting in an effective tax rate of 39.1%. The Company has implemented various strategic objectives and one of the consequences of their implementation is an anticipated reduction in the Company s effective tax rate.

Comparison of Operating Results for the Six Months Ended December 31, 2010 and 2009.

Net Income. Net income increased $6.8 million, or 92.2%, to $14.2 million, or $0.27 per basic and diluted share, for the six months ended December 31, 2010, from $7.4 million, or $0.13 per basic and diluted share, for the corresponding 2009 quarter. The primary driver of the increased income in the 2010 period was increased net interest income before provision for loan losses. Net interest income increased by $11.0 million, or 38.3%, to $39.6 million for the six months ended December 31, 2010, from $28.6 million for the six months ended December 31, 2009. The increase is primarily due to decreasing cost of funds and a larger asset base. Net income for the 2009 period was augmented by recoveries associated with problem loan disposals. Over the six months ended December 31, 2009, the Company collected $1.3 million of delinquent interest and prepayment penalties, $151,000 of late charges and $352,000 of reimbursed legal expenses in connection with problem loan disposals. The after tax impact of such items totaled $1.1 million. Our annualized return on average assets was 1.15% for the six months ended December 31, 2010 and 0.75% (0.64% normalized) for the corresponding 2009 period. A reconciliation of actual results for the six months ended December 31, 2009 to normalized, non-GAAP results (actual results adjusted for non-recurring items) for the same period is provided in the following table:

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Analysis of operating results adjusted for non-recurring revenues and expenses-Normalized

	For the Six Months Ended December 31, 2009		
	Actual GAAP Results	Income from Problem Loan Dispositions	Non-GAAP Normalized
	(Dollars in thousands, except per share amounts)		
Selected Operating Data:			
Interest income	$ 51,246	$ (1,293)	$ 49,953
Interest expense	22,617		22,617
Net interest income	28,629	(1,293)	27,336
Provision for loan losses	5,050		5,050
Net interest income after provision for loan losses	23,579	(1,293)	22,286
Other income	3,613	(151)	3,462
Other expense	14,994	352	15,346
Income before income tax expense	12,198	(1,796)	10,402
Income tax expense	4,786	(706)	4,080
Net income	7,412	(1,090)	6,322
Net income available to common shareholders	7,206		6,135
Earnings per share-basic & diluted	$ 0.13		$ 0.10
Return on average assets	0.75%		0.64%
Return on average equity	6.08%		5.19%
Net interest spread	2.75%		2.61%
Net interest margin	3.03%		2.89%

Total Interest Income. Total interest income increased $6.8 million, or 13.4%, to $58.1 million for the six months ended December 31, 2010, from $51.2 million for the six months ended December 31, 2009. The largest increase occurred in interest on loans, which increased $6.9 million or 16.5%, to $49.0 million for the six months ended December 31, 2010, from $42.1 million for the six months ended December 31, 2009. Over that same period, the average balance of loans increased $233.5 million and the yield on the portfolio decreased 5 basis points. Included in total interest income for the 2009 period is $1.3 million of interest on loans recovered in conjunction with the resolution of three classified loans. Excluding this recovery, the yield on the loan portfolio increased 14 basis points. Interest on securities AFS increased $391,000 to $4.1 million for the six months ended December 31, 2010, from $3.7 million for the six months ended December 31, 2009. The average balance of securities AFS increased $82.1 million over that same period while the yield decreased 46 basis points. Interest on MBS HTM decreased $1.0 million to $905,000 for the six months ended December 31, 2010, from $1.9 million for the six months ended

December 31, 2009. Interest on MBS AFS increased $457,000 to $3.2 million for the six months ended December 31, 2010, from $2.7 million for the six months ended December 31, 2009. The changes in these three captions are primarily due to the reasons described in Comparison of Operating Results for the Quarter Ended December 31, 2010 and 2009, Total Interest Income.

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Total Interest Expense. Total interest expense decreased $4.1 million, or 18.2%, to $18.5 million for the six months ended December 31, 2010, from $22.6 million for the six months ended December 31, 2009. Interest expense on deposits decreased $4.0 million, or 33.2%, to $8.1 million for the six months ended December 31, 2010, from $12.1 million for the six months ended December 31, 2009. The average balance of interest bearing deposits increased $94.4 million over this period while the average cost of these funds decreased 78 basis points. Interest expense on borrowings decreased $86,000, or 0.8%, to $10.4 million for the six months ended December 31, 2010, from $10.5 million for the six months ended December 31, 2009. The average balance of borrowings increased $4.5 million over the period while the cost decreased 7 basis points.

Net Interest Income Before Provision for Loan Losses. Net interest income increased $11.0 million, or 38.3%, to $39.6 million for the six months ended December 31, 2010, from $28.6 million for the six months ended December 31, 2009. The Company s net interest rate spread and margin increased to 2.81% and 3.32% for the six months ended December 31, 2010, from 2.61% and 2.89% for the six months ended December 31, 2009, respectively. The 2009 calculations exclude non-recurring interest on loans totaling $1.3 million realized in conjunction with problem loan disposals. The actual net interest rate spread and margin in the 2009 period were 2.75% and 3.03%, respectively. The factors described in Comparison of Operating Results for the Quarter Ended December 31, 2010 and 2009, Net Interest Income Before Provision for Loan Losses also impacted the six month periods. The Company s net interest income was reduced $1.4 million and $1.3 million for the six months ended December 31, 2010 and 2009, respectively, due to the impact of nonaccrual loans.

Provision for Loan Losses. The Company recorded provisions for loan losses of $4.5 million for the six months ended December 31, 2010 as compared to $5.1 million for the six months ended December 31, 2009. See discussion of the allowance for loan losses in Comparison of Financial Condition at December 31, 2010 and June 30, 2010 and footnote 7 of the financial statements.

Other Income. Other income decreased to $2.9 million for the six months ended December 31, 2010 from $3.6 million for the six months ended December 31, 2009. Service charges decreased $69,000 to $687,000 for the six months ended December 31, 2010, from $756,000 for the six months ended December 31, 2009, primarily due to payment of late charges during the 2009 period on problem loan disposals. Net Income on the real estate investment captions of net real estate operations and income from investments in real estate joint ventures decreased $480,000 to $838,000 for the six months ended December 31, 2010, from $1.3 million for the six months ended December 31, 2009. The decrease is due to the same factors described above for the three months ended December 31, 2010. The remaining decrease is due to a $1.0 million gain on the sale of a commercial office property during the six months ended December 31, 2009, that had been held and operated as a real estate investment. The 2009 gain is partially offset by a $718,000 net gain realized on the sale of real estate owned during the six months ended December 31, 2010. A $202,000 impairment charge for equity securities was recognized in the 2009 period and no similar charge was required in 2010. The vast majority of these items are considered non-recurring.

Other Expense. Operating expenses increased $495,000 or 3.3% to $15.5 million for the six months ended December 31, 2010, from $15.0 million for the six months ended December 31, 2009. The increase was primarily in other expenses and real estate owned operations. Other expenses increased $740,000 to $2.2 million for the six months ended December 31, 2010, from $1.4 million for the six months ended December 31, 2009. The increase was primarily due to increases in problem loan expenses of $641,000. In the 2009 period, a recovery of legal expenses in conjunction with the resolution of three classified loans partially offset increased problem loan expense. Real estate owned operations increased $124,000 to $346,000 for the six months ended December 31, 2010, from $222,000 for the six months ended December 31, 2009. These increases were partially offset by decreased Federal deposit insurance premiums. FDIC insurance decreased $490,000, as discussed in the preceding paragraph, to $669,000 for the six months ended December 31, 2010, from $1.2 million for the six months ended December 31, 2009.

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Income Tax Expense. Income tax expense for the six months ended December 31, 2010, was $8.3 million, due to pre-tax income of $22.5 million, resulting in an effective tax rate of 36.7%. For the six months ended December 31, 2009, income tax expense was $4.8 million, due to pre-tax income of $12.2 million, resulting in an effective tax rate of 39.2%. The Company has implemented various strategic objectives and one of the consequences of their implementation is an anticipated reduction in the Company s effective tax rate.

Liquidity and Capital Resources

The Company s primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, Federal Home Loan Bank (FHLB) borrowings and investment maturities. While scheduled amortization of loans is a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company has other sources of liquidity if a need for additional funds arises, including an overnight line of credit and advances from the FHLB.

At December 31, 2010, the Company had $127.7 million in overnight borrowings from the FHLB. At June 30, 2010, the Company had no overnight borrowings from the FHLB. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company had total borrowings of $621.7 million at December 31, 2010 and $496.0 million at June 30, 2010. The Company s total borrowings at December 31, 2010 include $494.0 million in longer term borrowings with the FHLB. In the normal course of business, the Company routinely enters into various commitments, primarily relating to the origination of loans. At December 31, 2010, outstanding commitments to originate loans totaled $46.2 million and outstanding commitments to extend credit totaled $64.2 million. The Company expects to have sufficient funds available to meet current commitments in the normal course of business.

Time deposits scheduled to mature in one year or less totaled $490.2 million at December 31, 2010. Based upon historical experience, management estimates that a significant portion of such deposits will remain with the Company.

On September 29, 2009, the Federal Deposit Insurance Corporation issued a rule pursuant to which all insured depository institutions would be required to prepay their estimated assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012. On December 30, 2009, the Company paid $8.2 million in estimated assessments, of which $6.0 million is prepaid.

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As of December 31, 2010, the Company and Bank exceeded all regulatory capital requirements as follows:

Company:	Actual Amount	Actual Ratio	Required Amount	Required Ratio
	(Dollars in thousands)			
Total capital (to risk-weighted assets)	$ 670,113	36.6%	$ 146,515	8.0%
Tier I capital (to risk-weighted assets)	647,204	35.3	73,257	4.0
Tier I capital (to average assets)	647,204	25.9	99,886	4.0

Bank:	Actual Amount	Actual Ratio	Required Amount	Required Ratio
	(Dollars in thousands)			
Total capital (to risk-weighted assets)	$ 423,850	23.6%	$ 143,612	8.0%
Tier I capital (to risk-weighted assets)	401,269	22.4	71,806	4.0
Tier I capital (to average assets)	401,269	16.3	98,705	4.0

Critical Accounting Policies

Note 1 to the Company s Audited Consolidated Financial Statements for the year ended June 30, 2010, included in the Company s Annual Report on Form 10-K, as supplemented by this report, contains a summary of significant accounting policies. Various elements of these accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Certain assets are carried in the consolidated Balance Sheets at estimated fair value or the lower of cost or estimated fair value. Policies with respect to the methodologies used to determine the allowance for loan losses and judgments regarding the valuation of intangible assets and securities as well as the valuation allowance against deferred tax assets are the most critical accounting policies because they are important to the presentation of the Company s financial condition and results of operations, involve a higher degree of complexity, and require management to make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions, and estimates could result in material differences in the results of operations or financial condition. These critical accounting policies and their application are reviewed periodically and, at least annually, with the Audit Committee of the Board of Directors. For a further discussion of the critical accounting policies of the Company, see Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s Annual Report on Form 10-K, for the year ended June 30, 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has the authority and responsibility for managing interest rate risk. Oritani Bank has established an Asset/Liability Management Committee, comprised of various members of its senior management, which is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for recommending to the Board the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors. The Asset/Liability Management Committee reports its activities to the Board on a monthly basis. An interest rate risk analysis is presented to the Board on a quarterly basis.

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We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. As part of our ongoing asset-liability management, we currently use the following strategies to manage our interest rate risk:

(i) originating multi-family and commercial real estate loans that generally tend to have shorter interest duration and generally reset at five years;

(ii) investing in shorter duration mortgage-backed securities and securities with call provisions that are considered likely to be invoked; and

(iii) obtaining general financing through longer-term Federal Home Loan Bank advances.

Shortening the average maturity of our interest-earning assets by increasing our investments in shorter-term loans and securities, as well as loans and securities with variable rates of interest, helps to better match the maturities and interest rates of our assets and liabilities, thereby reducing the exposure of our net interest income to changes in market interest rates. By following these strategies, we believe that we are well-positioned to react to increases in market interest rates.

Net Portfolio Value. We compute the amounts by which the net present value of cash flow from assets, liabilities and off balance sheet items (the institution s net portfolio value or NPV) would change in the event of a range of assumed changes in market interest rates. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the Change in Interest Rates column below.

The table below sets forth, as of December 31, 2010, the estimated changes in our net portfolio value that would result from the designated instantaneous changes in the United States Treasury yield curve. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates and loan prepayment and deposit decay rates, and should not be relied upon as indicative of actual results.

		Estimated Increase (Decrease) in NPV		NPV as a Percentage of Present Value of Assets (3)	
Change in Interest Rates (basis points) (1)	**Estimated NPV (2)**	**Amount**	**Percent**	**NPV Ratio (4)**	**Increase (Decrease) basis points**
	(Dollars in thousands)				
+200	$ 603,540	$ (106,249)	(15.0)%	24.3%	(222)
+100	656,182	(53,607)	(7.6)	25.4	(107)
0	709,789		0.0	26.5	0
-100	768,177	58,388	8.2	27.8	129

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

(2) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.

(4) NPV Ratio represents NPV divided by the present value of assets.

The table above indicates that at December 31, 2010, in the event of a 100 basis point decrease in interest rates, we would experience a 8.2% increase in net portfolio value. In the event of a 200 basis point increase in interest rates, we would experience a 15.0% decrease in net portfolio value. These changes in net portfolio value are within the limitations established in our asset and liability management policies.

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Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in net portfolio value require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net portfolio value table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net portfolio value table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

There were no significant changes made in the Company s internal controls over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company s financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes from those risk factors previously disclosed in the Company s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on September 13, 2010. In addition to the risks disclosed in the annual report and the other risks described in this quarterly report, there may also be additional risks and uncertainties that are not currently known to us or that we currently deem to be immaterial that could materially and adversely affect our business, financial condition or operating results. As a result, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. Further, to the extent that any of the information contained in this Quarterly Report on Form 10-Q constitutes forward-looking statements, the risks disclosed are cautionary statements identifying important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of us.

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

(a) **Unregistered Sale of Equity Securities**. There were no sales of unregistered securities during the period covered by this report.

(b) **Use of Proceeds**. Not applicable.

(c) **Repurchase of Our Equity Securities**. There were no repurchases of our equity s securities during the period covered by this report.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Reserved

Item 5. Other Information

Not applicable

Item 6. Exhibits

The following exhibits are either filed as part of this report or are incorporated herein by reference:

3.1	Certificate of Incorporation of Oritani Financial Corp. *
3.2	Bylaws of Oritani Financial Corp. *
4	Form of Common Stock Certificate of Oritani Financial Corp. *
10.1	Employment Agreement between Oritani Financial Corp. and Kevin J. Lynch**, ****
10.2	Form of Employment Agreement between Oritani Financial Corp. and executive officers**,****
10.3	Oritani Bank Director Retirement Plan**, ****
10.4	Oritani Bank Benefit Equalization Plan**, ****
10.5	Oritani Bank Executive Supplemental Retirement Income Agreement**, ****
10.6	Form of Employee Stock Ownership Plan**, ****
10.7	Director Deferred Fee Plan**, ****
10.8	Oritani Financial Corp. 2007 Equity Incentive Plan**, ***
14	Code of Ethics***
21	Subsidiaries of Registrant**
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Incorporated by reference to the Registration Statement on Form S-1 of Oritani Financial Corp. (file no. 333-165226), originally filed with the Securities and Exchange Commission on March 5, 2010.

** Incorporated by reference to the Registration Statement on Form S-1 of Oritani Financial Corp. (file no. 333-137309), originally filed with the Securities and Exchange Commission on September 14, 2006.

*** Available on our website www.oritani.com

**** Management contract, compensatory plan or arrangement.

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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 its behalf by the undersigned, thereunto duly authorized.

	ORITANI FINANCIAL CORP.
Date: February 9, 2011	/s/ Kevin J. Lynch Kevin J. Lynch President and Chief Executive Officer
Date: February 9, 2011	/s/ John M. Fields, Jr. John M. Fields, Jr. Executive Vice President and Chief Financial Officer

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