FIRST OF LONG ISLAND CORP
Form 10-Q
November 09, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2009

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 number 0-12220

THE FIRST OF LONG ISLAND CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

NEW YORK	11-2672906
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
10 Glen Head Road, Glen Head, New York	11545
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code (516) 671-4900

Not Applicable
(Former Name, Former Address and Former Fiscal Year, 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 filing requirements for the past 90 days. Yes x 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 (Sec. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to

submit and post such files). Yes o No o

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

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

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

Class	Outstanding at November 3, 2009
Common stock, $.10 par value	7,211,051

THE FIRST OF LONG ISLAND CORPORATION
SEPTEMBER 30, 2009
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ITEM 1. - FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2009	December 31, 2008
Assets:		
Cash and due from banks	$29,785,000	$20,924,000
Overnight investments	221,000	514,000
Cash and cash equivalents	30,006,000	21,438,000
Investment securities:		
Held-to-maturity, at amortized cost (fair value of $146,898,000 and $172,640,000)	140,828,000	169,480,000
Available-for-sale, at fair value (amortized cost of $512,551,000 and $373,346,000)	530,503,000	378,773,000
	671,331,000	548,253,000
Loans:		
Commercial and industrial	52,519,000	53,555,000
Secured by real estate:		
Commercial mortgages	347,692,000	273,097,000
Residential mortgages	239,872,000	216,654,000
Home equity loans	109,876,000	99,953,000
Construction loans	10,157,000	9,175,000
Other	4,623,000	3,761,000
	764,739,000	656,195,000
Net deferred loan origination costs	2,213,000	1,939,000
	766,952,000	658,134,000
Allowance for loan losses	(6,793,000)	(6,076,000)
	760,159,000	652,058,000
Federal Home Loan Bank stock, at cost	4,754,000	6,199,000
Bank premises and equipment, net	17,921,000	12,593,000
Prepaid income taxes	663,000	-
Deferred income tax benefits	-	1,638,000
Bank-owned life insurance	12,026,000	11,650,000
Other assets	10,754,000	7,780,000
	$1,507,614,000	$1,261,609,000
Liabilities:		
Deposits:		
Checking	$346,927,000	$324,138,000
Savings and money market	529,946,000	384,047,000
Time, $100,000 and over	215,722,000	134,050,000
Time, other	85,264,000	58,102,000
	1,177,859,000	900,337,000
Short-term borrowings	39,112,000	124,122,000
Long-term debt	162,000,000	127,000,000
Accrued expenses and other liabilities	5,932,000	7,543,000
Current income taxes payable	-	75,000

Deferred income taxes payable	4,530,000	-
	1,389,433,000	1,159,077,000
Stockholders' Equity:		
Common stock, par value $.10 per share:		
Authorized, 20,000,000 shares;		
Issued and outstanding, 7,211,771 and 7,194,747 shares	721,000	719,000
Surplus	1,944,000	1,354,000
Retained earnings	109,268,000	102,061,000
	111,933,000	104,134,000
Accumulated other comprehensive income (loss) net of tax	6,248,000	(1,602,000)
	118,181,000	102,532,000
	$1,507,614,000	$1,261,609,000

See notes to unaudited consolidated financial statements

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
Interest income:				
Loans	$28,858,000	$24,944,000	$10,028,000	$8,434,000
Investment securities:				
Taxable	13,951,000	13,810,000	4,887,000	5,048,000
Nontaxable	5,460,000	4,650,000	2,080,000	1,555,000
Federal funds sold and overnight investments	-	480,000	-	24,000
	48,269,000	43,884,000	16,995,000	15,061,000
Interest expense:				
Savings and money market deposits	3,822,000	3,409,000	1,294,000	1,141,000
Time deposits	4,710,000	5,568,000	1,781,000	1,419,000
Short-term borrowings	190,000	433,000	25,000	175,000
Long-term debt	4,683,000	3,297,000	1,643,000	1,281,000
	13,405,000	12,707,000	4,743,000	4,016,000
Net interest income	34,864,000	31,177,000	12,252,000	11,045,000
Provision for loan losses	636,000	887,000	530,000	462,000
Net interest income after provision for loan losses	34,228,000	30,290,000	11,722,000	10,583,000
Noninterest income:				
Investment Management Division income	1,125,000	1,310,000	343,000	460,000
Service charges on deposit accounts	2,578,000	2,228,000	882,000	754,000
Net gains on sales of available-for-sale securities	1,264,000	209,000	317,000	109,000
Other	1,009,000	965,000	336,000	349,000
	5,976,000	4,712,000	1,878,000	1,672,000
Noninterest expense:				
Salaries	10,805,000	10,405,000	3,633,000	3,395,000
Employee benefits	4,336,000	3,422,000	1,538,000	1,108,000
Occupancy and equipment expense	4,416,000	3,652,000	1,430,000	1,281,000
Other operating expenses	6,178,000	4,357,000	1,927,000	1,453,000
	25,735,000	21,836,000	8,528,000	7,237,000
Income before income taxes	14,469,000	13,166,000	5,072,000	5,018,000
Income tax expense	3,228,000	3,434,000	1,167,000	1,450,000
Net income	$11,241,000	$9,732,000	$3,905,000	$3,568,000
Weighted average:				
Common shares	7,200,171	7,237,735	7,204,201	7,193,151
Dilutive stock options and restricted stock units	102,654	65,562	136,300	71,081
	7,302,825	7,303,297	7,340,501	7,264,232
Earnings per share:				
Basic	$1.56	$1.34	$.54	$.50
Diluted	$1.54	$1.33	$.53	$.49
Cash dividends declared per share	$.56	$.48	$.20	$.18

See notes to unaudited consolidated financial statements

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CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY (UNAUDITED)

Nine Months Ended September 30, 2009

	Common Stock					Accumulated Other Comprehensive	
	Shares	Amount	Surplus	Comprehensive Income	Retained Earnings	Income (Loss)	Total
Balance, January 1, 2009	7,194,747	$719,000	$1,354,000		$102,061,000	$(1,602,000)	$102,532,000
Net Income				$11,241,000	11,241,000		11,241,000
Other comprehensive income, net of tax and reclassification adjustment:							
Unrealized gains on available-for-sale securities				7,553,000		7,553,000	7,553,000
Pension plan adjustments				297,000		297,000	297,000
Repurchase of common stock	(31,429)	(3,000)	(802,000)				(805,000)
Common stock issued under stock compensation plans, including tax benefit	48,453	5,000	863,000				868,000
Stock-based compensation			529,000				529,000
Cash dividends declared					(4,034,000)		(4,034,000)
Comprehensive income				$19,091,000			
Balance, September 30, 2009	7,211,771	$721,000	$1,944,000		$109,268,000	$6,248,000	$118,181,000
Comprehensive income - three months ended September 30, 2009				$11,199,000			

Nine Months Ended September 30, 2008

	Common Stock Shares	Common Stock Amount	Surplus	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2008	7,454,385	$745,000	$96,000		$99,844,000	$1,699,000	$102,384,000
Net Income				$9,732,000	9,732,000		9,732,000
Other comprehensive loss, net of tax and reclassification adjustment:							
Unrealized losses on available-for-sale securities ..				(1,381,000)		(1,381,000)	(1,381,000)
Repurchase of common stock	(293,779)	(29,000)	(5,637,000)				(5,666,000)
Common stock issued under stock compensation plans, including tax benefit	27,802	3,000	392,000				395,000
Stock-based compensation			384,000				384,000
Cash dividends declared					(3,450,000)		(3,450,000)
Transfer from retained earnings to surplus			6,000,000		(6,000,000)		
Comprehensive income				$8,351,000			
Balance, September 30, 2008	7,188,408	$719,000	$1,235,000		$100,126,000	$318,000	$102,398,000
Comprehensive income - three months ended September 30, 2008				$4,539,000			

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2009	2008
Cash Flows From Operating Activities:		
Net income	$ 11,241,000	$ 9,732,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	636,000	887,000
Deferred income tax provision	1,001,000	38,000
Depreciation and amortization	1,583,000	1,349,000
Premium amortization on investment securities, net	1,390,000	410,000
Net gains on sales of available-for-sale securities	(1,264,000)	(209,000)
Stock-based compensation expense	529,000	384,000
Accretion of cash surrender value on bank-owned life insurance	(376,000)	(365,000)
Increase in prepaid income taxes	(663,000)	-
Increase in other assets	(2,974,000)	(2,537,000)
Decrease in accrued expenses and other liabilities	(1,266,000)	(198,000)
Increase (decrease) in income taxes payable	(75,000)	331,000
Net cash provided by operating activities	9,762,000	9,822,000
Cash Flows From Investing Activities:		
Proceeds from sales of available-for-sale securities	43,996,000	32,370,000
Proceeds from maturities and redemptions of investment securities:		
Held-to-maturity	30,218,000	22,075,000
Available-for-sale	104,357,000	56,258,000
Purchase of investment securities:		
Held-to-maturity	(1,530,000)	(4,047,000)
Available-for-sale	(287,720,000)	(204,535,000)
Net increase in loans to customers	(108,737,000)	(77,051,000)
Net decrease in Federal Home Loan Bank stock	1,445,000	-
Purchases of bank premises and equipment	(6,911,000)	(2,559,000)
Net cash used in investing activities	(224,882,000)	(177,489,000)
Cash Flows From Financing Activities:		
Net increase in total deposits	277,522,000	28,469,000
Net increase (decrease) in short-term borrowings	(85,010,000)	80,329,000
Proceeds from long-term debt	35,000,000	47,000,000
Proceeds from exercise of stock options	802,000	374,000
Tax benefit of stock options	66,000	21,000
Repurchase and retirement of common stock	(805,000)	(5,666,000)
Cash dividends paid	(3,887,000)	(3,282,000)
Net cash provided by financing activities	223,688,000	147,245,000
Net increase (decrease) in cash and cash equivalents	8,568,000	(20,422,000)
Cash and cash equivalents, beginning of year	21,438,000	47,497,000
Cash and cash equivalents, end of period	$ 30,006,000	$ 27,075,000
Financing Activities		
Cash dividends payable	$ 1,442,000	$ 1,294,000

The Corporation made interest payments of $12,789,000 and $13,053,000 and income tax payments of $2,899,000 and $3,044,000 during the first nine months of 2009 and 2008, respectively.

See notes to unaudited consolidated financial statements

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THE FIRST OF LONG ISLAND CORPORATION AND SUBSIDIARY
SEPTEMBER 30, 2009
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accounting and reporting policies of the Corporation reflect banking industry practice and conform to generally accepted accounting principles in the United States. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported asset and liability balances and revenue and expense amounts and the disclosure of contingent assets and liabilities. Actual results could differ significantly from those estimates.

The consolidated financial statements include the accounts of The First of Long Island Corporation and its wholly-owned subsidiary, The First National Bank of Long Island, and subsidiaries wholly-owned by the Bank, either directly or indirectly, The First of Long Island Agency, Inc., FNY Service Corp., and The First of Long Island REIT, Inc. The consolidated entity is referred to as the Corporation and the Bank and its direct and indirect subsidiaries are collectively referred to as the Bank. The Corporation's financial condition and operating results principally reflect those of the Bank. All intercompany balances and amounts have been eliminated. For further information refer to the consolidated financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.

The consolidated financial information included herein as of and for the periods ended September 30, 2009 and 2008 is unaudited. However, such information reflects all adjustments which are, in the opinion of management, necessary for a fair statement of results for the interim periods. The December 31, 2008 consolidated balance sheet was derived from the Corporation's December 31, 2008 audited consolidated financial statements. Some items in the prior year financial statements were reclassified to conform to the current presentation.

2. Investment Securities

The following table sets forth the amortized cost and fair value of the Bank's investment securities at September 30, 2009.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Securities:		(in thousands)		
State and municipals	$ 58,691	$ 3,172	$ (4)	$ 61,859
Pass-through mortgage securities	19,344	697	(1)	20,040
Collateralized mortgage obligations	62,793	2,206	-	64,999
	$ 140,828	$ 6,075	$ (5)	$ 146,898
Available-for-Sale Securities:				
U.S. government agencies	$ 5,000	$ 130	$ -	$ 5,130
State and municipals	138,702	7,942	(2)	146,642
Pass-through mortgage securities	125,638	4,820	-	130,458
Collateralized mortgage obligations	243,211	5,088	(26)	248,273
	$ 512,551	$ 17,980	$ (28)	$ 530,503

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At September 30, 2009, substantially all of the Corporation's municipal securities were rated A or better. The Corporation's pass-through mortgage security portfolio at September 30, 2009 is comprised of $126.2 million, $22.0 million and $1.6 million of securities issued by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA"), and the Federal Home Loan Mortgage Corporation ("FHLMC"), respectively. Each issuer's pass-through securities are backed by residential mortgages conforming to its underwriting guidelines and each issuer guarantees the timely payment of principal and interest on its securities. The Corporation's collateralized mortgage obligations ("CMOs") were also issued by GNMA, FNMA, or FHLMC and all such securities, regardless of the issuer, are backed by GNMA residential pass-through mortgage securities. Each issuer guarantees the timely payment of principal and interest on its CMOs and GNMA guarantees the timely payment of principal and interest on the underlying pass-through mortgage securities. Obligations of GNMA represent full faith and credit obligations of the U.S. government (the "Government"), while obligations of FNMA, which is a corporate instrumentality of the Government, and FHLMC, which is a Government sponsored corporation, do not. FNMA and FHLMC have been placed into conservatorship by their primary regulator, the Federal Housing Finance Agency ("FHFA") who also acts as conservator. In conjunction with the conservatorship, the U.S. Department of the Treasury entered into Preferred Stock Purchase Agreements with FNMA and FHLMC to ensure that each of these entities maintains positive net worth, and established new borrowing facilities for these entities intended to serve as an ultimate liquidity backstop. The Preferred Stock Purchase Agreements and borrowing facilities serve to protect the existing and future holders of FNMA and FHLMC mortgage securities and other debt instruments.

Securities With Unrealized Losses. The following table sets forth securities with unrealized losses at September 30, 2009 presented by the length of time the securities have been in a continuous unrealized loss position.

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(in thousands)			
State and municipals	$267	$(2)	$506	$(4)	$773	$(6)
Pass-through mortgage securities	-	-	15	(1)	15	(1)
Collateralized mortgage obligations	17,089	(26)	-	-	17,089	(26)
Total temporarily impaired	$17,356	$(28)	$521	$(5)	$17,877	$(33)

Other-than-temporary Impairment. Management evaluates investment securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. In determining OTTI, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether management has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

When OTTI occurs, management considers whether it intends to sell, or, more likely than not, will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income.

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Maturities. The following table sets forth the amortized cost and fair value of the Bank's investment securities at September 30, 2009 by expected maturity.

	Principal Maturing (1)							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)							
Held-to-Maturity Securities:								
State and municipals	$ 4,364	$ 4,437	$ 13,902	$ 14,490	$ 24,089	$ 25,633	$ 16,336	$ 17,299
Pass-through mortgage securities	-	-	10,137	10,405	1,608	1,724	7,599	7,911
Collateralized mortgage obligations	-	-	-	-	-	-	62,793	64,999
	$ 4,364	$ 4,437	$ 24,039	$ 24,895	$ 25,697	$ 27,357	$ 86,728	$ 90,209

	Principal Maturing (1)							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)							
Available-for-Sale Securities:								
U.S. government agencies	$-	$-	$-	$-	$5,000	$5,130	$-	$-
State and municipals	4,109	4,119	15,122	16,005	15,735	16,830	103,736	109,688
Pass-through mortgage securities	-	-	81	82	4,411	4,750	121,146	125,626
Collateralized mortgage obligations	-	-	-	-	-	-	243,211	248,273
	$4,109	$4,119	$15,203	$16,087	$25,146	$26,710	$468,093	$483,587

(1) Maturities shown are stated maturities, except in the case of municipal securities which are shown at the earlier of their stated maturity or pre-refunded dates. Securities backed by mortgages, which include the pass-through mortgage securities and collateralized mortgage obligations shown above, are expected to have substantial periodic repayments resulting in weighted average lives considerably shorter than would be surmised from the above table.

Sales of Available-for-Sale Securities. Sales of available-for-sale securities were as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
	(in thousands)			

Proceeds	$	43,996	$	32,370	$	10,087	$	17,685
Gross gains		1,264		248		317		146
Gross losses		-		(39)		-		(37)
Net gains	$	1,264	$	209	$	317	$	109

3. Stock-based Compensation

The Corporation has two share-based compensation plans which are described below. The Corporation's 2006 Stock Compensation Plan (the "2006 Plan") was approved by its shareholders on April 18, 2006 as a successor to the 1996 Stock Option and Appreciation Rights Plan (the "1996 Plan"). The 2006 Plan permits the granting of stock options, stock appreciation rights, restricted stock, and restricted stock units ("RSUs") to employees and non-employee directors for up to 600,000 shares of common stock of which 257,997 shares remain available for grant as of September 30, 2009. The number of awards that can be granted under the 2006 Plan to any one person in any one fiscal year is limited to 70,000 shares. Under the terms of the 2006 Plan, stock options and stock appreciation rights can not have an exercise price that is less than 100% of the fair market value of one share of the underlying common stock on the date of grant. The term and/or vesting of awards made under the 2006 Plan will be determined from time to time in accordance with rules adopted by the Corporation's Compensation Committee and be in compliance with the applicable provisions, if any, of the Internal Revenue Code. Thus far, the Compensation Committee has used a five year vesting period and a ten year term for stock options granted under the 2006 Plan and has made the ability to convert RSUs into shares of common stock and the related conversion ratio contingent upon the financial performance of the Corporation in the third year of the three calendar year period beginning in the year in which the RSUs were awarded. Notwithstanding anything to the contrary in any award agreement, awards under the 2006 Plan will become immediately exercisable or will immediately vest, as the case may be, in the event of a change in control and, in accordance with the terms of the related award agreements, all awards granted to date under the 2006 Plan will become immediately exercisable or will immediately vest, as applicable, in the event of retirement or total and permanent disability, as defined, or death.

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The Corporation's 1996 Plan permitted the granting of stock options, with or without stock appreciation rights attached, and stand alone stock appreciation rights to employees and non-employee directors for up to 1,080,000 shares of common stock. The number of stock options and stock appreciation rights that could have been granted under the 1996 Plan to any one person in any one fiscal year was limited to 50,000. Each option granted under the 1996 Plan was granted at a price equal to the fair market value of one share of the Corporation's stock on the date of grant. Options granted under the 1996 Plan on or before December 31, 2000 became exercisable in whole or in part commencing six months from the date of grant and ending ten years after the date of grant. Options granted under the 1996 Plan in January 2005 became exercisable in whole or in part commencing ninety days from the date of grant and ending ten years after the date of grant. By the terms of their grant, all other options under the 1996 Plan were granted with a three year vesting period and a ten year expiration date. However, vesting is subject to acceleration in the event of a change in control, retirement, death, disability, and certain other limited circumstances.

Fair Value of Stock Option Awards. The grant date fair value of option awards is estimated on the date of grant using the Black-Scholes option pricing model. The values of awards made in 2009 and 2008, as well as the assumptions utilized in determining such values, are presented below.

	2009	2008
Grant date fair value	$7.79	$6.72
Expected volatility	47.08%	45.42%
Expected dividends	3.21%	3.24%
Expected term (in years)	6.82	6.82
Risk-free interest rate	1.52%	3.49%

Expected volatility was based on historical volatility for the expected term of the options. The Corporation used historical data to estimate the expected term of options granted. The risk-free interest rate is the implied yield at the time of grant on U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the options.

Fair Value of Restricted Stock Units. The fair value of restricted stock units is based on the market price of the shares underlying the awards on the grant date, discounted for dividends which are not paid on restricted stock units.

Compensation Expense. Compensation expense for stock options is recognized ratably over the five-year vesting period or the period from the grant date to the participant's eligible retirement date, whichever is shorter. Compensation expense for RSUs is recognized over the three-year performance period and adjusted periodically throughout the period to reflect the estimated number of shares of the Corporation's common stock into which the RSUs will ultimately be convertible. However, if the period between the grant date and the grantee's eligible retirement date is less than three years, compensation expense is recognized ratably over this shorter period. In determining compensation expense for options and RSUs outstanding and not yet vested, the Corporation assumes, based on prior experience, that no forfeitures will occur. The Corporation recorded compensation expense for share-based payments of $529,000 and $384,000 and recognized related income tax benefits of $210,000 and $152,000 in the first nine months of 2009 and 2008, respectively.

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Option Activity. On January 20, 2009, the Corporation's board of directors granted 66,427 nonqualified stock options under the 2006 Plan. The options were granted at a price equal to the fair market value of one share of the Corporation's stock on the date of grant.

A summary of stock options outstanding under the Corporation's stock compensation plans as of September 30, 2009 and changes during the nine month period then ended is presented below.

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (yrs.)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2009	500,282	$ 19.04		
Granted	66,427	22.42		
Exercised	(48,453)	16.55		
Forfeited or expired	(11,984)	22.84		
Outstanding at September 30, 2009	506,272	$ 19.64	5.83	$ 3,521
Exercisable at September 30, 2009	327,392	$ 18.98	4.51	$ 2,490

The total intrinsic value of options exercised during the first nine months of 2009 and 2008 was $469,000 and $140,000, respectively. The total fair value of options vested during the first nine months of 2009 and 2008 was $256,000 and $194,000, respectively.

Restricted Stock Activity. On January 20, 2009, the Corporation's Board of Directors granted 20,960 RSUs under the 2006 Plan. The Corporation's financial performance for 2011 will determine the number of shares of common stock, if any, into which the RSUs will ultimately be converted. In the table that follows, the number of shares granted represents the maximum number of shares into which the RSUs can be converted. A summary of the status of the Corporation's nonvested shares as of September 30, 2009 and changes during the nine month period then ended is presented below.

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2009	46,070	$ 19.10
Granted	20,960	20.28
Vested	-	-
Forfeited	-	-
Nonvested at September 30, 2009	67,030	$ 19.44

Unrecognized Compensation Cost. As of September 30, 2009, there was $1,361,000 of total unrecognized compensation cost related to nonvested equity awards. The cost is expected to be recognized over a weighted-average period of 1.48 years.

Cash Received and Tax Benefits Realized. Cash received from option exercises for the nine months ended September 30, 2009 and 2008 was $802,000 and $374,000, respectively. The actual tax benefits realized for the tax deductions from option exercises for the first nine months of 2009 and 2008 was $66,000 and $21,000, respectively.

Other. No cash was used to settle stock options during the first nine months of 2009 or 2008. The Corporation uses newly issued shares to settle stock option exercises and currently plans to use newly issued shares upon the conversion of restricted stock units.

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4. Earnings Per Share

There were 64,192 and 353,714 shares of common stock underlying equity awards outstanding at September 30, 2009 and 2008, respectively, and for the quarterly periods then ended, that were not included in the computation of diluted earnings per share because to do so would have been antidilutive for those periods.

5. Defined Benefit Pension Plan

The following table sets forth the components of net periodic pension cost for accounting purposes.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
	(in thousands)			
Service cost, net of plan participant contributions	$ 806	$ 761	$ 269	$ 254
Interest cost	827	683	275	228
Expected return on plan assets	(914)	(1,026)	(305)	(342)
Amortization of prior service cost	17	15	5	5
Amortization of net loss	477	-	160	-
Net pension cost	$ 1,213	$ 433	$ 404	$ 145

The Bank makes cash contributions to the pension plan (the "Plan") which comply with the funding requirements of applicable Federal laws and regulations. For funding purposes, the laws and regulations set forth both minimum required and maximum tax deductible contributions. The Bank's cash contributions are usually made once a year just prior to the Plan's year end of September 30. The Bank contributed $5,500,000 to the Plan for the plan year ended September 30, 2009 and may make additional contributions on account of that year in the future. The Bank contributed $2,427,063 to the Plan for the plan year ended September 30, 2008.

6. Fair Value of Financial Instruments

Financial Instruments Recorded at Fair Value. When measuring fair value, the Corporation uses a fair value hierarchy which is designed to maximize the use of observable inputs and minimize the use of unobservable inputs. The heirarchy involves the following three levels of inputs that may be used to measure fair value.

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

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Corporation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of the Corporation's investment securities designated as available-for-sale are currently determined on a recurring basis using matrix pricing (Level 2 inputs). Matrix pricing, which is a mathematical technique widely used in the industry to value debt securities, does not rely exclusively on quoted prices for the specific securities but rather on the relationship of such securities to other benchmark quoted securities.

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The fair values of the Corporation's available-for-sale securities are summarized below.

	Fair Value Measurements at September 30, 2009 Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Available-for-Sale Securities:				
U.S. government agencies	$ 5,130	$ -	$ 5,130	$ -
State and municipals	146,642	-	146,642	-
Pass-through mortgage securities	130,458	-	130,458	-
Collateralized mortgage obligations	248,273	-	248,273	-
	$ 530,503	$ -	$ 530,503	$ -

	Fair Value Measurements at December 31, 2008 Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Available-for-Sale Securities:				
U.S. government agencies	$ 33,685	$ -	$ 33,685	$ -
State and municipals	76,641	-	76,641	-
Pass-through mortgage securities	124,770	-	124,770	-
Collateralized mortgage obligations	143,677	-	143,677	-
	$ 378,773	$ -	$ 378,773	$ -

The fair values of some of the Corporation's impaired loans with specific allocations of the allowance for loan losses are determined on a nonrecurring basis using real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are sometimes made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available.

The Corporation's impaired loans recorded at fair value are summarized below.

	Fair Value Measurements Using:			
	Total	Quoted Prices in	Significant Other	Significant Unobservable

		Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Inputs (Level 3)
		(in thousands)		
Impaired loans:				
September 30, 2009	$-	$-	$-	$ -
December 31, 2008	900	-	900	-

Impaired loans measured at fair value at December 31, 2008 had a carrying amount of $1,000,000 with a $100,000 valuation allowance.

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Financial Instruments Not Recorded at Fair Value. Fair value estimates are made at a specific point in time. Such estimates are generally subjective in nature and dependent upon a number of significant assumptions associated with each financial instrument or group of similar financial instruments, including estimates of discount rates, risks associated with specific financial instruments, estimates of future cash flows, and relevant available market information. Changes in assumptions could significantly affect the estimates. In addition, fair value estimates do not reflect the value of anticipated future business, premiums or discounts that could result from offering for sale at one time the Corporation's entire holdings of a particular financial instrument, or the tax consequences of realizing gains or losses on the sale of financial instruments. The following table sets forth the carrying amounts and estimated fair values of financial instruments that are not recorded at fair value in the Corporation's financial statements.

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial Assets:				
Cash and cash equivalents	$30,006	$30,006	$21,438	$21,438
Held-to-maturity securities	140,828	146,898	169,480	172,640
Loans	760,159	758,695	651,158	654,293
Federal Home Loan Bank stock	4,754	4,754	6,199	6,199
Restricted stocks (included in other assets).	467	467	467	467
Accrued interest receivable	7,079	7,079	6,156	6,156
Financial Liabilities:				
Checking deposits	346,927	346,927	324,138	324,138
Savings and money market deposits	529,946	529,946	384,047	384,047
Time deposits	300,986	305,887	192,152	193,330
Short-term borrowings	39,112	39,112	124,122	124,122
Long-term debt	162,000	175,918	127,000	142,224
Accrued interest payable	1,667	1,667	1,051	1,051

The following methods and assumptions are used by the Corporation in measuring the fair value of financial instruments disclosed in the preceding table.

Cash and cash equivalents. The recorded book value of cash and cash equivalents is their fair value.

Held-to-maturity securities. Fair values are based on quoted prices for similar assets in active markets or derived principally from observable market data.

Loans. Fair values are estimated for portfolios of loans with similar financial characteristics. The total loan portfolio is first divided into adjustable and fixed rate interest terms. For adjustable rate loans that are subject to immediate repricing, the recorded book value less the related allowance for loan losses is a reasonable estimate of fair value. For adjustable rate loans that are subject to repricing over time and fixed rate loans, fair value is calculated by discounting anticipated future repricing amounts or cash flows using discount rates equivalent to the rates at which the Bank would currently make loans which are similar with regard to collateral, maturity, and the type of borrower. The discounted value of the repricing amounts and cash flows is reduced by the related allowance for loan losses to arrive at an estimate of fair value.

Federal Home Loan Bank stock. The recorded book value of Federal Home Loan Bank stock is its fair value because Federal Home Loan Bank of New York stock is redeemable at cost.

Deposit liabilities. The fair value of deposits with no stated maturity, such as checking deposits, money market deposits, and savings deposits, is equal to their recorded book value. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is equivalent to the rate currently offered by the Bank for deposits of similar size, type and maturity.

Borrowed funds. For short-term borrowings maturing within ninety days, the recorded book value is a reasonable estimate of fair value. The fair value of long-term debt, including repurchase agreements with embedded derivative instruments, is based on quoted prices for similar instruments in active markets or the discounted value of contractual cash flows. The discount rate is equivalent to the rate currently charged for borrowings of similar type and maturity.

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Accrued interest receivable and payable. For these short-term instruments, the recorded book value is a reasonable estimate of fair value.

Off-balance-sheet Items. The fair value of off-balance sheet items is not considered to be material.

7. Adoption of New Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141 (revised 2007) "Business Combinations" ("SFAS No. 141(R)"), which is now a part of FASB Accounting Standards Codification ("ASC") 805 "Business Combinations." This standard establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. The adoption of this standard in 2009 has had no impact on the Corporation's financial position or results of operations because the Corporation has had no business combinations to which the standard would apply.

In December 2007, the FASB issued SFAS No. 160 "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"), which is now a part of FASB ASC 810 "Consolidation." This standard changes the accounting and reporting for minority interests. Under SFAS No. 160, minority interests are recharacterized as noncontrolling interests and classified as a component of equity within the consolidated balance sheets. SFAS No. 160 is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. The adoption of this standard on January 1, 2009 had no impact on the Corporation's consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161 "Disclosures about Derivative Instruments and Hedging Activities – an amendment of SFAS No. 133" ("SFAS No. 161"), which is now a part of FASB ASC 815 "Derivatives and Hedging." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of this standard on January 1, 2009 had no impact on the Corporation's disclosures.

In February 2008, the FASB issued Staff Position ("FSP") 157-2 "Effective Date of FASB Statement No. 157", which is now a part of FASB ASC 820 "Fair Value Measurements and Disclosures." This FSP delayed the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. The adoption of FSP 157-2 on January 1, 2009 had no impact on the Corporation's consolidated financial statements.

In February 2008, the FASB issued FSP FAS 140-3 "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions", which is now a part of FASB ASC 860 "Transfers and Servicing." This FSP resolves questions about the accounting for repurchase financings. This FSP is effective for repurchase financings in which the initial transfer is entered into in fiscal years beginning after November 15, 2008. The adoption of FSP FAS 140-3 on January 1, 2009 had no impact on the Corporation's consolidated financial statements.

In April 2008, the FASB issued FSP FAS 142-3 "Determination of the Useful Life of Intangible Assets", which is now a part of FASB ASC 275 "Risks and Uncertainties" and FASB ASC 350 "Intangibles – Goodwill and Other." This FSP amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142 "Goodwill and Other Intangible Assets." FSP FAS 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The adoption of FSP FAS 142-3 on January 1, 2009 had no impact on the Corporation's

consolidated financial statements.

In May 2008, the FASB issued FSP APB 14-1 “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)”, which is now a part of FASB ASC 470 “Debt”, FASB ASC 815 “Derivatives and Hedging”, and FASB ASC 825 “Financial Instruments.” FSP APB 14-1 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The adoption of FSP APB 14-1 on January 1, 2009 had no impact on the Corporation’s consolidated financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1 “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities”, which is now a part of FASB ASC 260 “Earnings per Share.” This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method described in paragraphs 60 and 61 of SFAS No. 128, “Earnings per Share.” FSP EITF 03-6-1 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The adoption of FSP EITF 03-6-1 on January 1, 2009 had no impact on the Corporation’s consolidated financial statements.

In April 2009, the FASB issued FSP FAS No. 115-2 and No. 124-2 “Recognition and Presentation of Other-Than-Temporary Impairments", which is now a part of FASB ASC 320 “Investments – Debt and Equity Securities.” FSP FAS No. 115-2 and No. 124-2 amends existing guidance for determining whether impairment is other-than-temporary for debt securities. This FSP requires an entity to assess whether it intends to sell, or it is more likely than not that it will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income. Additionally, the FSP expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of FSP FAS No. 115-2 and No. 124-2 on April 1, 2009 resulted in the disclosures included in Note 2, but did not impact the Corporation’s results of operations or financial position.

In April 2009, the FASB issued FSP FAS No. 157-4 “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly”, which is now a part of FASB ASC 820 “Fair Value Measurements and Disclosures.” This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. The FSP provides a number of factors to consider when evaluating whether there has been a significant decrease in the volume and level of activity for an asset or liability in relation to normal market activity. In addition, when transactions or quoted prices are not considered orderly, adjustments to those prices based on the weight of available information may be needed to determine the appropriate fair value. The FSP also requires increased disclosures. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. The adoption of FSP FAS No. 157-4 on June 30, 2009 required expanded disclosures, but did not impact the Corporation’s results of operations or financial position.

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In April 2009, the FASB issued FSP FAS No. 107-1 and APB 28-1 "Interim Disclosures about Fair Value of Financial Instruments", which is now a part of FASB ASC 825 "Financial Instruments." This FSP amends FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments", to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies that were previously only required in annual financial statements. This FSP is effective for interim reporting periods ending after June 15, 2009. The adoption of FSP FAS No. 107-1 and APB 28-1 at June 30, 2009 required expanded disclosures which are included in Note 6 to the unaudited consolidated financial statements.

In April 2009, the FASB issued FSP FAS 141(R)-1 "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies", which is now a part of FASB ASC 805 "Business Combinations." FSP FAS 141(R)-1 amends and clarifies FASB Statement No. 141 (revised 2007), "Business Combinations", to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP FAS 141(R)-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of FSB FAS 141(R)-1 on January 1, 2009 did not have an impact on the Corporation's results of operations, financial position or disclosures.

In May 2009, the FASB issued SFAS No. 165 "Subsequent Events", which is now a part of FASB ASC 855 "Subsequent Events." The objective of this statement is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of SFAS No. 165 on April 1, 2009 resulted in the disclosure included in Note 9 to the unaudited consolidated financial statements, but did not have an impact on the Corporation's results of operations or financial position.

In June 2009, the FASB issued Accounting Standards Update ("ASU") 2009-01 "Topic 105-Generally Accepted Accounting Principles - amendments based on Statement of Financial Accounting Standards No. 168 - The FASB Accounting Standards Codification(TM) and the Hierarchy of Generally Accepted Accounting Principles." The FASB Accounting Standards Codification(TM) ("Codification") has become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this Statement, the Codification supersedes all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

In September 2009 the FASB issued ASU 2009-09 "Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities." This ASU is effective for interim and annual periods ending after September 15, 2009. The adoption of ASU 2009-09 on October 1, 2009 did not have an impact the Corporation's results of operations or financial position.

In October 2009 the FASB issued ASU 2009-15 "Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing." The provisions of this ASU are the result of the consensus of the Emerging Issues Task Force reached on June 18, 2009 and ratified by the FASB on July 1, 2009. The amendments in ASU 2009-15 did not have an impact on the Corporation's results of operations or financial position.

8. Impact of Not Yet Effective Authoritative Accounting Pronouncements

In December 2008, the FASB issued FSP FAS 132(R)-1 "Employers' Disclosures about Postretirement Benefit Plan Assets", which is now a part of FASB ASC 715 "Compensation – Retirement Benefits." This FSP amends FASB Statement No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits", to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. This FSP is effective for financial statements issued for fiscal years ending after December 15, 2009. Management is currently evaluating the impact of FSP FAS 132(R)-1 on the Corporation's disclosures.

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In June 2009, the FASB issued SFAS No. 166 "Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140." The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. SFAS No. 166 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. The recognition and measurement provisions of this statement shall be applied to transfers that occur on or after the effective date. The adoption of SFAS No. 166 is not currently expected to impact the Corporation's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167 "Amendments to FASB Interpretation No. 46(R)." The objective of this Statement is to improve financial reporting by enterprises involved with variable interest entities. The Statement addresses the effects on certain provisions of FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities", as a result of the elimination of the qualifying special-purpose entity concept in FASB Statement No. 166. SFAS No. 167 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. The adoption of SFAS No. 167 is not currently expected to impact the Corporation's consolidated financial statements.

In August 2009, the FASB issued ASU 2009-05 "Measuring Liabilities at Fair Value." The objective of this ASU is to provide guidance on the fair value measurement of liabilities. ASU 2009-05 is effective for the first reporting period (including interim periods) beginning after issuance. The adoption of ASU 2009-05 on October 1, 2009 had no impact on the Corporation's consolidated financial statements.

In September 2009 the FASB issued ASU 2009-12 "Investment in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." The objective of this ASU is to provide guidance on the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). This ASU is effective for interim and annual periods ending after December 15, 2009. The adoption of ASU 2009-12 on December 31, 2009 will have no impact on the Corporation's results of operations or financial position.

In October 2009 the FASB issued ASU 2009-13 "Multiple-Deliverable Revenue Arrangements." The objective of this ASU is to address the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. This ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The adoption of ASU 2009-13 is not expected to impact the Corporation's results of operations, financial position or disclosures.

In October 2009 the FASB issued ASU 2009-14 "Certain Revenue Arrangements That Include Software Elements." The objective of this ASU is to address concerns raised by constituents relating to the accounting for revenue arrangements that contain tangible products and software. This ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. Early adoption is permitted. The adoption of ASU 2009-14 is not expected to impact the Corporation's results of operations, financial position or disclosures.

9. Subsequent Events

The Corporation's management has evaluated subsequent events through November 9, 2009, which is the date of issuance of the financial statements.

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

The following is management's discussion and analysis of certain significant factors that have affected the Corporation's financial condition and operating results during the periods included in the accompanying consolidated financial statements, and should be read in conjunction with such financial statements. The Corporation's financial condition and operating results principally reflect those of its wholly-owned subsidiary, The First National Bank of Long Island, and subsidiaries wholly-owned by the Bank, either directly or indirectly, The First of Long Island Agency, Inc., FNY Service Corp., and The First of Long Island REIT, Inc. The consolidated entity is referred to as the Corporation and the Bank and its subsidiaries are collectively referred to as the Bank. The Bank's primary service area is Nassau and Suffolk Counties, Long Island, although the Bank has three commercial banking branches in Manhattan and may open additional Manhattan branches in the future.

Overview

The Corporation's earnings for the first nine months of 2009 were $1.54 per share, an increase of 21 cents, or 16%, over the same period last year. Earnings for the third quarter of 2009 were $.53 per share, an increase of 4 cents, or 8%, over the same quarter last year. Excluding the FDIC special assessment discussed hereinafter, the increase in earnings for the first nine months of 2009 was 26 cents per share, or 20%.

Returns on average assets ("ROA") and equity ("ROE") were 1.11% and 13.88%, respectively, for the first nine months of 2009 as compared to 1.12% and 12.98% for the same period last year.

The increase in earnings in 2009 is largely attributable to loan growth. On an average balance basis, total loans grew by $137 million, or 25%, when comparing the first nine months of 2009 to the same period last year. The growth, most of which occurred in commercial mortgages, residential mortgages and home equity loans, resulted from management's continued efforts to improve the Bank's current and future earnings prospects by making loans a larger portion of the overall balance sheet. The loan growth was funded by deposit growth and borrowings.

Also contributing to the earnings increase was the sale of approximately $43 million of available-for-sale securities at a gain of $1,264,000. The proceeds of the sale were generally reinvested in securities having a longer duration and average yield slightly higher than the securities sold.

Other positive factors with respect to the increase in earnings are a $251,000 decrease in the provision for loan losses and a decrease in the Corporation's effective income tax rate. The decrease in the provision for loan losses is attributable to a reversal of impairment reserves on several loans and an increase in recoveries of loans previously charged off. The decrease in the effective income tax rate is primarily due to a tax planning strategy with respect to the Bank's REIT entity and an increase in tax-exempt income.

The positive factors described above were partially offset by increases in retirement plan expense and FDIC insurance expense of $735,000 and $1,339,000, respectively. A substantial portion of the increase in retirement plan expense resulted from significant declines during 2008 in the value of pension plan assets and long-term interest rates. FDIC insurance expense increased primarily because of an increase in the FDIC's base assessment rates for 2009 and a 5 basis point special assessment that the FDIC levied on the banking industry effective June 30, 2009. The special assessment cost the Corporation $648,000.

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Also negatively impacting earnings are lower market interest rates and a resulting decline in the overall yield earned by the Corporation on interest-earning assets. For those interest-earning assets funded by noninterest-bearing liabilities and capital, there is no offsetting reduction in interest cost. Therefore, the yield reduction results in a corresponding reduction in net interest income.

Total deposits increased by $278 million, or 31%, in the first nine months of 2009. The increase is attributable to branch openings, the promotion of several deposit products, and the increased desirability of bank deposit products based on their perceived safety and the volatility and poor performance of the equity markets. In addition, management believes that the Bank's financial strength relative to other financial institutions in its market area also played a role.

The credit quality of the Bank's loan portfolio continues to be excellent as evidenced by the low level of nonperforming loans. The Bank has not originated nor does it hold any subprime or alt-A mortgages in its loan portfolio, nor has it originated any loans that management would otherwise consider high risk. In addition, all of the Bank's mortgage securities are backed by mortgages underwritten on conventional terms. The U.S. government guarantees the timely payment of principal and interest on most of these securities and underlying mortgages. Substantially all of the remaining debt securities in the Bank's portfolio, consisting primarily of municipal securities, are rated A or better.

In the first quarter of this year, the Bank opened a commercial banking office in Port Jefferson Station, Long Island. Subsequently, a full service branch was opened in Bayville, Long Island and the Valley Stream commercial banking office was converted to a full service branch. Continued branch expansion in targeted markets on Long Island and in Manhattan remains a key strategic initiative.

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Net Interest Income

Average Balance Sheet; Interest Rates and Interest Differential. The following table sets forth the average daily balances for each major category of assets, liabilities and stockholders' equity as well as the amounts and average rates earned or paid on each major category of interest-earning assets and interest-bearing liabilities.

	Nine Months Ended September 30,					
	2009			2008		
	Average Balance	Interest/ Dividends	Average Rate	Average Balance	Interest/ Dividends	Average Rate
Assets	(dollars in thousands)					
Federal funds sold and overnight investments	$410	$-	- %	$25,842	$480	2.48 %
Investment Securities:						
Taxable	420,310	13,951	4.43	376,758	13,810	4.89
Nontaxable (1)	172,429	8,273	6.40	143,735	7,045	6.54
Loans (1) (2)	689,364	28,879	5.60	551,871	24,967	6.04
Total interest-earning assets	1,282,513	51,103	5.32	1,098,206	46,302	5.63
Allowance for loan losses	(6,153)			(4,792)		
Net interest-earning assets	1,276,360			1,093,414		
Cash and due from banks	45,103			32,643		
Premises and equipment, net	16,589			11,351		
Other assets	18,571			20,403		
	$1,356,623			$1,157,811		
Liabilities and Stockholders' Equity						
Savings and money market deposits	$468,904	3,822	1.09	$357,162	3,409	1.27
Time deposits	251,579	4,710	2.50	248,911	5,568	2.99
Total interest-bearing deposits	720,483	8,532	1.58	606,073	8,977	1.98
Short-term borrowings	43,853	190	.58	26,895	433	2.15
Long-term debt	150,590	4,683	4.16	102,748	3,297	4.29
Total interest-bearing liabilities	914,926	13,405	1.96	735,716	12,707	2.31
Checking deposits	326,320			317,842		
Other liabilities	7,079			4,122		
	1,248,325			1,057,680		
Stockholders' equity	108,298			100,131		
	$1,356,623			$1,157,811		
Net interest income (1)		$37,698			$33,595	
Net interest spread (1)			3.36 %			3.32 %
Net interest margin (1)			3.93 %			4.09 %

(1) Tax-equivalent basis. Interest income on a tax-equivalent basis includes the additional amount of interest income that would have been earned if the Corporation's investment in tax-exempt loans and investment securities had been made in loans and investment securities subject to Federal income taxes yielding the same after-tax income. The tax-equivalent amount of $1.00 of nontaxable income was $1.52 in each period presented based on a Federal income tax rate of 34%.

(2) For the purpose of these computations, nonaccruing loans, if any, are included in the average loan amounts outstanding.

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Rate/Volume Analysis. The following table sets forth the effect of changes in volumes, rates, and rate/volume on tax-equivalent interest income, interest expense and net interest income.

	Nine Months Ended September 30, 2009 Versus 2008 Increase (decrease) due to changes in:			
	Volume	Rate	Rate/ Volume (1)	Net Change
	(in thousands)			
Interest Income:				
Federal funds sold and overnight investments	$(472)	$(480)	$472	$(480)
Investment securities:				
Taxable	1,596	(1,305)	(150)	141
Nontaxable	1,406	(149)	(29)	1,228
Loans	6,192	(1,825)	(455)	3,912
Total interest income	8,722	(3,759)	(162)	4,801
Interest Expense:				
Savings and money market deposits	1,063	(495)	(155)	413
Time deposits	55	(903)	(10)	(858)
Short-term borrowings	273	(316)	(200)	(243)
Long-term debt	1,531	(99)	(46)	1,386
Total interest expense	2,922	(1,813)	(411)	698
Increase in net interest income	$5,800	$(1,946)	$249	$4,103

(1) Represents the change not solely attributable to change in rate or change in volume but a combination of these two factors. The rate/volume variance could be allocated between the volume and rate variances shown in the table based on the absolute value of each to the total for both.

Net interest income on a tax-equivalent basis increased by $4,103,000 when comparing the first nine months of 2009 to the same period last year. The most significant reason for the increase is the growth of the Bank’s loan portfolio. On an average balance basis, total loans grew by $137 million, or 25%, when comparing the first nine months of 2009 to the same period last year. The growth in loan balances was funded by increases in interest-bearing deposits and borrowings.

Lower market interest rates partially offset the positive impact of loan growth. Lower rates are the principal cause of a 31 basis point reduction in the yield on interest earning assets for the first nine months of 2009 when compared to the same period last year. During the first nine months of 2009, approximately 29% of the Corporation’s interest-earning assets were funded by noninterest-bearing liabilities and capital. For these assets, a reduction in yield caused by lower market interest rates has no offsetting reduction in interest cost and therefore results in a corresponding reduction in net interest income.

Application of Critical Accounting Policies

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported asset and liability balances and revenue and expense amounts. Our determination of the allowance for loan losses is a critical accounting estimate because it is based on our subjective evaluation of a variety of factors at a specific point in time and involves difficult and complex judgments about matters that are inherently uncertain. In

the event that management's estimate needs to be adjusted based on, among other things, additional information that comes to light after the estimate is made or changes in circumstances, such adjustment could result in the need for a significantly different allowance for loan losses and thereby materially impact, either positively or negatively, the Bank's results of operations.

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The Bank's Management Loan Committee, which is chaired by the Senior Lending Officer, meets on a quarterly basis and is responsible for determining the allowance for loan losses after considering, among other things, the results of credit reviews performed by the Bank's loan review officer. In addition, and in consultation with the Bank's Chief Financial Officer, the Management Loan Committee is responsible for implementing and maintaining policies and procedures surrounding the calculation of the required allowance. The Bank's allowance for loan losses is subject to periodic examination by the Office of the Comptroller of the Currency, the Bank's primary federal banking regulator, whose safety and soundness examination includes a determination as to its adequacy to absorb probable incurred losses.

The first step in determining the allowance for loan losses is to identify loans in the Bank's portfolio that are individually deemed to be impaired. In doing so, subjective judgments need to be made regarding whether or not it is probable that a borrower will be unable to pay all principal and interest due according to contractual terms. Once a loan is identified as being impaired, management uses the fair value of the underlying collateral and/or the discounted value of expected future cash flows to determine the amount of the impairment loss, if any, that needs to be included in the overall allowance for loan losses. In estimating the fair value of real estate collateral management utilizes appraisals and also makes qualitative judgments based on, among other things, its knowledge of the local real estate market and analyses of current economic conditions and trends. Estimating the fair value of collateral other than real estate is also subjective in nature and sometimes requires difficult and complex judgments. Determining expected future cash flows can be more subjective than determining fair values. Expected future cash flows could differ significantly, both in timing and amount, from the cash flows actually received over the loan's remaining life.

In addition to estimating losses for loans individually deemed to be impaired, management also estimates collective impairment losses for pools of loans that are not specifically reviewed. Statistical information regarding the Bank's historical loss experience over a period of time is the starting point in making such estimates. However, future losses could vary significantly from those experienced in the past and accordingly management periodically adjusts its historical loss experience to reflect current conditions. In doing so, management considers a variety of general qualitative factors and then subjectively determines the weight to assign to each in estimating losses. The factors include, among others, national and local economic conditions and trends, environmental risks, trends in volume and terms of loans, concentrations of credit, changes in lending policies and procedures, and experience, ability, and depth of the Bank's lending staff. Because of the nature of the factors and the difficulty in assessing their impact, management's resulting estimate of losses may not accurately reflect actual losses in the portfolio.

Although the allowance for loan losses has two separate components, one for impairment losses on individual loans and one for collective impairment losses on pools of loans, the entire allowance for loan losses is available to absorb realized losses as they occur whether they relate to individual loans or pools of loans.

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Asset Quality

The Corporation has identified certain assets as risk elements. These assets include nonaccruing loans, foreclosed real estate, loans that are contractually past due 90 days or more as to principal or interest payments and still accruing and troubled debt restructurings. These assets present more than the normal risk that the Corporation will be unable to eventually collect or realize their full carrying value. The Corporation's risk elements at September 30, 2009 and December 31, 2008 are as follows:

	September 30, 2009		December 31, 2008	
	(dollars in thousands)			
Nonaccruing loans	$546		$112	
Loans past due 90 days or more as to principal or interest payments and still accruing	-		42	
Foreclosed real estate	-		-	
Total nonperforming assets	546		154	
Troubled debt restructurings	-		-	
Total risk elements	$546		$154	
Nonaccruing loans as a percentage of total loans	.07	%	.02	%
Nonperforming assets as a percentage of total loans and foreclosed real estate	.07	%	.02	%
Risk elements as a percentage of total loans and foreclosed real estate	.07	%	.02	%

Allowance and Provision for Loan Losses

The allowance for loan losses increased by $717,000 during the first nine months of 2009, amounting to $6,793,000, or .89% of total loans at September 30, 2009, as compared to $6,076,000, or .92% of total loans at December 31, 2008. During the first nine months of 2009 the Bank had loan chargeoffs and recoveries of $56,000 and $137,000, respectively, and recorded a $636,000 provision for loan losses. The provision for loan losses decreased by $251,000 when comparing the first nine months of 2009 to the same period last year. This was primarily a result of an increase in recoveries of loans previously charged off and the reversal of impairment reserves on several loans that were either repaid or better collateralized.

The allowance for loan losses is an amount that management currently believes will be adequate to absorb probable incurred losses in the Bank's loan portfolio. In determining the allowance for loan losses, there is not an exact amount but rather a range for what constitutes an appropriate allowance. As more fully discussed in the "Application of Critical Accounting Policies" section of this discussion and analysis of financial condition and results of operations, the process for estimating credit losses and determining the allowance for loan losses as of any balance sheet date is subjective in nature and requires material estimates. Actual results could differ significantly from those estimates.

Loans secured by real estate represent approximately 93% of the Bank's total loans outstanding at September 30, 2009. Most of these loans were made to borrowers domiciled on Long Island and in New York City. The amount of future chargeoffs and provisions for loan losses will be affected by, among other things, economic conditions in these areas. Over the last year or so, general economic conditions on Long Island have deteriorated and residential real estate values have declined. In addition, in more recent months, commercial real estate values have declined. The deterioration in economic conditions and decline in real estate values could continue. This could cause some of the Bank's borrowers to be unable to make the required contractual payments on their loans and the Bank to be unable to realize the full carrying value of such loans through foreclosure. However, management believes that the Bank's

underwriting policies are relatively conservative and, as a result, the Bank should be less affected than the overall market.

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Future provisions and chargeoffs could also be affected by environmental impairment of properties securing the Bank's mortgage loans. At the present time, management is not aware of any environmental pollution originating on or near properties securing the Bank's loans that would materially affect the carrying value of such loans.

Noninterest Income, Noninterest Expense, and Income Taxes

Noninterest income includes service charges on deposit accounts, Investment Management Division income, gains or losses on sales of securities, and all other items of income, other than interest, resulting from the business activities of the Corporation. Noninterest income increased by $1,264,000, or 26.8%, when comparing the first nine months of 2009 to the same period last year. The increase is principally due to a $1,055,000 increase in net gains on sales of available-for-sale securities and a $350,000 increase in service charge income, as partially offset by a $185,000 decrease in Investment Management Division income. The security gains resulted from the sale of approximately $43 million of available-for-sale securities. The proceeds of the sale were generally reinvested in securities having a longer duration and average yield slightly higher than the securities sold. Service charge income increased primarily as a result of an increase in return check charges. Investment Management Division income is down primarily as a result of a market related decrease in the value of assets under management.

Noninterest expense is comprised of salaries, employee benefits, occupancy and equipment expense and other operating expenses incurred in supporting the various business activities of the Corporation. Noninterest expense increased by $3,899,000, or 17.9%, from $21,836,000 for the first nine months of 2008 to $25,735,000 for the current nine-month period. The increase is due to increases in other operating expenses of $1,821,000, or 41.8%, employee benefits expense of $914,000, or 26.7%, occupancy and equipment expense of $764,000, or 20.9%, and salaries expense of $400,000, or 3.8%.

The increase in other operating expenses is largely attributable to a $1,339,000 increase in FDIC deposit insurance expense. This increase is due to an industry wide special assessment of 5 basis points on the Bank's total assets minus Tier 1 capital as of June 30, 2009, as well as an increase in the FDIC's base assessment rates for 2009. The special assessment cost the Bank approximately $648,000. Occupancy and equipment expense increased primarily due to branch expansion, technology upgrades, and maintenance of facilities. The increase in employee benefits expense is largely the result of the $735,000 increase in retirement plan expense for reasons previously discussed. The increase in salaries expense was primarily the result of normal annual salary adjustments.

Income tax expense as a percentage of pre-tax income ("effective tax rate") was 22.3% for the first nine months of 2009 as compared to 26.1% for the same period last year. The decrease in the effective income tax rate is primarily due to a tax planning strategy with respect to the Bank's REIT entity and an increase in tax-exempt income.

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Results of Operations – Three Months Ended September 30, 2009 versus September 30, 2008

Net income for the third quarter of 2009 was $3,905,000, or $.53 per share, as compared to $3,568,000, or $.49 per share, for the same quarter last year. The largest contributors to the increase in net income are a $1,207,000 increase in net interest income, a $208,000 increase in net gains on sales of available-for-sale securities, and a decrease in the Corporation's effective tax rate from 28.9% in the third quarter of 2008 to 23.0% for the current quarter. The positive impact of these items was partially offset by an increase in noninterest expense of $1,291,000. The reasons for these variances are substantially the same as those discussed with respect to the nine-month periods.

Capital

The Corporation's capital management policy is designed to build and maintain capital levels that exceed regulatory standards. Under current regulatory capital standards, banks are classified as well capitalized, adequately capitalized or undercapitalized. Under such standards, a well-capitalized bank is one that has a total risk-based capital ratio equal to or greater than 10%, a Tier 1 risk-based capital ratio equal to or greater than 6%, and a Tier 1 leverage capital ratio equal to or greater than 5%. The Bank's total risk-based capital, Tier 1 risk-based capital and Tier 1 leverage capital ratios of 16.01%, 15.08% and 7.56%, respectively, at September 30, 2009 substantially exceed the requirements for a well-capitalized bank. The Corporation (on a consolidated basis) is subject to minimum risk-based and leverage capital requirements, which the Corporation substantially exceeded at September 30, 2009.

Total stockholders' equity increased by $15,649,000, from $102,532,000 at December 31, 2008 to $118,181,000 at September 30, 2009. The increase is primarily comprised of net income of $11,241,000 and unrealized gains on available-for-sale securities of $7,553,000, as partially offset by $4,034,000 in cash dividends declared.

Stock Repurchase Program and Market Liquidity. Since 1988, the Corporation has had a stock repurchase program under which it has purchased, from time to time, shares of its own common stock in market or private transactions. The Corporation's market transactions are generally intended to comply with the manner, timing, price and volume conditions set forth in SEC Rule 10b-18 and therefore, with respect to such transactions, provide the Corporation with safe harbor from liability for market manipulation under section 9(a)(2) and Rule 10b-5 of the Securities Exchange Act of 1934.

The Corporation periodically reevaluates whether it wants to continue purchasing shares of its own common stock in open market transactions under Rule 10b-18 or otherwise. The Corporation significantly reduced its share repurchases in 2009 in order to preserve and build capital in an uncertain economic climate.

Russell 3000 and 2000 Indexes. Frank Russell Company maintains a family of U.S. equity indexes. The indices are reconstituted in June of each year based on market capitalization and do not reflect subjective opinions. All Indexes are subsets of the Russell 3000E Index, which represents most of the investable U. S. equity market.

The Corporation's common stock was added to the Russell 3000 and Russell 2000 Indexes in June of this year. The Russell 3000 Index represents the 3,000 largest U.S. stocks in terms of total market capitalization, and the Russell 2000 Index is comprised of the smallest 2,000 companies in the Russell 3000 Index. When reconstituted this year, the average market capitalization of companies in the Russell 2000 Index was $732 million, the median market capitalization was $306 million, the capitalization of the largest company in the index was $1.7 billion, and the capitalization of the smallest company in the index was $78 million. The Corporation's market capitalization as of September 30, 2009 was approximately $192 million.

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The Corporation believes that inclusion in the Russell indexes positively impacts the price, trading volume and liquidity of its common stock. Conversely, if the Corporation's market capitalization falls below the minimum necessary to be included in the indexes at any future reconstitution date, the opposite could occur.

Cash Flows and Liquidity

Cash Flows. The Corporation's primary sources of cash are deposit growth, maturities and amortization of loans and investment securities, operations, and borrowing. The Corporation uses cash from these and other sources to fund loan growth, purchase investment securities, expand and improve its physical facilities, pay cash dividends, and repurchase common stock under the Corporation's share repurchase program.

During the first nine months of 2009, the Corporation's cash and cash equivalent position increased by $8,568,000. The increase occurred primarily because cash provided by deposit growth, long-term borrowings, and maturities, redemptions and sales of investment securities exceeded the cash used to grow the loan and securities portfolios and repay short-term Federal Home Loan Bank advances.

Strong deposit inflows during the first nine months of 2009 outpaced loan growth. Management used the excess funds primarily to purchase short-term collateralized mortgage obligations ("CMOs") and high-grade municipal securities. As a result, the Bank's CMO and municipal security portfolios increased by approximately $85.5 million, or 38%, and $61.9 million, or 43%, respectively. The short-term CMOs are expected to provide cash flows in the near term that can be used to fund loan growth. The provisions of the American Recovery and Reinvestment Act of 2009 enabled the Bank to purchase certain municipal securities without the usual limitations imposed by the federal alternative minimum tax. These purchases were made at what the Bank believes to be attractive tax-exempt yields.

Liquidity. The Bank has both internal and external sources of liquidity that can be used to fund loan growth and accommodate deposit outflows. The Bank's primary internal sources of liquidity are its overnight investments, investment securities designated as available-for-sale, and maturities and monthly payments on its investment securities and loan portfolios. At September 30, 2009, the Bank had approximately $293 million in unencumbered available-for-sale securities.

The Bank is a member of the Federal Reserve Bank of New York ("FRB") and the Federal Home Loan Bank of New York ("FHLB"), has repurchase agreements in place with a number of brokerage firms and commercial banks and has federal funds lines with several commercial banks. In addition to customer deposits, the Bank's primary external sources of liquidity are secured borrowings from the FRB, FHLB and repurchase agreement counterparties. In addition, the Bank can purchase overnight federal funds under its existing lines. However, the Bank's FRB membership, FHLB membership, repurchase agreements and federal funds lines do not represent legal commitments to extend credit to the Bank. The amount that the Bank can potentially borrow is currently dependent on, among other things, the amount of unencumbered eligible securities and loans that the Bank can use as collateral and the collateral margins required by the lenders. At September 30, 2009, the Bank had unencumbered securities and loans of approximately one billion that are eligible collateral for borrowings.

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Legislation

Enacted Legislation. In the latter part of 2008, two major pieces of legislation (the “Legislation”) impacting the financial services industry were enacted; the Housing and Economic Recovery Act of 2008 and the Emergency Economic Stabilization Act of 2008. This Legislation was enacted to address the subprime mortgage crisis and in response to capital adequacy, asset quality, management, liquidity, earnings and sensitivity to market risk problems being experienced by a large number of financial institutions. It contains broad changes that impact, either directly or indirectly, the Bank’s business operations. The significant changes brought about by this Legislation, as amended, include, among others, the following:

- The placing of Fannie Mae and Freddie Mac into conservatorship by their primary regulator, the Federal Housing Finance Agency;
- A temporary increase through December 31, 2013 in FDIC insurance coverage from $100,000 to $250,000;
- A temporary guarantee by the FDIC through June 30, 2010 of all transaction account balances, without limitation, which is in addition to and separate from the $250,000 insurance limit under the FDIC’s general deposit insurance regulations. Transaction accounts include traditional checking accounts and funds swept from such accounts to another noninterest-bearing deposit account, NOW accounts paying less than .5% interest, and Interest on Lawyer Accounts;
- A guarantee by the FDIC of the senior unsecured debt of financial institutions generally issued through October 31, 2009. The guarantee expires upon maturity of the debt or June 30, 2012, whichever is earlier;
- A provision that allows the Federal Reserve Bank to pay interest to banks on sterile reserves beginning October 1, 2008, three years earlier than previously permitted;
- The creation of the $700 billion Troubled Asset Relief Program (“TARP”) within the U.S. Treasury Department to purchase troubled assets from any financial institution through December 31, 2009;
- As part of the TARP, the Capital Purchase Program that enables financial institutions to raise capital by selling senior preferred shares to the federal government.

Financial institutions may opt out of the FDIC’s unlimited guarantee of transaction account balances and the FDIC’s guarantee of senior unsecured debt. In addition, raising capital by selling senior preferred shares to the federal government is voluntary on the part of banks. The Bank did not opt out of the FDIC’s transaction account and senior unsecured debt guarantees and, based on the Bank’s strong capital position, chose not to participate in the Capital Purchase Program. In addition, the Bank has no assets in its loan or securities portfolios that it would consider selling under the TARP.

In February 2009, the American Recovery and Reinvestment Act of 2009 (the “Act”) became law. Otherwise known as the Stimulus Plan, the Act is a $787 billion package of spending, tax cuts and tax credits. The provisions of the Act are intended to have significant positive impact on the economy and could significantly impact the Bank’s business on a near and longer-term basis. Of particular note are provisions of the Act that enable the Bank to increase the volume of tax-advantaged municipal securities that it can purchase and thereby take advantage of the favorable yields currently available on such securities relative to other investment alternatives. Also in February 2009, the FDIC took two actions designed to allow the Deposit Insurance Fund to withstand the existing problems in the banking industry. The first was the imposition of the previously discussed emergency special assessment. The second was adoption of previously proposed changes to its risk-based assessment system.

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Proposed Legislation. The FDIC has issued a proposed rule that would require banks to prepay their estimated deposit insurance premiums for the fourth quarter of 2009 and for all of 2010, 2011, and 2012. The prepaid assessment would be collected on December 30, 2009, along with the regular quarterly assessment for the third quarter of 2009. The prepayment would be recorded as an asset and then reduced by a charge to expense as regular quarterly deposit insurance premiums are assessed. As currently proposed, the Corporation's required prepayment is estimated to be approximately $5,800,000.

Commercial checking deposits currently account for approximately 22% of the Bank's total deposits. Congress has periodically considered legislation that would allow corporate customers to cover checks by sweeping funds from interest-bearing deposit accounts each business day and repeal the prohibition of the payment of interest on corporate checking deposits. Either could have a material adverse impact on the Bank's future results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Bank invests in interest-earning assets which are funded by interest-bearing deposits and borrowings, noninterest-bearing deposits, and capital. The Bank's results of operations are subject to risk resulting from interest rate fluctuations generally and having assets and liabilities that have different maturity, repricing, and prepayment/withdrawal characteristics. The Bank defines interest rate risk as the risk that the Bank's earnings and/or net portfolio value (present value of expected future cash flows from assets less the present value of expected future cash flows from liabilities) will change when interest rates change. The principal objective of the Bank's asset/liability management activities is to maximize net interest income while at the same time maintain acceptable levels of interest rate and liquidity risk and facilitate the funding needs of the Bank.

Because the Bank's loans and investment securities generally reprice slower than its interest-bearing liabilities, an immediate increase in interest rates uniformly across the yield curve should initially have a negative effect on net interest income. However, if the Bank does not increase the rates paid on its deposit accounts as quickly or in the same amount as increases in market interest rates and/or owns interest rate caps that are in-the-money at the time of the interest rate increase or become in-the-money as a result of the increase, the magnitude of the negative impact will decline and the impact could even be positive. Over a longer period of time, and assuming that interest rates remain stable after the initial rate increase and the Bank purchases securities and originates loans at yields higher than those maturing and reprices loans at higher yields, the impact of an increase in interest rates should be positive. This occurs primarily because with the passage of time more loans and investment securities will reprice at the higher rates and there will be no offsetting increase in interest expense for those loans and investment securities funded by noninterest-bearing liabilities and capital.

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Conversely, a decrease in interest rates uniformly across the yield curve should initially have a positive impact on the Bank's net interest income. Furthermore, if the Bank owns interest rate floors that are in the money at the time of the interest rate decrease or become in the money as a result of the decrease, the magnitude of the positive impact should increase. However, if the Bank does not or cannot decrease the rates paid on its deposit accounts as quickly or in the same amount as decreases in market interest rates, regardless of whether or not it owns interest rate floors, the magnitude of the positive impact will decline and could even be negative. If interest rates decline, or have declined, and are sustained at the lower levels and, as a result, the Bank purchases securities at lower yields and loans are originated or repriced at lower yields, the impact on net interest income should be negative because a significant portion of the Bank's interest-earning assets are funded by noninterest-bearing liabilities and capital.

The Bank monitors and controls interest rate risk through a variety of techniques including the use of interest rate sensitivity models and traditional gap analysis. Through use of the models, the Bank projects future net interest income and then estimates the effect on projected net interest income of various changes in interest rates and balance sheet growth rates. The Bank also uses the models to calculate the change in net portfolio value over a range of interest rate change scenarios.

Traditional gap analysis involves arranging the Bank's interest-earning assets and interest-bearing liabilities by repricing periods and then computing the difference, or interest-rate sensitivity gap, between the assets and liabilities which are estimated to reprice during each time period and cumulatively through the end of each time period.

Both interest rate sensitivity modeling and gap analysis involve a variety of significant estimates and assumptions and are done at a specific point in time. Interest rate sensitivity modeling requires, among other things, estimates of: (1) how much and when yields and costs on individual categories of interest-earning assets and interest-bearing liabilities will change because of projected changes in market interest rates; (2) future cash flows; (3) discount rates; and (4) decay or runoff rates for nonmaturity deposits such as checking, savings, and money market accounts.

Gap analysis requires estimates as to when individual categories of interest-sensitive assets and liabilities will reprice and assumes that assets and liabilities assigned to the same repricing period will reprice at the same time and in the same amount. Like sensitivity modeling, gap analysis does not fully take into account the fact that the repricing of some assets and liabilities is discretionary and subject to competitive and other pressures.

Changes in the estimates and assumptions made for interest rate sensitivity modeling and gap analysis could have a significant impact on projected results and conclusions. Therefore, these techniques may not accurately reflect the actual impact of changes in the interest rate environment on the Bank's net interest income or net portfolio value.

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The table that follows is provided pursuant to the market risk disclosure rules set forth in Item 305 of Regulation S-K of the Securities and Exchange Commission. The information provided in the following table is based on significant estimates and assumptions and constitutes, like certain other statements included herein, a forward-looking statement. The base case information in the table shows (1) an estimate of the Corporation's net portfolio value at September 30, 2009 arrived at by discounting estimated future cash flows at current market rates and (2) an estimate of net interest income on a tax-equivalent basis for the year ending September 30, 2010 assuming that maturing assets or liabilities are replaced with new balances of the same type, in the same amount, and at current rate levels and repricing balances are adjusted to current rate levels. For purposes of the base case, nonmaturity deposits are included in the calculation of net portfolio value at their carrying amount. The rate change information in the table shows estimates of net portfolio value at September 30, 2009 and net interest income on a tax-equivalent basis for the year ending September 30, 2010 assuming rate changes of plus 100 and 200 basis points and minus 100 and 200 basis points. The changes in net portfolio value from the base case have not been tax affected. In addition, cash flows for nonmaturity deposits are based on a decay or runoff rate of six years. Also, rate changes are assumed to be shock or immediate changes and occur uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. In projecting future net interest income under the indicated rate change scenarios, activity is simulated by replacing maturing balances with new balances of the same type, in the same amount, but at the assumed rate level and adjusting repricing balances to the assumed rate level.

Based on the foregoing assumptions and as depicted in the table that follows, an immediate increase in interest rates of 100 or 200 basis points would have a negative effect on net interest income over a one-year time period. This is principally because the Bank's interest-bearing deposit accounts are assumed to reprice faster than its loans and investment securities. However, if the Bank does not increase the rates paid on its deposit accounts as quickly or in the same amount as increases in market interest rates, the magnitude of the negative impact will decline, and the impact may even become positive. Over a longer period of time, and assuming that interest rates remain stable after the initial rate increase and the Bank purchases securities and originates loans at yields higher than those maturing and reprices loans at higher yields, the impact of an increase in interest rates should be positive. This occurs primarily because with the passage of time more loans and investment securities will reprice at the higher rates and there will be no offsetting increase in interest expense for those loans and investment securities funded by noninterest-bearing checking deposits and capital. Generally, the reverse should be true of an immediate decrease in interest rates of 100 or 200 basis points. However, the positive impact of a decline in interest rates of 100 or 200 basis points is currently constrained by the fact that the annual percentage yield on many of the Bank's deposit products is below 2% and for some products even below 1%.

Rate Change Scenario	Net Portfolio Value at September 30, 2009		Net Interest Income Year Ending September 30, 2010	
	Amount	Percent Change From Base Case	Amount	Percent Change From Base Case
	(dollars in thousands)			
+ 200 basis point rate shock	$85,250	(18.0)%	$46,640	(16.5)%
+ 100 basis point rate shock	94,389	(9.2)	51,232	(8.2)
Base case (no rate change)	103,968	-	55,823	-
- 100 basis point rate shock	114,051	9.7	60,089	7.6
- 200 basis point rate shock	125,047	20.3	59,383	6.4

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Forward Looking Statements

"Management's Discussion and Analysis of Financial Condition and Results of Operations", "Quantitative and Qualitative Disclosures about Market Risk", and "Other Information" contain various forward-looking statements with respect to financial performance and business matters. Such statements are generally contained in sentences including the words "may", "expect", "could", "should", "would" or "believe." The Corporation cautions that these forward-loo statements are subject to numerous assumptions, risks and uncertainties, and therefore actual results could differ materially from those contemplated by the forward-looking statements. In addition, the Corporation assumes no duty to update forward-looking statements.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Corporation's Chief Executive Officer, Michael N. Vittorio, and Chief Financial Officer, Mark D. Curtis, have evaluated the Corporation's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Act"), as of the end of the period covered by this report. Based upon that evaluation, they have concluded that the Corporation's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Corporation in the reports that it files or submits under the Act, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Such controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to the Corporation's management, including the principal executive and principal financial officers, to allow timely decisions regarding disclosure.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time the Corporation and the Bank may be involved in litigation that arises in the normal course of business. As of the date of this Form 10-Q, neither the Corporation nor the Bank is a party to any litigation that management believes could reasonably be expected to have a material adverse effect on the Corporation's or the Bank's financial position or results of operations for an annual period.

Item 2. Issuer Purchase of Equity Securities

Since 1988, the Corporation has had a stock repurchase program under which it is authorized to purchase, from time to time, shares of its own common stock in market or private transactions. The details of the Corporation's purchases under the stock repurchase program during the third quarter of 2009 are set forth in the table that follows.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1, 2009 to July 31, 2009	11,274	$25.38	11,274	95,984
August 1, 2009 to August 31, 2009	6,056	$26.45	6,056	89,928
September 1, 2009 to September 30, 2009	7,346	$28.45	7,346	82,582

(1) All shares purchased by the Corporation under its stock repurchase program in the third quarter of 2009 were purchased under a 200,000 share plan approved by the Corporation's Board of Directors on February 21, 2008 and publicly announced on February 22, 2008. The Corporation's share repurchase plans do not have fixed expiration dates.

Item 5. Other Information

On November 6, 2009, the Corporation issued a press release regarding the Corporation's financial condition as of September 30, 2009 and its results of operations for the nine and three month periods then ended. The press release is furnished as Exhibit 99.1 to this Form 10-Q.

Item 6. Exhibits

a) The following exhibits are included herein.

Exhibit No.	Name
31	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14(a) and 15d-14(a) of the Exchange Act)
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

99.1 Press Release dated November 6, 2009 regarding the Corporation’s financial condition as of September 30, 2009 and its results of operations for the nine and three month periods then ended

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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.

THE FIRST OF LONG ISLAND CORPORATION
(Registrant)

Date: November 6, 2009

By /s/ MICHAEL N. VITTORIO
MICHAEL N. VITTORIO
PRESIDENT & CHIEF EXECUTIVE OFFICER
(principal executive officer)

By /s/ MARK D. CURTIS
MARK D. CURTIS
SENIOR VICE PRESIDENT & TREASURER
(principal financial and accounting officer)

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EXHIBIT INDEX

EXHIBIT	DESCRIPTION
31.1	Certification by Chief Executive Officer in Accordance with Section 302 of The Sarbanes-Oxley Act of 2002
31.2	Certification by Chief Financial Officer in Accordance with Section 302 of The Sarbanes-Oxley Act of 2002
32	Certification by Chief Executive Officer and Chief Financial Officer in Accordance with Section 906 of The Sarbanes-Oxley Act of 2002
99.1	Press Release dated November 6, 2009 regarding the Corporation’s financial condition as of September 30, 2009 and its results of operations for the nine and three month periods then ended