FIRST OF LONG ISLAND CORP
Form 10-Q
May 10, 2010

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 March 31, 2010

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

Commission file 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 (§ 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 May 4, 2010
Common stock, $.10 par value	7,253,526

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ITEM 1. - FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2010	December 31, 2009
Assets:		
Cash and due from banks	$29,293,000	$33,123,000
Overnight investments	242,000	219,000
Cash and cash equivalents	29,535,000	33,342,000
Investment securities:		
Held-to-maturity, at amortized cost (fair value of $120,445,000 and $133,233,000)	116,432,000	128,979,000
Available-for-sale, at fair value (amortized cost of $595,042,000 and $627,189,000)	608,818,000	638,794,000
	725,250,000	767,773,000
Loans:		
Commercial and industrial	46,064,000	48,891,000
Secured by real estate:		
Commercial mortgages	414,261,000	409,681,000
Residential mortgages	275,226,000	248,888,000
Home equity	107,569,000	109,010,000
Construction and land development	3,025,000	3,050,000
Other	4,957,000	5,763,000
	851,102,000	825,283,000
Net deferred loan origination costs	2,520,000	2,383,000
	853,622,000	827,666,000
Allowance for loan losses	(11,114,000)	(10,346,000)
	842,508,000	817,320,000
Federal Home Loan Bank stock, at cost	5,609,000	7,882,000
Bank premises and equipment, net	20,046,000	18,090,000
Prepaid income taxes	-	179,000
Bank-owned life insurance	12,291,000	12,167,000
Prepaid FDIC assessment	4,937,000	5,331,000
Other assets	13,059,000	13,085,000
	$1,653,235,000	$1,675,169,000
Liabilities:		
Deposits:		
Checking	$354,595,000	$333,853,000
Savings and money market	624,235,000	634,913,000
Time, $100,000 and over	231,065,000	216,999,000
Time, other	91,860,000	91,785,000
	1,301,755,000	1,277,550,000
Short-term borrowings	60,098,000	111,407,000
Long-term debt	162,000,000	162,000,000
Accrued expenses and other liabilities	4,193,000	6,002,000
Current income taxes payable	990,000	-

Deferred income taxes payable	2,709,000	1,748,000
	1,531,745,000	1,558,707,000
Stockholders' Equity:		
Common stock, par value $.10 per share:		
Authorized, 20,000,000 shares; Issued and outstanding, 7,251,734 and 7,213,056 shares	725,000	721,000
Surplus	2,548,000	2,043,000
Retained earnings	113,205,000	110,047,000
	116,478,000	112,811,000
Accumulated other comprehensive income net of tax	5,012,000	3,651,000
	121,490,000	116,462,000
	$1,653,235,000	$1,675,169,000

See notes to unaudited consolidated financial statements

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2010	2009
Interest and dividend income:		
Loans	$11,245,000	$9,324,000
Investment securities:		
Taxable	4,846,000	4,660,000
Nontaxable	2,252,000	1,538,000
	18,343,000	15,522,000
Interest expense:		
Savings and money market deposits	1,367,000	1,108,000
Time deposits	1,668,000	1,227,000
Short-term borrowings	57,000	140,000
Long-term debt	1,622,000	1,456,000
	4,714,000	3,931,000
Net interest income	13,629,000	11,591,000
Provision for loan losses (credit)	778,000	(168,000)
Net interest income after provision for loan losses (credit)	12,851,000	11,759,000
Noninterest income:		
Investment Management Division income	376,000	398,000
Service charges on deposit accounts	904,000	833,000
Net gains on sales of available-for-sale securities	566,000	-
Other	315,000	345,000
	2,161,000	1,576,000
Noninterest expense:		
Salaries	3,884,000	3,594,000
Employee benefits	1,294,000	1,375,000
Occupancy and equipment expense	1,758,000	1,514,000
Other operating expenses	2,041,000	1,776,000
	8,977,000	8,259,000
Income before income taxes	6,035,000	5,076,000
Income tax expense	1,430,000	1,148,000
Net income	$4,605,000	$3,928,000
Weighted average:		
Common shares	7,224,110	7,198,205
Dilutive stock options and restricted stock units	108,426	76,301
	7,332,536	7,274,506
Earnings per share:		
Basic	$.64	$.55
Diluted	$.63	$.54
Cash dividends declared per share	$.20	$.18

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CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY (UNAUDITED)

Three Months Ended March 31, 2010

	Common Stock Shares	Common Stock Amount	Surplus	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2010	7,213,056	$ 721,000	$ 2,043,000		$ 110,047,000	$ 3,651,000	$ 116,462,000
Net Income				$ 4,605,000	4,605,000		4,605,000
Other comprehensive income, net of tax and reclassification adjustment				1,361,000		1,361,000	1,361,000
Repurchase of common stock	(3,581)	-	(91,000)				(91,000)
Common stock issued under stock compensation plans, including tax benefit	42,259	4,000	437,000				441,000
Stock-based compensation			159,000				159,000
Cash dividends declared					(1,447,000)		(1,447,000)
Comprehensive income				$ 5,966,000			
Balance, March 31, 2010	7,251,734	$ 725,000	$ 2,548,000		$ 113,205,000	$ 5,012,000	$ 121,490,000

Three Months Ended March 31, 2009

	Common Stock Shares	Common Stock Amount	Surplus	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive 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				$ 3,928,000	3,928,000		3,928,000
Other comprehensive income, net of				2,269,000		2,269,000	2,269,000

tax and reclassification adjustment							
Repurchase of common stock	(4,752)	-	(103,000)				(103,000)
Common stock issued under stock compensation plans, including tax benefit	7,287	1,000	108,000				109,000
Stock-based compensation			213,000				213,000
Cash dividends declared					(1,296,000)		(1,296,000)
Comprehensive income				$ 6,197,000			
Balance, March 31, 2009	7,197,282	$ 720,000	$ 1,572,000		$ 104,693,000	$ 667,000	$ 107,652,000

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
	2010	2009
Cash Flows From Operating Activities:		
Net income	$4,605,000	$3,928,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses (credit)	778,000	(168,000)
Deferred income tax provision	65,000	61,000
Depreciation and amortization	679,000	544,000
Premium amortization on investment securities, net	1,159,000	108,000
Net gains on sales of available-for-sale securities	(566,000)	-
Stock-based compensation expense	159,000	213,000
Accretion of cash surrender value on bank owned life insurance	(124,000)	(125,000)
Decrease in prepaid income taxes	179,000	-
Decrease in prepaid FDIC assessment	394,000	-
Decrease in other assets	112,000	108,000
Decrease in accrued expenses and other liabilities	(366,000)	(360,000)
Increase in income taxes payable	990,000	451,000
Net cash provided by operating activities	8,064,000	4,760,000
Cash Flows From Investing Activities:		
Proceeds from sales of available-for-sale securities	11,075,000	-
Proceeds from maturities and redemptions of investment securities:		
Held-to-maturity	12,559,000	9,532,000
Available-for-sale	42,221,000	41,706,000
Purchase of investment securities:		
Held-to-maturity	-	(214,000)
Available-for-sale	(21,754,000)	(7,879,000)
Net increase in loans to customers	(25,966,000)	(8,116,000)
Net decrease in Federal Home Loan Bank stock	2,273,000	3,645,000
Purchases of bank premises and equipment	(2,635,000)	(3,956,000)
Net cash provided by investing activities	17,773,000	34,718,000
Cash Flows From Financing Activities:		
Net increase in total deposits	24,205,000	71,101,000
Net decrease in short-term borrowings	(51,309,000)	(102,928,000)
Proceeds from long-term debt	-	25,000,000
Exercise of stock options	406,000	97,000
Tax benefit of stock compensation plans	35,000	12,000
Repurchase and retirement of common stock	(91,000)	(103,000)
Cash dividends paid	(2,890,000)	(1,295,000)
Net cash used in financing activities	(29,644,000)	(8,116,000)
Net increase (decrease) in cash and cash equivalents	(3,807,000)	31,362,000
Cash and cash equivalents, beginning of year	33,342,000	21,438,000
Cash and cash equivalents, end of period	$29,535,000	$52,800,000
Supplemental Noncash Disclosures:		

Cash dividends payable	$-	$1,295,000

The Corporation made interest payments of $4,449,000 and $3,774,000 and income tax payments of $161,000 and $623,000 during the first quarters of 2010 and 2009, respectively.

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THE FIRST OF LONG ISLAND CORPORATION AND SUBSIDIARY
MARCH 31, 2010
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, 2009.

The consolidated financial information included herein as of and for the periods ended March 31, 2010 and 2009 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, 2009 consolidated balance sheet was derived from the Corporation's December 31, 2009 audited consolidated financial statements. When appropriate, items in the prior year financial statements are reclassified to conform to the current presentation.

2. Investment Securities

The following tables set forth the amortized cost and fair value of the Bank’s investment securities at March 31, 2010 and December 31, 2009.

	March 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Securities:	(in thousands)			
State and municipals	$55,971	$1,804	$(47)	$57,728
Pass-through mortgage securities	14,949	608	-	15,557
Collateralized mortgage obligations	45,512	1,648	-	47,160
	$116,432	$4,060	$(47)	$120,445
Available-for-Sale Securities:				
U.S. government agencies	$10,000	$81	$(70)	$10,011
State and municipals	166,692	4,201	(553)	170,340
Pass-through mortgage securities	102,432	4,303	(31)	106,704
Collateralized mortgage obligations	315,918	6,065	(220)	321,763
	$595,042	$14,650	$(874)	$608,818

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	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Securities:	(in thousands)			
State and municipals	$57,875	$1,924	$(48)	$59,751
Pass-through mortgage securities	16,882	604	-	17,486
Collateralized mortgage obligations	54,222	1,774	-	55,996
	$128,979	$4,302	$(48)	$133,233
Available-for-Sale Securities:				
U.S. government agencies	$5,000	$8	$-	$5,008
State and municipals	150,509	4,378	(374)	154,513
Pass-through mortgage securities	122,186	4,349	(113)	126,422
Collateralized mortgage obligations	349,494	4,450	(1,093)	352,851
	$627,189	$13,185	$(1,580)	$638,794

Substantially all of the Corporation's municipal securities are rated A or better. The Corporation's pass-through mortgage security portfolio at March 31, 2010 is comprised of $101,810,000, $18,537,000 and $1,306,000 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. All of the Corporation's collateralized mortgage obligations ("CMOs") were issued by GNMA and such securities are backed by GNMA residential pass-through mortgage securities. GNMA guarantees the timely payment of principal and interest on its CMOs and 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.

At March 31, 2010 and December 31, 2009, investment securities with a carrying value of $334,342,000 and $378,913,000, respectively, were pledged as collateral to secure public deposits and borrowed funds.

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Securities With Unrealized Losses. The following tables set forth securities with unrealized losses at March 31, 2010 and December 31, 2009 presented by the length of time the securities have been in a continuous unrealized loss position.

	March 31, 2010					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(in thousands)					
U.S. government agencies	$ 5,000	$ (70)	$ -	$ -	$ 5,000	$ (70)
State and municipals	44,468	(600)	-	-	44,468	(600)
Pass-through mortgage securities	5,103	(31)	-	-	5,103	(31)
Collateralized mortgage obligations	41,889	(220)	-	-	41,889	(220)
Total temporarily impaired	$ 96,460	$ (921)	$ -	$ -	$ 96,460	$ (921)

	December 31, 2009					
	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	$ 25,403	$ (421)	$ 100	$ (1)	$ 25,503	$ (422)
Pass-through mortgage securities	13,132	(112)	13	(1)	13,145	(113)
Collateralized mortgage obligations	107,781	(1,093)	-	-	107,781	(1,093)
Total temporarily impaired	$ 146,316	$ (1,626)	$ 113	$ (2)	$ 146,429	$ (1,628)

Unrealized losses reflected in the preceding tables have not been included in results of operations because the affected securities are of high credit quality, the Company does not intend to sell them, nor is it more likely than not that it will be required to sell them before recovery of their amortized cost basis, and the decline in fair value is largely due to an increase in interest rates since the time the securities were purchased. The losses on these securities are expected to dissipate as they approach their maturity dates and/or if interest rates decline.

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

	Three Months Ended March 31, 2010	2009
	(in thousands)	
Proceeds	$ 11,075	$ -
Gross gains	566	-
Gross losses	-	-
Net gains	$ 566	$ -

The tax provision related to the net realized gains for the three months ended March 31, 2010 was $225,000.

Maturities. The following table sets forth the amortized cost and fair value of the Bank's investment securities at March 31, 2010 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	$4,164	$4,214	$12,920	$13,413	$26,119	$27,136	$12,768	$12,965
Pass-through mortgage securities..	5	5	8,148	8,362	1,437	1,549	5,359	5,641
Collateralized mortgage obligations	-	-	-	-	-	-	45,512	47,160
	$4,169	$4,219	$21,068	$21,775	$27,556	$28,685	$63,639	$65,766

	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	$-	$-	$-	$-	$10,000	$10,011	$-	$-
State and municipals	712	735	16,276	17,131	14,938	15,575	134,766	136,899
Pass-through mortgage securities	-	-	64	65	3,850	4,168	98,518	102,471
Collateralized mortgage obligations	-	-	-	-	-	-	315,918	321,763
	$712	$735	$16,340	$17,196	$28,788	$29,754	$549,202	$561,133

(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.

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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 202,036 shares remain available for grant as of March 31, 2010. 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.

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 2010 and 2009, as well as the assumptions utilized in determining such values, are presented below.

	2010	2009
Grant date fair value	$9.13	$7.79
Expected volatility	47.68 %	47.08 %
Expected dividends	3.19 %	3.21 %
Expected term (in years)	6.82	6.82
Risk-free interest rate	2.34 %	1.52 %

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 monthly average yield on U.S. Treasury issues adjusted to constant maturities with a 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, if necessary, 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 $159,000 and $213,000 and recognized related income tax benefits of $63,000 and $85,000 in the first three months of 2010 and 2009, respectively.

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Option Activity. On January 19, 2010, the Corporation's board of directors granted 50,649 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 March 31, 2010 and changes during the three 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, 2010	496,719	$ 19.71		
Granted	50,649	25.07		
Exercised	(28,262)	14.37		
Forfeited or expired	-	-		
Outstanding at March 31, 2010	519,106	$ 20.52	5.99	$ 1,905
Exercisable at March 31, 2010	325,730	$ 19.68	4.65	$ 1,440

The total intrinsic value of options exercised during the first three months of 2010 and 2009 was $298,000 and $69,000, respectively.

Restricted Stock Activity. On January 19, 2010, the Corporation's Board of Directors granted 15,985 RSUs under the 2006 Plan. The Corporation's financial performance for 2012 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 March 31, 2010 and changes during the three month period then ended is presented below.

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2010	42,360	$ 18.49
Granted	15,985	22.69
Vested	-	-
Forfeited	-	-
Nonvested at March 31, 2010	58,345	$ 19.53

Unrecognized Compensation Cost. As of March 31, 2010, there was $1,819,000 of total unrecognized compensation cost related to nonvested equity awards. The cost is expected to be recognized over a weighted-average period of 1.56 years.

Cash Received and Tax Benefits Realized. Cash received from option exercises for the three months ended March 31, 2010 and 2009 was $406,000 and $97,000, respectively. The actual tax benefits realized for the tax deductions from option exercises for the first three months of 2010 and 2009 was $35,000 and $12,000, respectively.

Other. No cash was used to settle stock options during the first three months of 2010 or 2009. The Corporation uses newly issued shares to settle stock option exercises and for the conversion of RSUs.

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4. Stockholders' Equity

Earnings Per Share. There were 130,390 and 353,030 shares of common stock underlying equity awards outstanding at March 31, 2010 and 2009, 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.

Shares Withheld Upon the Vesting of RSUs. The line captioned repurchase of common stock in the Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 2010 includes 3,581 shares of common stock with a value of $91,000 withheld upon the conversion of RSUs. The value of the shares withheld was used to satisfy the personal tax liabilities of the RSU holders.

5. Defined Benefit Pension Plan

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

	Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Service cost, net of plan participant contributions	$ 300	$ 269
Interest cost	298	276
Expected return on plan assets	(448)	(305)
Amortization of prior service cost	6	6
Amortization of net actuarial loss	80	159
Net pension cost	$ 236	$ 405

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. For the Plan year ending September 30, 2010, the Bank has no minimum required pension contribution and a maximum tax deductible contribution of $3,742,000. The Bank expects to make a contribution within that range by September 30, 2010, but the amount of such contribution has not yet been determined. The Bank contributed $5,500,000 to the Plan for the plan year ended September 30, 2009.

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 hierarchy involves 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.

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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.

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

		Fair Value Measurements at March 31, 2010 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	$10,011	$-	$10,011	$ -
State and municipals	170,340	-	170,340	-
Pass-through mortgage securities	106,704	-	106,704	-
Collateralized mortgage obligations	321,763	-	321,763	-
	$608,818	$-	$608,818	$ -

		Fair Value Measurements at December 31, 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	$5,008	$-	$5,008	$ -
State and municipals	154,513	-	154,513	-
Pass-through mortgage securities	126,422	-	126,422	-
Collateralized mortgage obligations	352,851	-	352,851	-
	$638,794	$-	$638,794	$ -

From time to time, the fair values of some of the Corporation's impaired loans with specific allocations of the allowance for loan losses are determined 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 had no impaired loans that were recorded at fair value as of March 31, 2010 or December 31, 2009.

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.

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	March 31, 2010		December 31, 2009	
	Carrying/ Contract Amount	Fair Value	Carrying/ Contract Amount	Fair Value
Financial Assets:		(in thousands)		
Cash and cash equivalents	$ 29,535	$ 29,535	$ 33,342	$ 33,342
Held-to-maturity securities	116,432	120,445	128,979	133,233
Loans	842,508	836,340	817,320	814,465
Federal Home Loan Bank stock	5,609	5,609	7,882	7,882
Restricted stocks (included in other assets)	467	467	467	467
Accrued interest receivable	7,883	7,883	7,584	7,584
Financial Liabilities:				
Checking deposits	354,595	354,595	333,853	333,853
Savings and money market deposits	624,235	624,235	634,913	634,913
Time deposits	322,925	329,894	308,784	315,073
Short-term borrowings	60,098	60,098	111,407	111,407
Long-term debt	162,000	174,827	162,000	173,981
Accrued interest payable	2,284	2,284	2,019	2,019

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.

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.

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7. Adoption of New Accounting Pronouncements

The pronouncements discussed in this section are not intended to be an all inclusive list, but rather only those pronouncements that could potentially have an impact on the Corporation's results of operations, financial position or disclosures.

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 166 "Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140", which was reissued in December 2009 as Accounting Standards Update ("ASU") 2009-16 and is now part of FASB Accounting Standards Codification ("ASC") 860 "Transfers and Servicing." 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 on January 1, 2010 has not impacted the Corporation's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167 "Amendments to FASB Interpretation No. 46(R)", which was reissued in December 2009 as ASU 2009-17 and is now part of ASC 810 "Consolidations." 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 on January 1, 2010 did not impact the Corporation's consolidated financial statements.

In January 2010, the FASB issued ASU 2010-02 "Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification." This ASU provides amendments to ASC 810 "Consolidation" and related guidance within U.S. GAAP. This ASU is effective for interim and annual periods ending after December 15, 2009. The amendments in ASU 2010-02 had no impact on the Corporation's results of operations, financial position or disclosures.

In January 2010, the FASB issued ASU 2010-04 "Accounting for Various Topics." Among other things, this ASU provides technical corrections to various SEC guidance in the ASC. ASU 2010-04 had no impact on the Corporation's results of operations, financial position or disclosures.

In January 2010, the FASB issued ASU 2010-06 "Improving Disclosures about Fair Value Measurements." This ASU requires more robust disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2 and 3. This ASU is effective for interim and annual periods beginning after December 15, 2009, except for disclosures regarding the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for interim and annual periods beginning after December 15, 2010. The adoption of ASU 2010-06 on January 1, 2010 had no impact on the Corporation's disclosures.

In February 2010, the FASB issued ASU 2010-09 "Subsequent Events." This ASU addresses certain implementation issues related to an entity's requirement to perform and disclose subsequent events procedures. It clarifies that an entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts with SEC requirements.

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8. Subsequent Events

The Corporation’s management has evaluated subsequent events through 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. (“FNY”), and The First of Long Island REIT, Inc. (“REIT”). 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 quarter of 2010 were $.63 per share, an increase of 9 cents, or 17%, over $.54 per share earned in the same quarter last year. Net income increased by $677,000, or 17%, from $3,928,000 for the first quarter of 2009 to $4,605,000 for the current quarter. Returns on average assets (“ROA”) and equity (“ROE”) were 1.13% and 15.56%, respectively, for the first quarter of 2010 as compared to 1.27% and 15.16% for the same quarter last year.

Earnings grew primarily due to growth in loans and tax-exempt securities and, to a much lesser extent, growth in taxable securities. Loan growth occurred as part of management’s efforts to improve the Bank’s current and future earnings prospects by making loans a larger portion of the overall balance sheet. The American Recovery and Reinvestment Act of 2009 made it possible to purchase certain tax-exempt securities at what management believes to be attractive yields without the usual limitations imposed by the federal alternative minimum tax. The growth in taxable securities was principally in short duration mortgage securities. While not a significant contributor to current earnings, these securities will generally pay down quickly and thus enhance the Bank’s liquidity position and protect the Bank’s earnings in the event of an increase in interest rates. Also contributing to first quarter earnings growth was $566,000 in gains recognized on the sale of approximately $10.5 million of available-for-sale securities. The proceeds of the sale were primarily used to repay short-term borrowings.

When comparing average balances for the first quarter of 2010 to the same quarter last year, total loans grew by $175.8 million, or 26.6%, tax-exempt securities grew by $73.4 million, or 50.8%, and taxable securities grew by $143.9 million, or 37.1%. Growth in these asset categories was funded by an increase in average total deposits of $395.6 million, or 43.5%. The loan growth principally occurred in what management considers to be lower risk loan categories including multifamily commercial mortgages, owner occupied commercial mortgages, and first lien residential mortgages having terms generally between ten and fifteen years. By contrast, management considers construction and land development loans to be high risk and has purposely not grown this category. With respect to deposit growth, significant contributing factors were new branch openings and expansion of existing branches, deposit rate promotions, competitively priced deposit products, and what is believed to be a high level of customer service.

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The positive impact on earnings of the factors described above was partially offset by a $946,000 increase in the provision for loan losses. The increase is primarily due to management's current assessment of national and local economic conditions, the reversal of $300,000 of impairment reserves in the first quarter of 2009 and more loan growth in the first quarter of 2010 than 2009. The Bank's allowance for loan losses at March 31, 2010 is $11.1 million, or 1.30% of gross loans, compared to $10.3 million, or 1.25% of gross loans, at year-end 2009. Going forward, management will continue to carefully assess the adequacy of the Bank's allowance for loan losses in light of a variety of factors including national and local economic conditions and the specific composition and characteristics of the Bank's loan portfolio. Depending on this assessment, and absent any significant increase in identified problem loans, management may continue to increase the Bank's allowance for loan losses relative to gross loans.

The credit quality of the Bank's loan portfolio remains excellent as evidenced by, among other things, a very low level of delinquent and nonaccrual loans. Total delinquent loans amounted to $2.8 million at March 31, 2010, comprised of nonaccrual loans of $1.8 million and loans past due 30 to 89 days of $1.0 million. The credit quality of the Bank's securities portfolio also remains excellent. All of the Bank's mortgage securities are backed by mortgages underwritten on conventional terms, and 96% of these securities and underlying mortgages represent full faith and credit obligations of the U.S. government. The remainder of the Bank's securities portfolio consists principally of municipal securities rated A or better by major rating agencies.

The Bank's Tier I leverage capital ratio trended down in 2009 and thus far in 2010 due to balance sheet growth. Management believes that it is desirable to rebuild the Bank's Tier I leverage ratio in light of the unfavorable economic climate and its future growth plans. Accordingly, during the first quarter of this year management reduced the overall size of the Bank's balance sheet by paying down short-term borrowings, slowed commercial mortgage loan growth, was less assertive in terms of deposit pricing and promotions and discontinued share repurchases. Management is currently exploring additional tactics to increase the Bank's Tier 1 leverage ratio, which could include, among others, a further reduction in the Bank's total assets, changing the Corporation's historical dividend trend, raising capital, or some combination of these measures.

The Bank opened a full service branch in Sea Cliff, Long Island in January 2010, another full service branch in Cold Spring Harbor, Long Island in March 2010, and plans to open additional full service branches in East Meadow and Bellmore, Long Island later in the year. Continued branch expansion in targeted markets on Long Island and in Manhattan remains a key long-term 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.

	Three Months Ended March 31,					
	2010			2009		
	Average Balance	Interest/ Dividends	Average Rate	Average Balance	Interest/ Dividends	Average Rate
Assets	(dollars in thousands)					
Overnight investments	$190	$-	- %	$233	$-	- %
Investment Securities:						
Taxable	531,691	4,846	3.65	387,744	4,660	4.81
Nontaxable (1)	217,647	3,412	6.27	144,293	2,330	6.46
Loans (1) (2)	837,194	11,251	5.38	661,417	9,331	5.64
Total interest-earning assets	1,586,722	19,509	4.92	1,193,687	16,321	5.47
Allowance for loan losses	(10,697)			(6,052)		
Net interest-earning assets	1,576,025			1,187,635		
Cash and due from banks	29,500			32,285		
Premises and equipment, net	19,688			15,450		
Other assets	28,942			19,376		
	$1,654,155			$1,254,746		
Liabilities and Stockholders' Equity						
Savings and money market deposits	$642,643	1,367	.86	$398,200	1,108	1.13
Time deposits	317,650	1,668	2.13	203,434	1,227	2.45
Total interest-bearing deposits	960,293	3,035	1.28	601,634	2,335	1.57
Short-term borrowings	57,813	57	.40	93,266	140	.61
Long-term debt	162,000	1,622	4.06	140,056	1,456	4.22
Total interest-bearing liabilities	1,180,106	4,714	1.62			