



2000

PUTTING PEOPLE FIRST



Astoria Financial Corporation

Annual Report and Form 10-K

Astoria Financial Corporation and Subsidiaries
Financial Highlights

(Dollars in Thousands, Except Per Share Data)	December 31,		
	2000	1999	1998
For the Year Ended			
Net interest income	\$ 507,016	\$ 539,948	\$ 448,983
Provision for loan losses	4,014	4,119	15,380
Non-interest income	69,246	86,696	62,263
General and administrative expense	181,692	195,266	232,888
Other non-interest expense	39,861	27,825	145,468
Net income	216,549	235,670	45,048
Diluted earnings per common share	4.32	4.37	0.74
Diluted earnings per common share, excluding non-operating items ⁽¹⁾	\$ 4.34	\$ 4.16	\$ 2.64
At Year End			
Total assets	\$22,336,802	\$22,696,536	\$20,587,741
Mortgage-backed and other securities available-for-sale	7,703,222	8,862,749	8,196,444
Mortgage-backed and other securities held-to-maturity	1,712,191	1,899,957	2,108,811
Loans held-for-sale	13,545	11,376	212,909
Loans receivable, net	11,344,518	10,212,496	8,739,319
Mortgage servicing rights, net	40,962	48,369	50,237
Deposits	10,071,687	9,554,534	9,668,286
Borrowed funds	10,197,371	11,401,521	9,022,797
Capital trust securities	125,000	125,000	—
Stockholders' equity	1,513,163	1,196,912	1,462,384
Book value per common share	29.47	22.17	25.84
Tangible book value per common share	25.35	17.84	21.34
Significant Ratios for the Year Ended			
Return on average assets	0.97%	1.04%	0.25%
Return on average stockholders' equity	16.70	17.31	3.02
Return on average tangible stockholders' equity	20.02	20.92	3.65
Net interest rate spread	2.01	2.23	2.32
Net interest margin	2.32	2.46	2.58
Average stockholders' equity to average assets	5.81	5.99	8.13
Average tangible stockholders' equity to average tangible assets	4.89	5.01	6.83
General and administrative expense to average assets	0.81	0.86	1.27
Efficiency ratio ⁽²⁾	31.75	32.21	46.56
Asset Quality Ratios at Year End			
Non-performing loans to total loans	0.32%	0.52%	1.23%
Non-performing loans to total assets	0.16	0.24	0.54
Non-performing assets to total assets	0.18	0.26	0.58
Allowance for loan losses to non-performing loans	220.88	143.49	66.99
Allowance for loan losses to non-accrual loans	226.85	151.77	70.00
Allowance for loan losses to total loans	0.70	0.75	0.83
Other Non-GAAP Disclosures for the Year Ended⁽¹⁾			
Operating return on average assets	0.97%	0.99%	0.79%
Operating cash return on average assets ⁽³⁾	1.09	1.13	1.05
Operating return on average stockholders' equity	16.77	16.48	9.76
Operating cash return on average stockholders' equity ⁽³⁾	18.76	18.92	12.86
Operating return on average tangible stockholders' equity	20.10	19.91	11.78
Operating cash return on average tangible stockholders' equity ⁽³⁾	22.48	22.86	15.53
Operating cash general and administrative expense to average assets ⁽⁴⁾	0.76	0.82	1.17
Operating cash efficiency ratio ^{(2),(4)}	29.69	30.57	42.92

(1) The information presented is not in conformity with Generally Accepted Accounting Principles in the United States of America, or GAAP. The following have been excluded from the return calculations: For 2000, \$2.5 million, after tax, for net gain on sale and disposition of banking and loan production offices and \$3.4 million, after tax, for an executive severance payment. For 1999, \$11.3 million, after tax, for net gain on sale and disposition of banking and loan production offices. For 1998, \$100.3 million, after tax, for costs associated with the acquisition of Long Island Bancorp, Inc., or LIB, and other infrequently occurring charges. This information is being presented since we consider it a more accurate presentation of our operating results and related returns.

(2) Efficiency ratio represents general and administrative expense divided by the sum of net interest income plus non-interest income less net gains on sales of securities, premises and equipment, and for 2000 and 1999, the net gain on sale and disposition of banking and loan production offices.

(3) Excludes non-cash charge for amortization of goodwill and amortization relating to allocation of Employee Stock Ownership Plan, or ESOP, stock and earned portion of Recognition and Retention Plan, or RRP, stock and related tax benefit.

(4) Excludes non-cash charge for amortization relating to allocation of ESOP stock and earned portion of RRP stock.

Astoria Financial Corporation (Nasdaq: ASFC), headquartered in Lake Success, New York, is the holding company for Astoria Federal Savings and Loan Association, which operates eighty-six banking offices: eighty-three on Long Island, including Brooklyn, Queens, Nassau and Suffolk Counties and three in Westchester County. Established in 1888, Astoria Federal provides retail banking, mortgage, consumer and small business lending services to 700,000 customers. Astoria commands the third largest deposit market share in the attractive Long Island market with a population exceeding that of 39 individual states. Astoria Federal also originates mortgage loans through its banking and loan production offices in the New York metropolitan area and through an extensive broker network in fourteen states: New York, New Jersey, Connecticut, Pennsylvania, Massachusetts, Delaware, Maryland, Illinois, Ohio, Virginia, North Carolina, South Carolina, Georgia and Florida. With \$22.3 billion in assets, Astoria Financial Corporation is the second largest thrift institution in New York and the sixth largest in the United States.



Leadership in a profitable market...





Outstanding credit quality:

94

George L. Engelke, Jr.
Chairman, President and Chief Executive Officer

To Our Shareholders:

The first full year of the new millennium proved to be as formidable a challenge as I had anticipated it would be in this letter last year. Due to rising interest rates and a persistent flat to inverted U.S. Treasury yield curve which negatively impacted operating spreads, we focused on strengthening and repositioning our assets and liabilities and, in fact, elected to slightly shrink the balance sheet in 2000.

Nonetheless, by remaining focused on our business plan, specifically maintaining our very low credit risk profile, managing assets and liabilities carefully, and operating efficiently, I am very pleased to report that Astoria Financial Corporation produced another year of solid financial operating returns.

Most importantly, as investor euphoria for Internet technology stocks faded quickly and dramatically, and, particularly in anticipation of the Federal Reserve lowering interest rates to stem a slowdown in the economy, the market valuations for financial sector and other value-oriented stocks improved markedly during the last quarter of 2000. Accordingly, Astoria Financial Corporation's common stock closed at \$54.31 on December 29, 2000, an increase of 78% for the year and, more dramatically, a 150% increase from the low of \$21.75 recorded on March 14, 2000.

Solid Financial Operating Results For the year ended December 31, 2000, Astoria Financial Corporation realized

operating income of \$217.4 million or \$4.34 diluted operating earnings per common share compared to operating income of \$224.3 million, or \$4.16 diluted operating earnings per common share for the comparable 1999 period. Operating income in both periods excludes infrequently occurring items that obscure our true operating performance. Including infrequently occurring items, net income for 2000 totaled \$216.5 million or \$4.32 diluted earnings per common share compared to \$235.7 million, or \$4.37 diluted earnings per common share for the comparable 1999 period. The decreases in net income and operating income in the year over year periods were attributable to a decrease in average interest-earning assets due to the strategic balance sheet shrinkage and a lower net interest margin.

Operating Cash Earnings and Related Returns We continue to view operating cash earnings as one of the most important measures of our financial performance. Operating cash earnings, which represent the amount of tangible equity we generate from operating results, includes operating



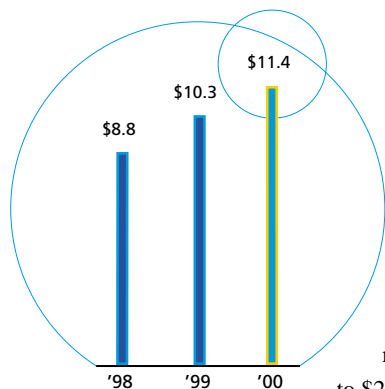
of all loans are secured by residential real estate.

earnings plus non-cash charges for goodwill amortization and amortization relating to certain employee stock plans and the related tax benefit and is a measure of our ability to grow, pay dividends and/or repurchase our common stock.

For fiscal 2000, operating cash earnings of \$243.2 million, or \$4.87 diluted operating cash earnings per common share, exceeded operating earnings and diluted operating earnings per common share by 11.8% and 12.2%, respectively. The related operating cash return on average tangible equity for the year ended December 31, 2000 was 22.48% compared to 22.86% for the previous year. The operating cash return on average assets was 1.09% compared to 1.13% for the 1999 period. These key performance measures of profitability are impressive and validate the success of our business strategy as well as our ability to effectively manage through varying and challenging interest rate cycles.

It is important to note that the Financial Accounting Standards Board recently issued an exposure draft pertaining to accounting for business combinations whereby the amortization of goodwill created with respect to business combinations completed both before and after the effective date of any final pronouncement would be discontinued. Should this exposure draft be formally adopted, Astoria Financial Corporation would cease recording goodwill amortization expense amounting to approximately \$19.3 million annually, or approximately \$0.40 per diluted common share, based on shares currently outstanding.

Loans Receivable
At Year End (Dollars in Billions)



Balance Sheet Repositioning

Although the challenging interest rate environment we experienced throughout 2000 reduced operating spreads and caused us to deliberately limit growth, the repurchase of 2.6 million shares of our common stock served as a positive earnings alternative. While reducing assets by \$359.7 million to \$22.3 billion at December 31, 2000,

we continued to reposition the balance sheet by increasing loans and deposits, our core businesses and decreasing securities and borrowings.

The mortgage-backed securities portfolio decreased 15.2% to \$7.9 billion during the year ended December 31, 2000 which resulted from repayments of \$1.8 billion offset by an improvement of \$348.2 million in net unrealized loss on mortgage-backed securities classified as available-for-sale. No securities were sold. During the same period, our loan portfolio grew by 11.0% to \$11.4 billion at December 31, 2000 due to mortgage loan originations and purchases which totaled \$2.7 billion, offset by loan repayments. A substantial portion of our originations were adjustable-rate loan products.

We also experienced healthy deposit growth in 2000 with total deposits increasing by \$517.2 million, or 5.4%, to \$10.1 billion at year end 2000. Importantly, core deposits, including regular savings, checking and money market accounts represented 48.9% of total deposits at the end of 2000, with checking account balances surpassing the \$1 billion level during 2000.

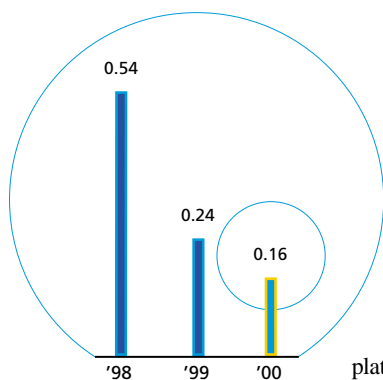
Shareholder Value Enhancement Book value and tangible book value per common share increased substantially during 2000 to \$29.47 and \$25.35, respectively, at December 31, 2000, reflecting increases of 32.9% and 42.1%, respectively, for the year. These increases were attributable to the combination of the positive effects of net income and a decrease in the net unrealized loss on securities available-for-sale, net of taxes, offset by the repurchases of common stock and dividends paid.

Lending Activity; Outstanding Asset Quality Since our founding in 1888, Astoria Federal has focused its lending activities primarily on residential mortgages. At December 31, 2000, 87% of our \$11.4 billion loan portfolio was comprised of mortgage loans secured by one-to-four family residences and another 7% consisted of multi-family mortgage loans secured by residential apartment buildings. The remainder of our mortgage portfolio included commercial real estate loans and, to a lesser extent, home equity loans secured by second mortgages. In total, 99% of all of our loans were secured by real estate.

Our conservative lending policies, which include a constant attention to credit quality, are best exemplified by the positive



Nonperforming Loans/Total Assets
At Year End (Percent)



Superior Operating Efficiency

We continue to operate very efficient platforms for the delivery of both lending and retail banking products. Our efficiency ratios

are impressive and rank among the lowest in the banking industry. For the year ended December 31, 2000, we reported an operating cash efficiency ratio of 29.69% compared to 30.57% for the prior year and our operating cash general and administrative expense ratio to average assets was 0.76% for 2000 compared to 0.82% for 1999. Maintenance of these important ratios at levels significantly lower than our industry peers contributes importantly to our strong financial performance.

Retail Banking and Marketing Initiatives In addition to our lending activities, we remain committed to providing a full line of retail banking products and delivering quality service to our customers and the communities we serve. Toward that end, we have added the sales of mutual funds, annuities and more recently, life, property and casualty insurance and debit cards to our array of products in an effort to bolster fee income as well as to satisfy the needs of existing and potential customers.

We have made great strides in transforming our retail banking staff into a pro-active sales force by implementing training and sales incentive programs. Our success in this endeavor can be measured by the explosive growth in income from the sales of mutual funds, annuities and insurance products which, in 2000, increased 73% over the 1999 total. And, by adding a small business lending program to our existing community-based lending efforts, we have provided our business checking customers with enhanced financial flexibility.

We continue to more effectively allocate marketing dollars by targeting various customer segments with appropriate financial solutions. New software has been implemented that will

trend in non-performing loans which, at December 31, 2000, totaled \$36.2 million, or only 0.16% of total assets, a 32.2% decline from \$53.4 million, or 0.24% of total assets at December 31, 1999.

Importantly, our allowance for loan losses to non-performing loans coverage increased to 220.9% at December 31, 2000 from 143.5% at December 31, 1999.

enable us to more accurately identify customer product usage, channel distribution choices and buying patterns to further improve our marketing efforts.

Realizing the importance of the Internet as an alternate delivery channel for our customers, we have redesigned our corporate Web site and have introduced on-line banking, among a host of other on-line capabilities, ranging from bill paying to mortgage pre-qualification. Our new Web site also provides shareholders with immediate access to corporate announcements as they are issued, presentations we make to the investment community and other corporate and stock information. We invite you to log on and browse through our exciting new site at www.astoriafederal.com.

Corporate Governance In April 2000, William J. Fendt, having reached mandatory retirement, retired from our Board of Directors. Mr. Fendt served as a director for twenty-four years. His advice and counsel served us well and will be missed.

Additionally, on March 3, 2001, after almost 45 years of dedicated service, Executive Vice President and Corporate Secretary William K. Sheerin retired. We were very positively impacted by Bill over his many years of loyal service and we wish him well in his retirement. Alan P. Eggleston, Executive Vice President and General Counsel, has been appointed to the additional position of Corporate Secretary.

Outlook for 2001 We entered 2001 financially strong, profitable and well-capitalized. With our managerial expertise and operating capabilities and flexibilities, we are positioned to meet the challenges ahead and to take advantage of opportunities in the marketplace. Our superior credit quality coupled with a clear Federal Reserve direction toward easing interest rates will only add positively to our opportunity to enhance shareholder value.

On behalf of the Board of Directors, officers and employees who contributed to our strong performance in 2000, I thank you for your confidence and continued support.

Sincerely,

George L. Engelke, Jr.
Chairman, President and Chief Executive Officer
March 21, 2001





Building value for our shareholders by building value for our customers and their communities is our key focus. In the seven year period since becoming a public company, Astoria has created a very strong banking franchise as a result of our having successfully integrated three major strategic acquisitions. These acquisitions created the framework for an efficient operation enabling us to deliver a full range of products and services that, in addition to enhancing shareholder value, provide long-term benefits for our customers and the communities we serve.

Putting people first...



Our four county footprint has a combined population of

6

Astoria Federal's retail banking franchise consists of 86 banking offices, 83 of which are located on Long Island, a region which encompasses the four contiguous counties of Kings (Brooklyn), Queens, Nassau and Suffolk. Our three other banking offices are located in Westchester County.

Today, with deposits on Long Island totaling \$9.7 billion, Astoria Federal commands the third largest deposit market share, positioning us well in one of the prime banking markets in the nation. Our attractive product offerings include a full range of savings and checking accounts, debit and credit cards, home mortgage and home equity loans, small business loans and business checking accounts along with mutual funds, deferred annuities and life, property and casualty insurance. With convenient locations and multiple alternative delivery channels through which we deliver these products, Astoria Federal is clearly positioned as the premier consumer-oriented community bank on Long Island.

The four-county Long Island footprint has a combined population of 6.9 million, which is greater than the population of 39 individual states in the United States. This lucrative market includes 2.4 million households with annual effective buying income totaling \$125.2 billion. Rich in economic and cultural diversity, Long Island includes several of the wealthiest counties in the nation. Forty-two percent of the households in the four-county region have annual effective buying incomes of greater than \$50,000. In addition,

Long Island is also home to many large immigrant communities, particularly in Brooklyn and Queens, where Astoria Federal makes a special effort to serve these diverse ethnicities by providing up to six language selections at its ATMs as well as by actively recruiting employees who are fluent in the languages spoken in these neighborhoods. The concentrated population, cultural and ethnic diversity and impressive economic statistics define the strength of this market in which we have chosen to compete. Our goal is to continue to penetrate this market with new products and new lines of business, delivered through a variety of channels that will provide choice, convenience and service for customers and potential customers anytime, anywhere, 24 hours a day, 7 days a week.

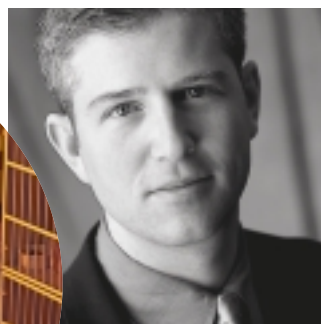
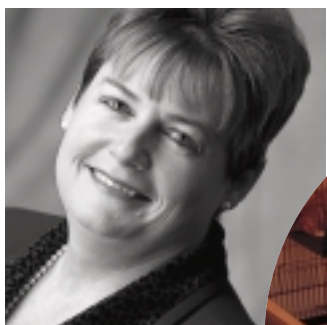
Small Business Lending Long Island's economy today is diversified and robust, employing 3.3 million people ranging from blue collar to professional. It is home to more than 35,000 retail establishments and more than 160,000 small businesses, 144,000 of which employ less than 20 employees and over 100,000 of which employ less than 5 employees, providing us with an outstanding opportunity to build market share by cultivating stronger business banking relationships.

To capitalize on this deep reservoir of potential business customers, we introduced a small business lending program, adding another dimension to our community-based lending



9

million, which is greater than the population of 39 individual states.



"I am grateful to Astoria Federal for helping me obtain the necessary financing that permitted me to realize a dream. Their business bankers were both cooperative and accommodating in structuring the right financing program to fit my needs. Their professionalism, excellent service and attention to my financial needs was a welcome change from what I perceived to be a lack of interest on the part of larger commercial banks. Thanks to Astoria Federal, I was able to open my animal hospital last year."

Jennifer L. Saver, D.V.M., New Hyde Park, N.Y.

Premier consumer-oriented

efforts. This new initiative concentrates on professionals, existing businesses and entrepreneurs with revenues of less than \$10 million and is a natural complement to our existing business checking products.

Our initial results have been modest and growing. We have, for example, been successful in providing quality service to small business owners who find it difficult to get the attention of larger commercial banks. For example, a local veterinarian was interested in establishing an animal hospital and indicated her desire to do so to one of her clients, who, as it happened, was an Astoria Federal retail banking employee. Upon hearing the problems she had encountered in attempting to secure financing at the larger commercial banks, our employee encouraged her to contact Astoria Federal for her

business needs. The veterinarian, Dr. Jennifer L. Saver, did just that, approaching Astoria Federal's Business Banking group with her plans. By offering Dr. Saver a variety of financing alternatives to choose from, we enabled her to realize a dream. During 2001, we will continue to cultivate borrowing relationships to increase our reach into the small business community.

Mortgage and Home Equity Lending There are approximately 2.5 million housing units on Long Island, over half of which are owner-occupied, providing us with a significant opportunity to market our wide array of mortgage loan products, which include a full range of fixed- and adjustable-rate mortgage loans complemented by competitive home equity loans and lines of credit.

"We turned to Astoria Federal when we decided to expand our home. After shopping around for a home equity line of credit, as far as we were concerned, Astoria Federal had the best product, provided us the best service, making our financing decision that much easier. They made the process completely hassle-free."

Stephen and Holly Warman, Brookville, N.Y.



42

2.4 million households with



community bank on Long Island

Because we have been very successful in generating home mortgage loans, adding \$2.4 billion in 2000 alone, we have an excellent opportunity to increase our penetration of the home equity market by offering this product to our existing mortgage customers in all of the markets in which we operate. In order to expand our home equity lending program outside of New York, during 2000 we initiated a “piggy back” program whereby an equity line of credit was offered to all qualified home mortgage loan borrowers. In 2000, we originated \$92.0 million in home equity loans and lines of credit.

When Stephen and Holly Warman decided it was time to expand their family home in Brookville, Long Island to accommodate the needs of their growing family, Astoria Federal was there to provide the financing for their home improvement project. Our quality service along with the financing options offered satisfied the Warman family’s particular financing needs.

In addition to loans produced in our primary market of Long Island, Astoria Federal operates an extensive loan broker network that produces loans in thirteen Eastern states. Currently,

50% of our mortgage loan portfolio is comprised of loans on residential properties located outside of New York, reducing

our geographic loan concentrations and the risks associated with regional or local economic slowdowns.

Insurance and Investment Products During 2000, we expanded our menu of retail banking products to include life, property and casualty insurance and estate planning as a means to broaden our source of non-interest revenue as well as to increase our capability to provide a total solution to the financial needs of our individual and business customers.

For example, the Montesinos family, long time customers of Astoria Federal, was mindful of the need to provide for their child’s college education as well as to establish a plan to help insure their financial security in retirement. A licensed financial consultant at our Woodside banking office was instrumental in helping them design a plan based upon their long-term financial objectives and risk tolerance, which allowed them to maintain financial flexibility. By establishing a college savings plan utilizing select mutual funds coupled with retirement accounts and life insurance coverage, the Montesinos are on the road toward a secure future.

Internet Banking Customer behavior patterns indicate that our diverse customer base continues to change the ways it does business. While banking offices remain the primary hub



having annual effective buying income greater than \$50,000.



Combined, telephone banking and ATM transactions totaled more than

1



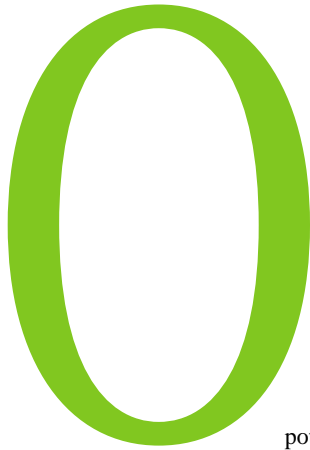
"When we decided that it was time to start planning for the future and our child's college education, we turned to Astoria Federal, our bank for many years. Astoria had a variety of investment and retirement products. Their investment representative helped us choose the retirement options that worked for us. We feel much better knowing that we are providing for our child's future as well as for our own retirement."

Guadalupe and Dolores Romero Montesinos, Woodside, N.Y.

of banking activity, more and more of our customers are turning to alternative means to conduct some or all of their banking business. We continually adapt to meet the changing needs of our customers. For example, when customers wanted the flexibility to bank on their own time instead of during working hours, Astoria Federal met that need by instituting Saturday banking hours. Several years later, Saturday banking hours were complemented with 24 hour ATM service to further expand the flexibility to bank any time, anywhere. More recently, we introduced telephone banking as an additional delivery channel option. Combined, telephone banking and ATM transactions at Astoria totaled more than 10 million in 2000.

During the first quarter of 2001, we added a fourth delivery channel, Online Banking with a bill paying option, further strengthening our competitive position. In conjunction with this new service, we launched an entirely new Web site with features such as mortgage pre-qualification, deposit and loan rate information, online credit card applications as well as an enhanced service feature that gives borrowers access to their home mortgage loan activity. Existing customers and potential new customers now have added flexibility in managing their finances as well as the ability to identify solutions to investment and insurance needs. The birth of our new enhanced Web site, www.astoriafederal.com is about simplicity, convenience, value and flexibility. It provides our customers and





million in 2000.

potential customers with the ability to look at our total portfolio of deposit, loan, investment and insurance products from a needs-based approach.

We have also harnessed the power of the Internet to bring together all that Astoria has to offer its communities, employees and shareholders. For example, our investor relations efforts have been enhanced by our ability to communicate more timely and effectively with current and potential investors as well as financial analysts. Our investor relations Web page includes, among other features, access to the Company's news releases, conference calls and investor presentations, as well as stock quotes, stock charts and an interactive events calendar to keep shareholders abreast of our upcoming investor events. Our site also provides online recruiting capabilities and job postings which improves communications with current and potential employees. We also utilize the Web site to encourage individual participation in community events sponsored by Astoria Federal.

In summary, our Internet presence provides simple, smart and secure access to information and services for our customers, investors, employees and the communities we serve.

Community Astoria Federal's commitment to making each community it serves a better place to both live and work is exemplified by its long-standing tradition of supporting programs that provide the resources for these communities to flourish. In addition to providing a wide array of financial

services, Astoria Federal and hundreds of its employees supported many local and national organizations in 2000 through direct grants and/or volunteer participation in activities such as walk-a-thons, fund raising events, street fairs and a host of other neighborhood events.

Astoria Federal also helped to satisfy the housing needs of low- and moderate-income families through its affordable housing mortgage loan program through which it originated \$26.2 million of below market mortgage loans to 172 first time home buyers during 2000. In addition, direct financing was provided for the construction of 58 two-family homes for low- and moderate-income families in the Bedford-Stuyvesant section of Brooklyn. The project, which is administered by the New York Housing Partnership, is subsidized by New York State and New York City.

In addition to this direct support, Astoria Federal is an active partner with the Community Preservation Corporation, the Federal Home Loan Bank of New York and many other organizations that contribute to satisfying the needs of low- and moderate-income families.



Helping the community



Astoria Federal's community development initiatives also include several public subsidy programs critical to affordable housing such as Federal Low Income Housing Tax Credits, New York State Housing Trust Fund program, New York State Affordable Housing Corporation and a variety of other local initiatives. One project involving such funding sources in addition to Astoria Federal's construction financing was Wisdom Gardens, a 40 unit, low-income senior housing project in Port Jefferson Station, Long Island which was sponsored by Maryhaven, a unit of the Diocese of Rockville Centre Catholic Health System.

Astoria Federal continues to be an important supporter of Neighborhood Housing Services of New York ("NHS"). In addition to our financial support, we continue to provide free renovated office space in our Woodside banking office to the NHS of Northern Queens, where mortgage counseling services are offered and the NHS' Home Maintenance Training Center is housed.

Habitat for Humanity continued to benefit from our support in 2000 through our pledge of \$100,000 to Habitat for Humanity of New York City to finance construction of affordable housing over the next five years. In addition, we were instrumental in securing to date, \$280,000 in grants from the Federal Home Loan Bank of New York to assist in

the construction of 28 homes in Suffolk County with Habitat for Humanity of Suffolk County. And finally, employees of Astoria Federal provided hundreds of hours of volunteer labor towards the construction of homes in Brooklyn and Suffolk County.

The Bank continues to sponsor and support numerous not-for-profit and charitable causes that have a meaningful impact on the community which include, among others, St. Christopher-Ottile, one of New York's largest and most diverse child and family services agencies, the American Heart Association, the Brooklyn Children's Museum, the Queens Public Library and the Fortunato Breast Health Center at Mather Memorial Hospital.

Recognizing the importance of continuing education in the communities, Astoria Federal also supports scholarship funding efforts for Long Island University, St. Francis College and Hofstra University. In addition to this financial support, several of our executives and board members serve on the Boards of Trustees of these institutions.

Astoria Federal is proud of its long history of supporting the communities it serves by providing them with the resources necessary to flourish and prosper. While we have only detailed a few of our many community endeavors, they highlight the depth and breadth of our commitment. We are also very gratified that the Office of Thrift Supervision, our primary banking regulator, has recognized our success in meeting the needs of our community by awarding us its 'Outstanding' Community Reinvestment Act rating, the highest rating possible.



<i>(In Thousands, Except Share Data)</i>	At December 31,	
	2000	1999
Assets:		
Cash and due from banks	\$ 135,726	\$ 154,918
Federal funds sold and repurchase agreements	171,525	335,653
Mortgage-backed securities available-for-sale ((\$6,508,966 and \$7,829,812 pledged to creditors, respectively))	7,011,185	8,204,977
Other securities available-for-sale ((\$474,515 and \$421,749 pledged to creditors, respectively))	692,037	657,772
Mortgage-backed securities held-to-maturity (fair value of \$866,938 and \$1,071,251, respectively) ((\$729,798 and \$1,032,003 pledged to creditors, respectively))	863,529	1,082,261
Other securities held-to-maturity (fair value of \$830,479 and \$772,356, respectively) ((\$666,415 and \$600,302 pledged to creditors, respectively))	848,662	817,696
Federal Home Loan Bank of New York stock	285,250	265,250
Loans held-for-sale	13,545	11,376
Loans receivable	11,424,449	10,289,074
Less allowance for loan losses	79,931	76,578
Loans receivable, net	11,344,518	10,212,496
Mortgage servicing rights, net	40,962	48,369
Accrued interest receivable	109,439	110,668
Premises and equipment, net	154,582	176,813
Goodwill	204,649	223,945
Bank owned life insurance	251,565	—
Other assets	209,628	394,342
Total assets	\$22,336,802	\$22,696,536
Liabilities:		
Deposits	\$10,071,687	\$ 9,554,534
Reverse repurchase agreements	7,785,000	9,276,800
Federal Home Loan Bank of New York advances, net	1,910,000	1,610,058
Other borrowings, net	502,371	514,663
Mortgage escrow funds	116,487	120,350
Accrued expenses and other liabilities	313,094	298,219
Total liabilities	20,698,639	21,374,624
Guaranteed preferred beneficial interest in junior subordinated debentures	125,000	125,000
Stockholders' Equity:		
Preferred stock, \$1.00 par value; 5,000,000 shares authorized:		
Series A (325,000 shares authorized and -0- shares issued and outstanding)	—	—
Series B (2,000,000 shares authorized, issued and outstanding)	2,000	2,000
Common stock, \$.01 par value; (200,000,000 shares authorized; 55,498,296 shares issued; and 49,643,554 and 51,730,959 shares outstanding, respectively)	555	555
Additional paid-in capital	807,357	800,414
Retained earnings	1,059,048	908,236
Treasury stock (5,854,742 and 3,767,337 shares, at cost, respectively)	(203,632)	(137,071)
Accumulated other comprehensive income:		
Net unrealized loss on securities, net of taxes	(121,043)	(344,198)
Unallocated common stock held by ESOP	(31,122)	(32,955)
Unearned common stock held by RRP	—	(69)
Total stockholders' equity	1,513,163	1,196,912
Total liabilities and stockholders' equity	\$22,336,802	\$22,696,536

Astoria Financial Corporation and Subsidiaries
Consolidated Statements of Income

(In Thousands, Except Share Data)	Year Ended December 31,		
	2000	1999	1998
Interest income:			
Mortgage loans	\$ 769,544	\$ 679,623	\$ 612,606
Consumer and other loans	18,237	19,285	24,422
Mortgage-backed securities	577,808	658,140	438,934
Other securities	132,426	129,030	132,414
Federal funds sold and repurchase agreements	19,919	9,201	16,072
Total interest income	1,517,934	1,495,279	1,224,448
Interest expense:			
Deposits	410,101	363,156	399,602
Borrowed funds	600,817	592,175	375,863
Total interest expense	1,010,918	955,331	775,465
Net interest income	507,016	539,948	448,983
Provision for loan losses	4,014	4,119	15,380
Net interest income after provision for loan losses	503,002	535,829	433,603
Non-interest income:			
Customer service and other loan fees	48,795	39,965	34,619
Loan servicing fees	8,635	15,377	5,162
Net gain on sales of securities	—	739	10,976
Net gain on sales of loans	866	3,340	1,990
Net gain on disposition of banking and loan production offices	3,976	19,206	—
Income from bank owned life insurance	1,565	—	—
Other	5,409	8,069	9,516
Total non-interest income	69,246	86,696	62,263
Non-interest expense:			
General and administrative:			
Compensation and benefits	87,722	99,906	119,240
Occupancy, equipment and systems	51,019	53,726	57,688
Federal deposit insurance premiums	2,079	4,537	5,931
Advertising	8,234	6,926	4,782
Other	32,638	30,171	45,247
Total general and administrative	181,692	195,266	232,888
Real estate operations and provision for losses, net	(450)	(186)	(119)
Goodwill litigation	8,580	6,417	1,665
Capital trust securities	12,435	2,169	—
Amortization of goodwill	19,296	19,425	19,754
Acquisition costs and restructuring charges	—	—	124,168
Total non-interest expense	221,553	223,091	378,356
Income before income tax expense and extraordinary item	350,695	399,434	117,510
Income tax expense	134,146	163,764	61,825
Income before extraordinary item	216,549	235,670	55,685
Extraordinary item, net of tax	—	—	(10,637)
Net income	\$ 216,549	\$ 235,670	\$ 45,048
Basic earnings per common share:			
Income before extraordinary item	\$ 4.39	\$ 4.47	\$ 0.98
Extraordinary item, net of tax	—	—	(0.21)
Net earnings per common share	\$ 4.39	\$ 4.47	\$ 0.77
Diluted earnings per common share:			
Income before extraordinary item	\$ 4.32	\$ 4.37	\$ 0.94
Extraordinary item, net of tax	—	—	(0.20)
Net earnings per common share	\$ 4.32	\$ 4.37	\$ 0.74
Basic weighted average common shares	47,952,856	51,351,355	50,801,598
Diluted weighted average common and common equivalent shares	48,717,339	52,506,962	52,886,191

Consolidated Schedules of Operating Earnings and Operating Cash Earnings

(In Thousands, Except Share Data)	Year Ended December 31,		
	2000 ⁽¹⁾	1999 ⁽²⁾	1998 ⁽³⁾
Schedule of Operating Earnings			
Net interest income	\$507,016	\$539,948	\$448,983
Provision for loan losses	4,014	4,119	9,780
Net interest income after provision for loan losses	503,002	535,829	439,203
Total non-interest income	65,270	67,490	66,218
Total non-interest expense	216,127	223,091	254,188
Operating earnings before income tax expense	352,145	380,228	251,233
Provision for income taxes	134,701	155,890	105,810
Operating earnings	217,444	224,338	145,423
Preferred dividends declared	(6,000)	(6,000)	(6,000)
Operating earnings available to common shareholders	\$211,444	\$218,338	\$139,423
Basic operating earnings per common share	\$ 4.41	\$ 4.25	\$ 2.74
Diluted operating earnings per common share	\$ 4.34	\$ 4.16	\$ 2.64
Schedule of Operating Cash Earnings			
Operating earnings	\$217,444	\$224,338	\$145,423
Add back:			
Employee stock plans amortization expense ⁽⁴⁾	6,372	9,927	18,195
Amortization of goodwill	19,296	19,425	19,754
Income tax benefit on amortization expense of earned portion of RRP stock	52	3,870	8,302
Operating cash earnings	243,164	257,560	191,674
Preferred dividends declared	(6,000)	(6,000)	(6,000)
Operating cash earnings available to common shareholders	\$237,164	\$251,560	\$185,674
Basic operating cash earnings per common share	\$ 4.95	\$ 4.90	\$ 3.65
Diluted operating cash earnings per common share	\$ 4.87	\$ 4.79	\$ 3.51
Basic weighted average common shares	47,952,856	51,351,355	50,801,598
Diluted weighted average common and common equivalent shares	48,717,339	52,506,962	52,886,191

(1) For the year ended December 31, 2000, the net gain on the sale of the former LIB headquarters and other bank real estate of \$4.0 million, with a tax effect of \$1.5 million, and a charge related to an executive severance payment of \$5.4 million, with a tax effect of \$2.0 million, have been excluded for purposes of displaying operating earnings.

(2) For the year ended December 31, 1999, the net gain on sale and disposition of five upstate New York banking offices and certain loan production offices of \$19.2 million, with a tax effect of \$7.9 million, has been excluded for purposes of displaying operating earnings.

(3) For the year ended December 31, 1998, acquisition, restructuring and other infrequently occurring charges have been excluded for purposes of displaying operating earnings. The following details such charges:

	Before Tax	Tax Effect	After Tax
Acquisition-related costs	\$124,168	\$40,317	\$ 83,851
Additional loan loss reserves	5,600	1,960	3,640
Asset/liability management actions:			
Penalties related to borrowings prepaid	18,547	7,910	10,637
Losses on securities sold	3,955	1,708	2,247
Total	\$152,270	\$51,895	\$100,375

(4) Non-cash amortization expenses relating to allocation of ESOP stock and earned portion of RRP stock.



Astoria Financial Corporation



2000

PUTTING PEOPLE FIRST



Board of Directors

George L. Engelke, Jr.
Chairman, President and
Chief Executive Officer
Astoria Financial Corporation
and Astoria Federal Savings
and Loan Association

Andrew M. Burger
Retired President
Atlantic Iron Works, Inc.

Robert J. Conway
Retired Executive
AMF Bowling, Inc.

John J. Conefry, Jr.
Vice Chairman
Astoria Financial Corporation

Denis J. Connors
Former Chairman and Chief
Executive Officer
Curran & Connors, Inc.

Thomas J. Donahue
Financial Consultant
Retired Partner of Peat, Marwick,
Mitchell & Co., predecessor of
KPMG LLP

Gerard C. Keegan
Vice Chairman and Chief
Administrative Officer
Astoria Financial Corporation
and Astoria Federal Savings and
Loan Association

Peter C. Haeffner, Jr.
Senior Director,
Financial Services Group
Cushman & Wakefield, Inc.

Ralph F. Palleschi
President and
Chief Operating Officer
First Long Island Investors, Inc.

Lawrence W. Peters
Former President and
Chief Operating Officer
Long Island Bancorp, Inc.

Thomas V. Powderly
Former Chairman and
Chief Executive Officer
Fidelity New York F.S.B.

Leo J. Waters
President
L. J. Waters, Inc.

Donald D. Wenk
Chairman of the Board
American Casting &
Manufacturing Corporation

Astoria Financial Corporation and Astoria Federal Savings and Loan Association

Executive Officers

George L. Engelke, Jr.
Chairman, President and
Chief Executive Officer

Gerard C. Keegan
Vice Chairman and Chief
Administrative Officer

Thomas W. Drennan
Executive Vice President

Alan P. Eggleston
Executive Vice President,
General Counsel and
Corporate Secretary

Arnold K. Greenberg
Executive Vice President

Monte N. Redman
Executive Vice President and
Chief Financial Officer

Astoria Federal Savings and Loan Association

Senior Officers

Josie Callari
Senior Vice President

Robert J. DeStefano
Senior Vice President and
Chief Information Officer

Brian T. Edwards
Senior Vice President

Frank E. Fusco
Senior Vice President and Treasurer

Harold R. Leistmann
Senior Vice President

Gary T. McCann
Senior Vice President

Robert T. Volk
Senior Vice President

Ira M. Yourman
Senior Vice President

First Vice Presidents

Franklyn A. Berkowitz
Howard S. Berliner
Robert A. Campagna
Peter J. Cunningham
Anthony S. DiCostanzo
Peter M. Finn
James J. Horvath
Joseph T. Javitz
Thomas E. Lavery
Michael R. Lechleider
William J. Mannix, Jr.
Marty W. McAleer, Jr.
Daniel J. Quirk (Controller)
Teresa A. Rotondo
Alice T. Rouse
William J. Volckmann
Robert M. Walther

Vice Presidents

Andrew J. Blazek, Jr.
Victor Brown, Jr.
Anthony R. Ciampi
James F. Cloudman
William P. Conboy
Susan M. Consorte
Dester L. Cuomo
Robert Dressler
Christina N. Falsetta
Allan D. Furman
William Glinski
William Goldband
Donald M. Hinchey
Diane B. Hoerberlein
Charles Judson
John A. Knapp
Charles H. Kosowicz
Janet C. Kovacs
Mark F. Manna
Rosina Manzi
Anthony A. Marino
Richard P. McArdle
Steven G. Miss
Katherine A. O'Brien
Harry Oster
Michael J. Re
John F. Roman
Laila R. Sidhom

Shareholder Information

Corporate Offices

Astoria Financial Corporation
One Astoria Federal Plaza
Lake Success,
New York 11042-1085
(516) 327-3000

Stock Listing

Astoria Financial Corporation's
common stock is traded on The
Nasdaq Stock Market® under the
symbol ASFC. The abbreviation
often used in newspaper stock
listings is AstoriaFn, or you may
obtain stock quotes from our
Web site at www.astoriafederal.com

Transfer Agent and Registrar

Mellon Investor Services LLC
Overpeck Centre
85 Challenger Road
Ridgefield Park, New Jersey 07660
(800) 851-9677

General Shareholder Inquiries/ Address Changes/ Consolidations

Mellon Investor Services LLC
P.O. Box 3315
South Hackensack,
New Jersey 07606
(800) 851-9677

Dividend Reinvestment/ Shareholder Investment Plans

Mellon Investor Services LLC
P.O. Box 3315
South Hackensack,
New Jersey 07606
(800) 851-9677

Independent Auditors

KPMG LLP
1305 Walt Whitman Road
Melville, New York 11747

Shareholder/Investor Information

Shareholders, investors and
analysts interested in additional
information may contact:

Peter J. Cunningham
First Vice President
Shareholder/Investor Relations
Astoria Financial Corporation
One Astoria Federal Plaza
Lake Success,
New York 11042-1085
(516) 327-7877
email: ir@astoriafederal.com

Web Site

Information about Astoria Federal
Savings' products, locations,
services and community events as
well as corporate investor informa-
tion, press releases, stock quotes,
investor presentations pertaining
to Astoria Financial Corporation
may be obtained on our Web site
at www.astoriafederal.com



Astoria Financial Corporation
One Astoria Federal Plaza
Lake Success, NY 11042-1085