HUDSON CITY
BANCORP, INC.

November 6, 2013

Dear Shareholder:

You are cordially invited to attend the 2013 Annual Meeting of Shareholders of Hudson City Bancorp, Inc., which will be held on December 18, 2013 at 12:00 noon, Eastern Time, at the Park Ridge Marriott, 300 Brae Boulevard, Park Ridge, New Jersey 07656.

The attached Notice of the 2013 Annual Meeting of Shareholders and the attached Proxy Statement describe the business to be transacted at the annual meeting. Directors and officers of Hudson City Bancorp, as well as a representative of KPMG LLP, the accounting firm appointed by the Audit Committee of the Board of Directors to be Hudson City Bancorp's independent registered public accounting firm for the fiscal year ending December 31, 2013, will be present at the annual meeting to respond to appropriate questions.

Please complete, sign, date and return the enclosed proxy card promptly, or if you prefer, vote by using the telephone or Internet, whether or not you plan to attend the annual meeting. Your vote is important regardless of the number of shares you own. Voting by proxy will not prevent you from voting in person at the annual meeting, but will assure that your vote is counted if you are unable to attend the meeting. *If you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your record holder to attend and to vote personally at the annual meeting.* Examples of appropriate documentation include a broker's statement, letter or other document confirming your ownership of shares of Hudson City Bancorp common stock.

As you may know, Hudson City Bancorp, Inc. entered into an Agreement and Plan of Merger (the "Merger Agreement") with M&T Bank Corporation ("M&T") and Wilmington Trust Corporation ("WTC"), a wholly owned subsidiary of M&T, on August 27, 2012. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Hudson City Bancorp will merge with and into WTC, with WTC continuing as the surviving entity (the "Merger"). On April 12, 2013, M&T and Hudson City Bancorp announced that additional time will be required to obtain a regulatory determination on the applications necessary to complete the proposed Merger. As a result, on April 13, 2013, M&T and Hudson City Bancorp entered into Amendment No. 1 to the Merger Agreement which, among other things, extends the date after which either party may elect to terminate the Merger Agreement, if the Merger has not yet been completed, from August 27, 2013 to January 31, 2014. The Merger was approved by the shareholders of both Hudson City Bancorp and M&T and is subject to regulatory approvals and the satisfaction of other customary conditions.

In the past, we have traditionally held our annual meetings during the month of April. However, prior to the announced delay, we expected to close the Merger in the second quarter of 2013 and therefore did not schedule an Annual Meeting. Given the announced delay in the closing of the Merger and extension of the Merger Agreement through January 31, 2014, we decided to schedule the 2013 Annual Meeting of Shareholders to be held on December 18, 2013 in order to comply with the NASDAQ corporate governance requirements. If the closing of the Merger occurs prior to December 18, 2013, the 2013 Annual Meeting of Shareholders will not be held.

On behalf of the Board of Directors and the employees of Hudson City Bancorp, we thank you for your continued support and hope to see you at the annual meeting.

Sincerely yours,

Ronald E. Hermance, Jr.
Chairman of the Board of Directors and
Chief Executive Officer

Hudson City Bancorp, Inc.

West 80 Century Road
Paramus, New Jersey 07652
(201) 967-1900

NOTICE OF THE 2013 ANNUAL MEETING OF SHAREHOLDERS
To Be Held on December 18, 2013

NOTICE IS HEREBY GIVEN that the 2013 Annual Meeting of Shareholders of Hudson City Bancorp, Inc. will be held at the Park Ridge Marriott, 300 Brae Boulevard, Park Ridge, New Jersey 07656, on December 18, 2013 at 12:00 noon, Eastern Time, to consider and vote upon the following matters:

(1) The election of three directors for a term of one year each;

(2) The ratification of the appointment of KPMG LLP as Hudson City Bancorp's independent registered public accounting firm for the fiscal year ending December 31, 2013; and

(3) The approval of a non-binding advisory proposal on named executive officer compensation.

Shareholders may also be asked to vote upon such other business as may properly come before the annual meeting, and any adjournment or postponement thereof. Please note that we are not aware of any such business.

The Board of Directors has fixed October 28, 2013 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting and any adjournment or postponement thereof. Only shareholders of record at the close of business on that date will be entitled to notice of and to vote at the annual meeting and any adjournment or postponement thereof. A list of shareholders of record will be available for inspection at the branch office of Hudson City Savings Bank located at West 80 Century Road, Paramus, New Jersey 07652 for 10 days prior to the annual meeting. The list will also be available at the annual meeting.

By Order of the Board of Directors,

Veronica Olszewski
Senior Vice President, Treasurer
and Corporate Secretary

Paramus, New Jersey
November 6, 2013

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER OF SHARES YOU OWN. THE BOARD OF DIRECTORS URGES YOU TO SUBMIT YOUR PROXY CARD AS SOON AS POSSIBLE. YOU MAY SUBMIT YOUR PROXY CARD BY COMPLETING, SIGNING, DATING AND RETURNING YOUR PROXY CARD IN THE ENCLOSED ENVELOPE OR, IF YOU PREFER, VOTE BY USING THE TELEPHONE OR INTERNET. RETURNING THE PROXY CARD WILL NOT PREVENT YOU FROM VOTING IN PERSON IF YOU ATTEND THE ANNUAL MEETING.

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HUDSON CITY BANCORP, INC.

PROXY STATEMENT FOR THE 2013 ANNUAL MEETING OF SHAREHOLDERS

To Be Held on December 18, 2013

GENERAL INFORMATION

General

This proxy statement, accompanying proxy card and the 2012 Annual Report to Shareholders are being furnished to the shareholders of Hudson City Bancorp, Inc., referred to as Hudson City Bancorp, in connection with the solicitation of proxies by the Board of Directors of Hudson City Bancorp for use at the 2013 Annual Meeting of Shareholders. The 2013 Annual Meeting of Shareholders will be held on December 18, 2013 at the Park Ridge Marriott, 300 Brae Boulevard, Park Ridge, New Jersey 07656 at 12:00 noon, Eastern Time. This proxy statement, together with the enclosed proxy card, is first being mailed to shareholders on or about November 6, 2013.

Hudson City Bancorp, a Delaware corporation, operates as a savings and loan holding company for its wholly owned subsidiary, Hudson City Savings Bank, referred to as Hudson City Savings. As used in this proxy statement, "we," "us," "our" and "the Company" refer to Hudson City Bancorp or Hudson City Bancorp and its consolidated subsidiaries, depending on the context. The term "annual meeting," as used in this proxy statement, includes any adjournment or postponement of such meeting.

Who Can Vote

The Board of Directors has fixed the close of business on October 28, 2013 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting. Accordingly, only holders of record of shares of Hudson City Bancorp common stock, par value $0.01 per share, at the close of business on such date will be entitled to vote at the annual meeting. On October 28, 2013, there were 528,419,170 shares of Hudson City Bancorp common stock outstanding. The presence, in person or by proxy, of the holders of at least a majority of the total number of outstanding shares of Hudson City Bancorp common stock entitled to vote at the annual meeting is necessary to constitute a quorum at the meeting.

How Many Votes You Have

Each holder of shares of Hudson City Bancorp common stock outstanding on October 28, 2013 will be entitled to one vote for each share held of record (other than excess shares, as defined below) at the annual meeting. As provided in Hudson City Bancorp's Certificate of Incorporation, record holders of common stock who beneficially own in excess of 10% of the issued and outstanding shares of common stock are record holders of excess shares, which shall be entitled to one-hundredth of one vote per share for each excess share. A person or entity is deemed to beneficially own shares owned by an affiliate or associate as well as by persons acting in concert with such person or entity. Hudson City Bancorp's Certificate of Incorporation authorizes the Board of Directors to interpret and apply the provisions of the Certificate of Incorporation governing excess shares, and to determine on the basis of information known to the Board of Directors after reasonable inquiry of all facts necessary to ascertain compliance with the Certificate of Incorporation, including, without limitation, (1) the number of shares of common stock beneficially owned by any person or purported owner, (2) whether a person or purported owner is an affiliate or associate of, or is acting in concert with, any other person or purported owner and (3) whether a person or purported owner has an agreement, arrangement or understanding with any person or purported owner as to the voting or disposition of any shares of common stock.

How to Vote

You may vote your shares:

(1) **By telephone.** Use the toll free telephone number shown on your proxy card. The telephone voting system is available 24 hours a day until 11:59 p.m., Eastern Time, on Tuesday, December 17, 2013. Once you are dialed into the telephone voting system, a series of prompts will tell you how to record and confirm (or change) your voting instructions.

(2) **By Internet.** Vote at the Internet address shown on your proxy card. The Internet voting system is available 24 hours a day until 11:59 p.m., Eastern Time, on Tuesday, December 17, 2013. Once you are logged into the Internet voting system, you can record and confirm (or change) your voting instructions.

(3) **By mail.** Mark and sign the enclosed proxy card and return it in the enclosed self-addressed, postage-prepaid envelope. All properly executed proxy cards received by Hudson City Bancorp will be voted in accordance with the instructions marked on the proxy card.

If you return an executed proxy card without marking your instructions, your executed proxy will be voted "FOR" Proposals 1, 2 and 3, each identified in the preceding Notice of the 2013 Annual Meeting of Shareholders (unless you are a broker, in which case your executed proxy will be voted as set forth below under the caption "Vote Required"). Returning a proxy card will not prevent you from voting in person if you attend the annual meeting.

Alternatively, you may attend the annual meeting and vote in person. If you are a shareholder whose shares are not registered in your own name (for example, if your shares are held in a bank or brokerage account), you will need to obtain a written legal proxy from your shareholder of record to vote personally at the annual meeting. If you do not obtain a legal proxy from your shareholder of record, you will not be entitled to vote your shares in person at the annual meeting, but you can still attend the annual meeting if you bring a recent bank or brokerage statement showing that you owned your shares of common stock on October 28, 2013.

Vote Required

Proposal 1. Hudson City Bancorp's bylaws provide a majority voting standard for the election of directors in uncontested elections and plurality voting in any election that is contested. To be elected at the 2013 Annual Meeting of Shareholders, each nominee must receive the affirmative vote of the majority of the votes cast in respect of such nominee's election. For purposes of the election of directors, "a majority of the votes cast" means that the number of votes cast "FOR" a nominee's election exceeds the number of votes cast "AGAINST" that nominee's election. If an incumbent nominee is not elected by the requisite vote, he or she must tender his or her resignation, and the Board of Directors, through a process managed by the Nominating and Governance Committee, will decide whether to accept the resignation within 90 days following certification of the vote by the inspectors of election. Shares as to which the "ABSTAIN" box has been selected on the proxy card, shares held by a broker who submits a proxy card but fails to cast a vote on this proposal (also known as a "broker non-vote") and shares for which a proxy card is not returned (and are not otherwise voted in person) will be treated as shares that are not represented and will have no effect on the outcome of the vote.

Proposals 2 and 3. In order for the shareholders to approve Proposals 2 and 3, we must obtain the affirmative vote of the holders of a majority of the shares of our common stock represented in person or by proxy at the annual meeting and entitled to vote on the proposal. Under the voting standard for Proposals 2 and 3, shares as to which the "ABSTAIN" box has been selected on the proxy card for the proposal will count as shares represented and entitled to vote and will be treated as votes "AGAINST" that proposal. Shares held by a broker who submits a proxy card but fails to cast a vote on a proposal and shares for which a proxy card is not returned (and are not otherwise voted in person) will be treated as shares that are not represented and will have no effect on the outcome of the vote.

Because the vote on the non-binding proposal to approve the named executive officer compensation (Proposal 3) is advisory, it will not be binding on the Board of Directors. However, the Compensation Committee of the Board of Directors will consider the outcome of the vote when considering future executive compensation arrangements.

Our Board of Directors recommends that you promptly complete, sign and date the enclosed proxy card(s) in favor of Proposals 1, 2 and 3, and return the card(s) in the enclosed self-addressed, postage-prepaid envelope or, if you prefer, vote by using the telephone or Internet. Proxy cards must be received prior to the commencement of the annual meeting. Returning the proxy card will not prevent you from voting in person if you attend the annual meeting. Your vote is very important.

Revocability of Proxies

You may revoke your grant of a proxy at any time before it is voted at the annual meeting by:

- filing a written revocation of the proxy with our corporate secretary;
- submitting a signed proxy card bearing a later date; or
- attending and voting in person at the annual meeting, but you also must file a written revocation of the proxy with the secretary of the annual meeting prior to the voting.

If you voted by telephone, you can change your vote by using the toll free telephone number shown on your proxy card. The telephone voting system is available 24 hours a day until 11:59 p.m., Eastern Time, on Tuesday, December 17, 2013.

If you voted using the Internet, you can change your vote at the Internet address shown on your proxy card. The Internet voting system is available 24 hours a day until 11:59 p.m., Eastern Time, on Tuesday, December 17, 2013.

We are soliciting proxies only for the 2013 Annual Meeting of Shareholders. If you grant us a proxy to vote your shares, the proxy will only be exercised at the 2013 Annual Meeting of Shareholders.

Solicitation of Proxies

Our officers, members of our Board of Directors and our employees may solicit proxies on our behalf by telephone or through other forms of communication, but none of these persons will receive any compensation for their solicitation activities in addition to their regular compensation. We have retained Georgeson Inc. to solicit proxies in connection with the annual meeting. We have agreed to pay Georgeson Inc. a base fee of $7,000 plus a fee of $2,000 for additional services in connection with the annual meeting. In addition, we have agreed to pay Georgeson Inc. a maximum fee of $5.00 per each telephone solicitation made to shareholders by Georgeson Inc. and $3.50 for each telephone vote solicited by a telephone call. The aggregate fee will vary considerably based on the number and length of telephone solicitations made. We have also agreed to reimburse Georgeson Inc. for its expenses for such solicitation services. We request that persons, firms and corporations holding shares in their own name or in the name of nominees, in each case which are beneficially owned by others, send proxy materials to and obtain proxies from such beneficial owners, and we will reimburse such holders for the reasonable expenses incurred in connection therewith. We will bear all costs of solicitation.

Interest of Management and Directors in Matters to be Acted Upon

Management and directors of Hudson City Bancorp have interests in the matters that will be acted upon that are different from the interests of other shareholders as follows:

- *Non-binding Advisory Vote on Named Executive Officer Compensation*: Proposal 3 is a non-binding advisory vote on the compensation awarded to our named executive officers. However, the Compensation Committee of the Board of Directors will consider the outcome of the vote when considering future executive compensation arrangements.

The Board of Directors has taken the above interests into account in recommending that shareholders approve Proposal 3.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on December 18, 2013

This proxy statement and the 2012 Annual Report to Shareholders are available on Hudson City Bancorp's website at www.hcbk.com.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Principal Shareholders

The following table sets forth, as of September 30, 2013, certain information as to Hudson City Bancorp common stock beneficially owned by persons owning in excess of 5% of the outstanding shares of our common stock. We know of no person, except as listed below, who beneficially owned more than 5% of the outstanding shares of our common stock as of September 30, 2013. Except as otherwise indicated, the information provided in the following table was obtained from filings with the Securities and Exchange Commission and with Hudson City Bancorp pursuant to the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. Addresses provided are those listed in the filings as the address of the person authorized to receive notices and communications. For purposes of the table below and the table set forth under the caption “Directors and Executive Officers,” in accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner of any shares of common stock (1) over which that person has or shares, directly or indirectly, voting or investment power, or (2) of which that person has the right to acquire beneficial ownership at any time within 60 days after September 30, 2013. As used herein, “voting power” is the power to vote or direct the voting of shares and “investment power” includes the power to dispose or direct the disposition of shares. Except as otherwise indicated, (i) each shareholder shown in the table below has sole voting and investment power with respect to the shares of common stock indicated and (ii) none of such shares are listed because the person has the right to acquire beneficial ownership within 60 days after September 30, 2013.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent(1)
Employee Stock Ownership Plan Trust of Hudson City Savings Bank(2) West 80 Century Road Paramus, New Jersey 07652	40,571,259	7.7%
Human Resources Committee of Hudson City Savings Bank(3) West 80 Century Road Paramus, New Jersey 07652	44,631,065	8.4
BlackRock, Inc.(4) 40 East 52nd Street New York, New York 10022	31,651,220	6.0
State Street Corporation(5) One Lincoln Street Boston, Massachusetts 02111	30,536,270	5.8
The Vanguard Group(6) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	30,180,906	5.7

(1) Based on the 528,419,170 total outstanding shares of Hudson City Bancorp as of September 30, 2013.

(2) Based on the Schedule 13G/A filed with the Securities and Exchange Commission on February 12, 2013. The Human Resources Committee, a plan fiduciary, shares voting and investment power with participants in the Employee Stock Ownership Plan.

(3) Based on the Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2013. The Human Resources Committee has sole voting and investment power over 699,773 shares in the Hudson City Savings Bank Retirement Plan for Employees. The Human Resources Committee shares voting power over 40,571,259 shares and shares investment power over 43,931,292 shares, which number of shares includes the 40,571,259 shares also indicated as beneficially owned by the Employee Stock Ownership Plan Trust of Hudson City Savings Bank.

(4) Based on the Schedule 13G/A filed with the Securities and Exchange Commission on February 8, 2013 and other information available to the Company. The Schedule 13G/A was filed by BlackRock, Inc. for itself and as the parent holding company for 18 of its subsidiaries (each identified on Exhibit A to the Schedule 13G/A). No one of these entities, on its own behalf, has ownership interests exceeding 5% of the total outstanding shares of common stock of Hudson City Bancorp.

(5) Based on the Schedule 13G filed with the Securities and Exchange Commission on February 11, 2013 and other information available to the Company. The Schedule 13G was filed by State Street Corporation for itself and as the parent holding company for 8 of its subsidiaries (each identified on Exhibit 1 to the Schedule 13G). No one of these entities, on its own behalf, has ownership interests exceeding 5% of the total outstanding shares of common stock of Hudson City Bancorp.

(6) Based on the Schedule 13G filed with the Securities and Exchange Commission on February 13, 2013 and other information available to the Company. The Schedule 13G was filed by The Vanguard Group for itself and as the parent holding company for 2 of its subsidiaries (each identified on Appendix A to the Schedule 13G). No one of these entities, on its own behalf, has ownership interests exceeding 5% of the total outstanding shares of common stock of Hudson City Bancorp. The Vanguard Group has sole voting power over 842,647 shares and sole investment power over 27,563,481 shares. The Vanguard Group shares investment power over 793,141 shares.

Directors and Executive Officers

The following table sets forth information about the shares of common stock beneficially owned by each director of Hudson City Bancorp, by each named executive officer of Hudson City Bancorp identified in the Summary Compensation Table included elsewhere herein, and all directors and executive officers of Hudson City Bancorp or Hudson City Bancorp's wholly owned subsidiary, Hudson City Savings Bank, as a group as of September 30, 2013. Except as otherwise indicated, each person and each group shown in the table has sole voting and investment power with respect to the shares of common stock indicated.

Name	Position with the Company	Amount and Nature of Beneficial Ownership (1)(2)(3)	Percent of Common Stock Outstanding(4)
Ronald E. Hermance, Jr.	Director, Chairman and Chief Executive Officer	9,765,152(5)	1.8%
Denis J. Salamone	Director, President and Chief Operating Officer	4,803,525(6)	*
Michael W. Azzara	Director	442,666	*
William G. Bardel	Director	521,847(7)	*
Scott A. Belair	Director	590,293	*
Victoria H. Bruni	Director	580,651(8)	*
Cornelius E. Golding	Director	117,629	*
Donald O. Quest, M.D.	Director	567,269	*
Joseph G. Sponholz	Director	509,089(9)	*
James C. Kranz	Executive Vice President and Chief Financial Officer	1,275,720(10)	*
Thomas E. Laird	Executive Vice President and Chief Lending Officer	1,583,708(11)	*
Tracey A. Dedrick	Executive Vice President and Chief Risk Officer	4,446(12)	*
Anthony J. Fabiano	Executive Vice President	241,837(13)	*
All directors and executive officers as a group (25 persons)		71,148,387(14)	13.02%

* Less than one percent

(1) The figures shown include the following shares that have been allocated as of December 31, 2012 to individual accounts of participants in the Hudson City Bancorp, Inc. Employee Stock Ownership Plan (referred to as the ESOP): Mr. Hermance, 87,807 shares; Mr. Salamone, 62,913 shares; Mr. Kranz, 87,807 shares; Mr. Laird, 84,862 shares; Ms. Dedrick, 3,061 shares; Mr. Fabiano, 28,247 shares; and all directors and executive officers as a group, 892,375 shares. Such persons have voting power (subject to the legal duties of the ESOP Trustee) but no investment power, except in limited circumstances, as to such shares. The figures shown for each of the executive officers named in the table do not include 30,789,908 shares held in trust pursuant to the ESOP that have not been allocated as of December 31, 2012 to any individual's account and as to which each of the executive officers named in the table shares voting power with other ESOP participants. The figure shown for all directors and executive officers as a group includes such 30,789,908 shares as to which Hudson City Savings Bank's Human Resources Committee (as of January 1, 2012, consisting of Messrs. Azzara, Belair and Quest) may be deemed to have shared investment power, except in limited circumstances, thereby causing such committee to be deemed a beneficial owner of such shares. This figure also includes all 9,781,351 shares allocated to individual accounts under the ESOP, as the Human Resources Committee may be deemed to have shared investment power, in limited circumstances, over those shares as well. Each of the members of the Human Resources Committee disclaims beneficial ownership of such shares and, accordingly, such shares are not attributed to the members of the Human Resources Committee individually. See "Compensation of Executive Officers and Directors — Deferred Compensation — Employee Stock Ownership Plan."

(2) The figures shown include the following shares held as of September 30, 2013 in individual accounts of participants in the Profit Incentive Bonus Plan of Hudson City Savings Bank: Mr. Hermance, 464,314 shares; Mr. Salamone, 14,492 shares; Mr. Kranz, 127,631 shares; Mr. Laird, 213,693 shares; Ms. Dedrick, 1,385; Mr. Fabiano, 0 shares; and all directors and executive officers as a group, 1,179,357 shares. Such persons have sole voting power and sole investment power as to such shares. The figure shown for all directors and executive officers as a group includes all 3,172,433 shares allocated to the accounts of participants in the Profit Incentive Bonus Plan, as to which the Human Resources Committee may be deemed to have shared investment power, in limited circumstances. Each of the members of the Human Resources Committee disclaims beneficial ownership of such shares and, accordingly, such shares are not attributed to the members of the Human Resources Committee individually. See "Compensation of Executive Officers and Directors — Deferred Compensation — Profit Incentive Bonus Plan."

(3) The figures shown include the following shares which may be acquired upon the exercise of stock options that are, or will become, exercisable within 60 days after September 30, 2013: Mr. Hermance, 6,566,651 shares; Mr. Salamone, 2,637,417 shares; Mr. Kranz, 773,240 shares; Mr. Laird, 748,706 shares; Ms. Dedrick, 0 shares; Mr. Fabiano, 177,500 shares; Mr. Azzara, 289,468 shares; Mr. Bardel, 289,468 shares; Mr. Belair, 417,708 shares; Ms. Bruni, 289,468 shares; Mr. Golding, 97,629 shares; Dr. Quest, 289,468 shares; Mr. Sponholz, 289,468 shares; and all directors and executive officers as a group, 18,116,967 shares.

(4) Based on the 528,419,170 total outstanding shares as of September 30, 2013 plus the 18,116,967 shares which such person or group of persons has the right to acquire within 60 days after September 30, 2013.

(5) Beneficial ownership includes 340,536 shares as to which Mr. Hermance may be deemed to share voting and investment power.

(6) Includes 92,524 shares as to which Mr. Salamone may be deemed to share voting and investment power and 2,049,912 shares held in a brokerage account with margin provisions.

(7) Includes 232,379 shares held in a brokerage account with margin provisions.

(8) Includes 115,000 shares as to which Ms. Bruni may be deemed to share voting and investment power.

(9) Includes 119,621 shares as to which Mr. Sponholz may be deemed to share voting and investment power.

(10) Includes 87,807 shares as to which Mr. Kranz may be deemed to share voting power.

(11) Includes 621,308 shares as to which Mr. Laird may be deemed to share voting and investment power and 535,536 shares held in a brokerage account with margin provisions.

(12) Includes 3,061 shares as to which Ms. Dedrick may be deemed to share voting and investment power.

(13) Includes 28,247 shares as to which Mr. Fabiano may be deemed to share voting and investment power.

(14) Includes 3,297,028 shares held in brokerage accounts with margin provisions by directors and executive officers as a group. Also includes 699,773 shares held in trust under the Hudson City Savings Bank Employee Retirement Plan, as to which the Human Resources Committee may be deemed to have sole investment power. Each of the members of the Human Resources Committee disclaims beneficial ownership of such shares and, accordingly, such shares are not attributed to the members of the Human Resources Committee individually.

Change in Control

Hudson City Bancorp entered into an Agreement and Plan of Merger (the "Merger Agreement") with M&T Bank Corporation ("M&T") and Wilmington Trust Corporation ("WTC"), a wholly owned subsidiary of M&T, on August 27, 2012. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Hudson City Bancorp will merge with and into WTC, with WTC continuing as the surviving entity (the "Merger"). On April 12, 2013, M&T and Hudson City Bancorp announced that additional time will be required to obtain a regulatory determination on the applications necessary to complete the proposed Merger. As a result, on April 13, 2013, M&T and Hudson City Bancorp entered into Amendment No. 1 to the Merger Agreement which, among other things, extends the date after which either party may elect to terminate the Merger Agreement, if the Merger has not yet been completed, from August 27, 2013 to January 31, 2014. The Merger was approved by the shareholders of both Hudson City Bancorp and M&T and is subject to regulatory approvals and the satisfaction of other customary conditions.

PROPOSAL 1
ELECTION OF DIRECTORS

General

The Board of Directors currently consists of nine directors. At the 2012 Annual Meeting of Shareholders held on April 25, 2012, the shareholders of Hudson City Bancorp voted to amend Hudson City Bancorp's Certificate of Incorporation to eliminate the classified Board of Directors and provide for the annual election of directors. Directors who had been elected to three-year terms prior to the effectiveness of the amendment will complete those terms. Thereafter, their successors (as well as any director chosen as a result of a newly created directorship or to fill a vacancy) will be elected to one-year terms. From and after the 2015 Annual Meeting of Shareholders, the entire Board of Directors will stand for election annually.

The terms of three directors expire at the 2013 Annual Meeting of Shareholders. Each of Cornelius E. Golding, Donald O. Quest, M.D and Joseph G. Sponholz, have been nominated by the Board of Directors, upon recommendation by the Nominating and Governance Committee, to be re-elected at the annual meeting for one-year terms expiring at the Annual Meeting of Shareholders to be held in 2014, or when their successors are otherwise duly elected and qualified.

Assuming the re-election of Mr. Golding, Dr. Quest and Mr. Sponholz, at the conclusion of the annual meeting, our Board of Directors will consist of nine members, and Ronald E. Hermance, Jr. and Denis J. Salamone will be the only members who are not "independent" under the listing requirements of the NASDAQ Global Select Market. See "Corporate Governance."

The terms of the remaining two classes of directors expire at the Annual Meetings of Shareholders to be held in 2014 and 2015, respectively, or when their successors are otherwise duly elected and qualified. In the event that any nominee for election as a director at the 2013 Annual Meeting of Shareholders is unable or declines to serve, which the Board of Directors has no reason to expect, the persons named in the completed and returned proxy cards will vote for the substitute nominee designated by the present Board of Directors to serve until the next annual meeting of shareholders. Proxies cannot be voted for a greater number of persons than the three nominees named in this Proposal 1.

Who Our Directors Are

The table below states certain information with respect to each nominee for election as a director and each director whose term does not expire at the 2013 Annual Meeting of Shareholders (including time spent on the Board of Directors or Board of Managers of Hudson City Savings prior to the incorporation of Hudson City Bancorp on March 4, 1999). There are no arrangements or understandings between Hudson City Bancorp and any director or nominee pursuant to which such person was elected or nominated to be a director of Hudson City Bancorp. For information with respect to security ownership of directors, see "Security Ownership of Certain Beneficial Owners and Management — Directors and Executive Officers."

Name	Age(1)	Director Since	Term Expires	Positions Held at Hudson City
Nominees				
Cornelius E. Golding	66	2010	2013	Director
Donald O. Quest, M.D.	74	1983	2013	Director
Joseph G. Sponholz	69	2002	2013	Director
Continuing Directors				
Ronald E. Hermance, Jr.	66	1988	2014	Director, Chairman and Chief Executive Officer
William G. Bardel	74	2003	2014	Director
Scott A. Belair	66	2004	2014	Director
Michael W. Azzara	66	2002	2015	Director
Victoria H. Bruni	71	1996	2015	Director
Denis J. Salamone	60	2001	2015	Director, President and Chief Operating Officer

(1) As of November 6, 2013.

Directors

The business experience, qualifications and other attributes that led to the conclusion by the Nominating and Governance Committee and the Board of Directors that each person identified below should serve as a director of Hudson City Bancorp is as follows:

Nominees for Election as Director

Cornelius E. Golding was the Senior Vice President and Chief Financial Officer of Atlantic Mutual Insurance Company, where, among other responsibilities, he oversaw the corporate investment portfolio, a position he held from August 1994 to his retirement in September 2003. Previously, from 1981 to 1994, Mr. Golding served in various management and executive positions at Atlantic Mutual Insurance Company, including Senior Vice President and Comptroller, Vice President and Comptroller and Vice President-Internal Audit. Prior to joining Atlantic Mutual Insurance Company, Mr. Golding served as the Vice President of Ideal Mutual Insurance Company in 1979 and as the Assistant Controller of AIG, a position he held from December 1979 to March 1980. From 1974 to 1979 Mr. Golding served in various positions at Crum & Forster, including Assistant Controller and from 1972 to 1974 Mr. Golding was employed by the Robert Stigwood Organization. Prior to 1972, Mr. Golding worked for the independent accounting firm of Price Waterhouse (now PricewaterhouseCoopers) as an auditor. Mr. Golding serves on the Board of Directors of Retrophin, Inc. where he is also the Chairman of the Audit Committee. In addition, Mr. Golding serves on the Board of Directors of United Automobile Insurance Group where he is a member of the Corporate Governance Committee, Audit Committee and Investment Committee, and as Trustee of the John A. Forster Trust. Mr. Golding previously served on the Board of Directors of Neurologix, Inc. where he was Chairman of the Audit Committee and a

member of the Compensation Committee. Mr. Golding previously served on the Board of Directors of Somerset Hills Bancorp and National Atlantic Holding Corporation. Mr. Golding is a retired CPA and a member of the American Institute of CPAs and a member of the New York State Society of CPAs. A graduate of St. John Fisher College, Mr. Golding holds an MBA from Fairleigh Dickenson University. Mr. Golding is also a graduate of the Advanced Education Program at the Wharton School of the University of Pennsylvania.

As a former executive in the financial services industry, serving as a Chief Financial Officer for over 10 years, and serving on several boards of directors, including a publicly held bank holding company, Mr. Golding has developed extensive financial and accounting expertise. As a retired CPA, Mr. Golding has gained a valuable understanding of financial institutions and the financial, accounting, operational, regulatory and risk management issues faced by such institutions. The Nominating and Governance Committee considers these skills as assets to the Board and, accordingly, has recommended Mr. Golding for election to the Board.

Donald O. Quest, M.D. has been a neurological surgeon since 1976, a professor at Columbia University since 1989, Assistant Dean for Student Affairs at Columbia University since 2002, and an attending physician at The Valley Hospital and Columbia-Presbyterian Medical Center since 1978. He is a member of the Neurosurgical Associates of New York and New Jersey and a member of the Board of Trustees of Mary Imogene Bassett Hospital in New York. Dr. Quest has been President of the American Association of Neurological Surgeons, the American Academy of Neurological Surgeons, the Congress of Neurological Surgeons, the Chairman of the American Board of Neurological Surgery and the Chairman of the Residency Review Committee for Neurological Surgery. A graduate of the University of Illinois, he received his M.D. from Columbia University.

As a result of the senior positions Dr. Quest has held in professional organizations during his career, Dr. Quest has developed valuable leadership skills and experience related to governance and ethical issues. In addition, Dr. Quest has developed a broad understanding of the banking industry based on his service on the Board of Directors since 1983. As Hudson City's longest serving continuing director, Dr. Quest makes a unique contribution through his institutional knowledge of the evolution of the Company's business and the policies and practices of the Board as its governing body. The Nominating and Governance Committee considers Dr. Quest's leadership skills, governance experience and knowledge of Hudson City as assets to the Board and, accordingly, has recommended Dr. Quest for reelection to the Board.

Joseph G. Sponholz is a retired Vice Chairman of Chase Manhattan Bank, a position he held from 1997 to his retirement in 2000. Prior to assuming the position of Vice Chairman, Mr. Sponholz had served as Chief Administrative Officer of Chase Manhattan Bank. Serving as a member of Chase's Executive Committee, Mr. Sponholz spearheaded the company's Internet efforts as leader of Chase.com. Prior to its merger with Chase, he served as Chief Financial Officer and Chief Technology Officer at Chemical Bank as part of a 20 year career at that institution and its successor. Prior to joining Chemical Bank, Mr. Sponholz spent 7 years, including two years as a Partner, at the financial advisory firm of Booz Allen Hamilton. A graduate of Fordham University, Mr. Sponholz holds an MBA in Finance from New York University. Mr. Sponholz served as the Board's lead independent director from 2008 until March 2012, and currently serves as the Chairman of the Audit Committee.

As the former Chief Financial Officer of one of the largest banks in the country, Mr. Sponholz is recognized as an industry leader in the areas of business strategy, technology and financial management. During his 30 year career working in the banking industry, Mr. Sponholz held many significant leadership roles and developed a detailed understanding of financial institutions and the financial, operational and regulatory issues they confront on a daily basis. The Nominating and Governance Committee considers Mr. Sponholz's financial and leadership skills and his experience and knowledge of the financial services industry, and the unique contribution he makes as the only continuing outside director with experience as a senior retail and commercial banking executive, as assets to the Board and, accordingly, has recommended Mr. Sponholz for reelection to the Board.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE NOMINEES FOR ELECTION AS DIRECTORS.

Continuing Directors

Michael W. Azzara has been a part-time Senior Consultant with the executive search and consulting firm of Foley Proctor Yoskowitz since October 2003. He is the retired President and Chief Executive Officer of Valley Health System, a regional health care provider comprised of The Valley Hospital in Ridgewood, New Jersey, Valley Home Care and the Valley Health Medical Group, a position he held from 1997 to his retirement in 2003. Prior to assuming such position, Mr. Azzara served as President and Chief Executive Officer of The Valley Hospital. Mr. Azzara serves as Chair of the Advisory Board to the Dean of the School of Arts and Sciences, Rutgers University. He became a member of the Rutgers University Board of Trustees on July 1, 2013. Mr. Azzara also serves as Chair of the Board of Trustees of the non-profit Bergen Volunteer Medical Initiative. Mr. Azzara had served on the Board of Directors of Ridgewood Savings Bank for 13 years until its purchase by another community bank. A graduate of Rutgers University, he has a Masters degree from Cornell Graduate School of Business and Public Administration. Mr. Azzara is also a Life Fellow of the American College of Health Care Executives.

As a former health care executive with 22 years of experience serving as a Chief Executive Officer, Mr. Azzara has developed and demonstrated valuable leadership skills and extensive experience with the myriad of issues facing corporate entities, including government regulations, risk management, governance, leadership development and human resources. A resident of Northern New Jersey for his entire life, and a former board member of a Northern New Jersey savings bank, Mr. Azzara possesses insightful knowledge of the market area currently served by Hudson City Savings, including regional economic conditions and the competitive landscapes. All of these qualities, as well as the unique contributions Mr. Azzara makes as the only outside director with experience as a chief executive officer, strengthen the Board's collective knowledge, capabilities and experience.

William G. Bardel was the Associate Headmaster and Chief Financial Officer of the Lawrenceville School, a preparatory high school in Lawrenceville, New Jersey, from 1994 until 2006. The Lawrenceville School had an annual budget of $40 million and an endowment of $200 million. Previously, from 1988 to 1994, he served as head of the Government Advisory Group of Lehman Brothers in London, England, which provided financial market guidance to developing nations in Africa, Asia, Eastern Europe, South America and the Middle East, having been named a Managing Director of Lehman Brothers in 1984. Since 2006, Mr. Bardel has acted as a financial consultant to a number of educational institutions. Mr. Bardel currently serves as the Audit Committee's financial expert. A graduate of Yale University, he has a Masters degree from Oxford University where he was a Rhodes Scholar. Mr. Bardel received his J.D. from Harvard Law School and was a member of the bar in the state of New York until he ceased the active practice of law. Mr. Bardel currently serves as the Board's lead independent director.

Having worked for many years in the financial services industry and as the Chief Financial Officer of a prestigious educational institution, Mr. Bardel possesses a strong overall knowledge of both business and finance. In addition, as an attorney Mr. Bardel also possesses a valuable understanding of the legal system and an ability to assess and evaluate risk from a legal as well as a business standpoint. These skills, combined with Mr. Bardel's leadership experience in several capacities, strengthen the Board's collective knowledge, capabilities and experience.

Scott A. Belair is a co-founder of Urban Outfitters, Inc., a NASDAQ-listed retailer and wholesaler operating under the brand names Urban Outfitters, Anthropologie and Free People, and has served on its Board of Directors since 1970. Previously, Mr. Belair, a CPA, was a Principal at Morgan Stanley and Vice President and Chief Financial Officer of the international offices and subsidiaries at Goldman Sachs, having worked at these investment banks for more than 15 years. In addition, Mr. Belair has been Principal at The ZAC Group, performing financial advisory services, since 1989. A graduate of Lehigh University, he has an MBA from the University of Pennsylvania.

As a CPA, and having previously served in various senior managerial roles for financial services companies, Mr. Belair has gained extensive knowledge of the financial services industry and the many accounting, regulatory and risk management issues faced by financial institutions. The unique perspective Mr. Belair brings from his background as an entrepreneur and his extensive experience in the areas of business growth and the development of business strategy as a co-founder of Urban Outfitters, Inc., strengthen the Board's collective knowledge, capabilities and experience.

Victoria H. Bruni served as Vice President for Administration and Finance at Ramapo College of New Jersey, a public four year liberal arts college with an annual budget of over $100 million, from June 1993 until July 2006. She was responsible for financial planning and reporting, budgets, public financings, accounting operations, and purchasing, as well as administrative functions such as human resources and capital facilities planning, construction and maintenance. From 1964 to 1993 she served in various management and executive positions at New Jersey Bell Telephone Co./Bell Atlantic, including Assistant Comptroller, Treasurer, Assistant Secretary and Attorney. A graduate of Smith College, she received her J.D. with honors from Seton Hall University School of Law. Ms. Bruni was a member of the bar in the state of New Jersey until she ceased the active practice of law. Ms. Bruni is a former member of the NYC Downtown Economists Club.

Prior to Ms. Bruni's retirement in 2006, her professional career spanned 42 years, 29 of which were spent in managerial and executive positions where she gained valuable leadership and governance experience and a strong understanding of corporate financial matters and human resources related issues. In addition, as an attorney admitted to the bar since 1978, Ms. Bruni possesses a valuable understanding of the legal system and the ability to assess and evaluate risk from a legal as well as a business standpoint. Ms. Bruni's skills, experience and knowledge, as well as the unique perspective she brings as the only outside director with line officer experience in human resources management, strengthen the Board's collective knowledge, capabilities and experience.

Ronald E. Hermance, Jr. has been Chief Executive Officer of Hudson City Bancorp and Hudson City Savings since January 1, 2002 and Chairman of the Board since January 1, 2005. Mr. Hermance previously served as President of Hudson City Bancorp and Hudson City Savings from January 1, 2002 until December 2010. Prior to assuming these positions, Mr. Hermance had served as President and Chief Operating Officer of Hudson City Bancorp since its incorporation in 1999 and of Hudson City Savings since January 1997. Mr. Hermance previously was Senior Executive Vice President and Chief Operating Officer from the time he joined Hudson City Savings in 1988. He was elected to the Board of Managers of Hudson City Savings in 1988. Prior to joining Hudson City Savings, Mr. Hermance was Chief Financial Officer of Southold Savings Bank, Long Island, New York. In addition, Mr. Hermance also served as Senior Vice President and Chief Lending Officer for Bankers Trust Company of Western New York, a division of Bankers Trust Company of New York. In 2004, Mr. Hermance was elected to the board of directors of the Federal Home Loan Bank of New York where he currently serves as Chairman of the Nominating and Corporate Governance Committee and also serves on the Executive Committee. Mr. Hermance is a graduate of St. John Fisher College in Rochester, New York where he currently serves as a Trustee on its Board.

Mr. Hermance has over 45 years of experience in the banking industry, both in management and as a board member. Of these 40 years, Mr. Hermance has spent 25 years with the Company serving in senior management capacities. Mr. Hermance's management skills, leadership skills and knowledge of the banking industry strengthen the Board's collective knowledge, capabilities and experience.

Denis J. Salamone has served as President and Chief Operating Officer of Hudson City Bancorp and Hudson City Savings since December 2010. Prior to assuming these positions, Mr. Salamone served as Senior Executive Vice President and Chief Operating Officer of Hudson City Bancorp and Hudson City Savings from January 1, 2002 and prior to that time served as Senior Executive Vice President since October 2001. He was elected to the Board of Directors in October 2001. Prior to joining the Company, Mr. Salamone had a 26 year career with the independent accounting firm of PricewaterhouseCoopers LLP, where he had been a partner for 16 years. Immediately prior to joining Hudson City Bancorp, Mr. Salamone was the Global Financial Services

leader for Audit and Business Advisory Services, and a member of the PricewaterhouseCoopers eighteen member board of partners. Mr. Salamone is a member of the American Institute of CPAs and a member of the New York State Society of CPAs. He graduated in 1975 with a B.S. in Accounting from St. Francis College where he is currently a member of its Board of Trustees.

Mr. Salamone has 37 years of experience in the financial services industry. Prior to joining the Company, for 26 years Mr. Salamone served a clientele consisting of many banks and investment banks as a professional advisor. As a partner at a major accounting firm working with financial institutions, Mr. Salamone developed a depth of knowledge in areas of accounting, risk management, internal control, regulatory compliance and operational efficiency and effectiveness which are a valuable asset to the Board of Directors. Mr. Salamone's skills, experience and knowledge strengthen the Board's collective knowledge, capabilities and experience.

Executive Officers

In addition to Messrs. Hermance and Salamone, Hudson City Bancorp and Hudson City Savings have the following executive officers:

Louis J. Beierle, age 62, has been a Senior Vice President of Hudson City Savings and Hudson City Bancorp since January 2011. He is currently responsible for the internal audit function of both Hudson City Savings and Hudson City Bancorp, having been appointed Director of Internal Audit in January 2007. Mr. Beierle previously served as First Vice President from 2004 through 2010, and as a Vice President from 1993 to 2004, during which time he served in various roles, including assisting in the preparation for Hudson City Bancorp's initial public offering and the development of the Investor Relations department, as well as serving as the Compliance Officer. Mr. Beierle joined Hudson City Savings in 1993 as Vice President/Special Projects. Prior to joining Hudson City Savings, Mr. Beierle was Chief Financial Officer of Montclair Savings Bank, a position he held from 1989 to 1993, and a Senior Manager in the financial institutions practice of KPMG Peat Marwick from 1980 to 1989. Mr. Beierle is a member of the American Institute of CPAs and the New Jersey Society of CPAs. A graduate of Montclair State College, Mr. Beierle holds an MBA from Rutgers University.

Ronald J. Butkovich, age 63, has been Senior Vice President of Hudson City Savings and Hudson City Bancorp since April 2004. He is responsible for the development of the Long Island Region. Mr. Butkovich joined Hudson City Savings in 2004. He formerly served as Operations/Retail Banking officer of Southold Savings Bank on Long Island, New York for 16 years and the Director of Real Estate, Branch Development, and Construction for North Fork Bank for 16 years. Mr. Butkovich has served on various industry, community, and civic associations including treasurer of the Southold Fire Department since 1978. Mr. Butkovich earned his undergraduate degree at the State University of New York at Albany and is a graduate of the National School of Savings Banks and a graduate of the Executive Development Program at Fairfield University.

V. Barry Corridon, age 65, joined Hudson City Savings in 1970. He has been Senior Vice President of Mortgage Servicing of Hudson City Savings since January 2000 and Senior Vice President of Hudson City Bancorp since January 2004. He previously served as First Vice President of Mortgage Servicing of Hudson City Savings from 1995 to 2000 and as a Vice President from 1982 to 1995. He is responsible for the administration of our mortgage portfolio, supervision of new loan set-up, post-closing, payoffs, mortgage accounting, collections and foreclosures. Mr. Corridon was President of the Mortgage Bankers Association of New Jersey in 1995. He is a former President of the Mortgage Bankers Association's Educational Foundation. Mr. Corridon also serves on the board of WOODLEA/PATH Advisory Council of Children's Aid and Family Services. He earned his undergraduate degree at Fairleigh Dickinson University and is also a graduate of the Graduate School of Savings Banking at Brown University and the Executive Development Program at Fairfield University.

Michael Daly, age 61, joined Hudson City Savings Bank in December of 2011. He has been Senior Vice President of Hudson City Savings Bank since July of 2012. He previously served as First Vice President and

Director of Interest Rate Risk Management of Hudson City Savings Bank from December 2011 until July 2012. Prior to joining Hudson City Savings Bank, Mr. Daly worked at State Street Corporation in its Global Treasury function as Vice President and Head of Quantitative Research. He was also previously employed by J.P.Morgan Chase in its mortgage banking division as Vice President, Risk Management and Valuation Control. Mr. Daly was awarded a Ph.D. in Economics from Temple University. He also holds an M.A. degree in Economics from Georgetown University.

Tracey A. Dedrick, age 56, joined Hudson City Savings and Hudson City Bancorp in July of 2011 as Executive Vice President and Chief Risk Officer. From January 2010 to February 2011, Ms. Dedrick served as the Treasurer of PineBridge Investments, an asset management company with $83 billion in assets under management where her responsibilities included managing Treasury, Investor Relations and Risk Management. Ms. Dedrick was employed by MetLife, the largest insurance company in the United States, from June 2001 until September 2009, where she served as Assistant Treasurer from June 2001 until July 2004, charged with the responsibility for building a treasury function for the recently demutualized company as well as managing the capital, liquidity and interest rate risk in the $500 billion balance sheet. At MetLife, Ms. Dedrick served as the Senior Vice President and Head of Market Risk from July 2007 until September 2009 where she was charged with the task of implementing a new economic capital and market risk model used to successfully measure the market risk of the entire balance sheet for the first time. Ms. Dedrick serves on the U.S. Advisory Board of the Royal Shakespeare Company of America. She is also a member of the Northern N.J. Board of Junior Achievement of New Jersey. Ms. Dedrick earned her undergraduate degree at the University of Minnesota.

Anthony J. Fabiano, age 53, has served as Executive Vice President, Finance and Administration since July 2012. Mr. Fabiano has served as the principal accounting officer of Hudson City Bancorp and Hudson City Savings since April 2011. He previously served as Senior Vice President/Finance of Hudson City Savings and Hudson City Bancorp from January 2010 to June 2012. He previously served as First Vice President/Finance of Hudson City Savings and Hudson City Bancorp from January 2007 to December 2009. Mr. Fabiano also served as the Vice President and Treasurer of each of Hudson City Preferred Funding and Sound REIT, Inc. from January 2008 to December 2011 and has served as the Secretary and Director of HudCiti Service Corp. since January 2008. Immediately prior to joining the Company, Mr. Fabiano was the Senior Vice President, Chief Financial Officer and Corporate Secretary of Sound Federal Bancorp from January 2001 to July 2006, and the Vice President and Chief Financial Officer of Sound Federal Bancorp from July 1998 to December 2000. Mr. Fabiano was the Senior Vice President and Chief Financial Officer of MSB Bancorp, Inc. from July 1992 to June 1998 and was employed by KPMG from August 1982 until June 1992 in the audit practice. Mr. Fabiano is a CPA and is a member of the American Institute of CPAs and the New York State Society of CPAs. Mr. Fabiano is a graduate of Manhattan College and the National School of Banking at Fairfield University.

James A. Klarer, age 61, joined Hudson City Savings in 1976. He has served as Senior Vice President of Hudson City Savings and Hudson City Bancorp since January 2005. He previously served as First Vice President of Hudson City Savings from 2002 to 2004, and as a Vice President from 1992 to 2002. Mr. Klarer has also served as Secretary of HudCiti Service Corp. from January 1993 to January 2008. He is responsible for real estate development, branch expansion, insurance, purchasing and general services. Mr. Klarer also manages the disposition of ORE properties originated and serviced by Hudson City Savings. Mr. Klarer is a former member of the Institute of Real Estate Management (IREM) and is a current member of the Building Owners and Managers Association (BOMA). He is a graduate of William Paterson College.

James C. Kranz, age 65, has been Executive Vice President and Chief Financial Officer of Hudson City Savings and Hudson City Bancorp since October 2007. He previously served as Senior Vice President and Chief Financial Officer of Hudson City Savings and Hudson City Bancorp from January 2007 to October 2007, and as Senior Vice President and Investment Officer of Hudson City Savings from January 2000 to January 2007, and as Senior Vice President of Hudson City Bancorp from January 2004 to 2006. He maintains oversight of the entire accounting and finance functions as well as primary execution responsibility for investments and borrowings. Mr. Kranz joined Hudson City Savings in 1983. Mr. Kranz has an undergraduate degree and an MBA from Lehigh University. He is a graduate of the Graduate School of Savings Banking at Brown University.

William J. LaCalamito, age 54, has served as Senior Vice President of Hudson City Savings and Hudson City Bancorp since January 2012. He previously served as First Vice President — Retail Banking of Hudson City Savings and Hudson City Bancorp from July 2006 to December 2011. Immediately prior to joining the Company, Mr. LaCalamito was Vice President and Regional Manager of Sound Federal Bancorp, Inc., a position he held from July 2000 to July 2006. Mr. LaCalamito was the Chief Operating Officer, President, Corporate Secretary and Director of Peekskill Financial Corporation from December 1995 to July 2000. From October 1988 to December 1995, Mr. LaCalamito served in various officer capacities at First Federal Savings and Loan Association of Peekskill. Mr. LaCalamito was employed by KPMG from July 1981 until October 1988 in the Audit practice. Mr. LaCalamito is a CPA and earned his undergraduate degree and an MBA from Pace University.

Thomas E. Laird, age 60, joined Hudson City Savings in 1974. He has served as Executive Vice President and Chief Lending Officer of Hudson City Savings and Hudson City Bancorp since October 2007. He previously served as Senior Vice President and Chief Lending Officer of Hudson City Savings and Hudson City Bancorp from January 2002 to September 2007, Senior Vice President of Hudson City Bancorp since January 2004 and Senior Vice President and Mortgage Officer from January 2000 to 2002. Prior to that, he served as First Vice President and Mortgage Officer from 1991 to 2000. His primary job responsibilities encompass oversight of the full range of managerial duties for loan review, compliance and credit analysis functions, including adherence to policies and procedures of the institution and applicable regulatory and governmental agencies. Mr. Laird holds an undergraduate degree from St. Peter's College and is a graduate of the National School of Banking at Fairfield University. Mr. Laird was actively involved from 1989 to 1999 on the Wanaque Board of Education, having served for two terms as Board President. He has also been active in the New Jersey Bankers Association. He is a former member of the Board of Governors of the Mortgage Bankers Association of New Jersey and a former board member of the Dover Housing Development Corporation.

Christopher L. Mahler, age 53, has worked for Hudson City Savings since 1982 in various capacities related to retail banking, mortgage servicing and mortgage originations and he has served as Senior Vice President of Hudson City Savings and Hudson City Bancorp since January 2010. He previously served as First Vice President and Mortgage Officer of Hudson City Savings and Hudson City Bancorp from December 2003 to December 2009 and Vice President from January 1992 to December 2002. Additionally, Mr. Mahler has served as President and Director of Hudson City Preferred Funding since its incorporation in May 2000 and President and Director of Sound REIT, Inc. since 2006. Mr. Mahler graduated from Providence College in Rhode Island with a B.S. degree. He received his MBA from Saint Peter's College in New Jersey. He also graduated from the National School of Banking at Fairfield University. Mr. Mahler has been a member of the Mortgage Bankers Association of New Jersey, serving on both the Affordable Housing Committee as well as the Conventional Loan Committee. He is also active with the Community Bankers Association of New Jersey. Mr. Mahler also had been active with Bergen County Habitat for Humanity having served three years on its board of directors as well as Vice President and Chairman of the Construction Committee.

Michael McCambridge, age 50, joined Hudson City Savings in 1986 and has served as Senior Vice President of Hudson City Savings and Hudson City Bancorp since January 2010. He previously served as First Vice President of Hudson City Savings and Hudson City Bancorp from 2003 to 2009, and as Vice President from 1998 to 2002. Mr. McCambridge is responsible for asset/liability management reports including income and growth forecasting. He also manages the borrowing portfolio and is responsible for daily cash management. Prior to this, Mr. McCambridge was responsible for the financial and regulatory reporting of Hudson City Bancorp and Hudson City Savings. Mr. McCambridge received a B.A. from the University of Delaware and a B.S. in accounting from Ramapo College of New Jersey. Mr. McCambridge is a member of the American Institute of CPAs and the New Jersey Society of CPAs.

J. Christopher Nettleton, age 58, has served as Senior Vice President of Hudson City Savings and Hudson City Bancorp since January 2012. He previously served as First Vice President from 2005 to 2011 and as Vice President from 2004 to 2005. Mr. Nettleton is responsible for the management of the Human Resources

function. Prior to joining the Company, he worked in the Human Resources department of Ingersoll Rand, Promus Hotels and other major companies for 20 years. Mr. Nettleton has served on the Board of Trustees of Children's Aid and Family Services and on various community and civic associations. He holds an undergraduate degree from Arizona State University and is a member of the American Institute of CPAs.

Veronica A. Olszewski, age 54, has served as Senior Vice President, Treasurer and Corporate Secretary of Hudson City Bancorp and Hudson City Savings since June 2007. She previously served as Senior Vice President and Corporate Secretary of Hudson City Bancorp and Hudson City Savings from January 2004 to June 2007, Senior Vice President from January 2002 to December 2003, First Vice President from January 2000 to December 2001 and Vice President and Assistant Auditor from March 1997 to December 1999. Ms. Olszewski joined Hudson City Savings in 1980. She is responsible for the functions of Corporate Secretary, special projects and strategic planning. Ms. Olszewski is a member of the American Institute of CPAs, New Jersey Society of CPAs and the American Society of Corporate Governance Professionals. She is a graduate of Jersey City State College.

Steven M. Schlesinger, age 58, joined Hudson City Savings in 1978. He has served as Senior Vice President of Information Services of Hudson City Savings and Hudson City Bancorp since January 2009. He previously served as First Vice President of Information Services of Hudson City Savings and Hudson City Bancorp from 2003 to 2008 and Vice President from 1989 to 2003. He is responsible for the Information Services department and has over thirty-eight years of progressive experience in information technology including operations, programming, systems and data communication. He holds an AAS degree in Computer Sciences and graduated from the National School of Banking at Fairfield University in 2000.

Dennis J. Valentovic, age 61, joined Hudson City Savings in 1976. He has served as Senior Vice President, Retail Banking of Hudson City Savings and Hudson City Bancorp since February 2012. He previously served as First Vice President from 2005 to January 2012. Prior to that, Mr. Valentovic served as a Regional Vice President based in Jersey City for 15 years after having been the manager of a succession of retail branch offices. Mr. Valentovic is responsible for branch administration and oversees the activities of the retail support departments. He is a former member of the Board of Trustees of the Bloomfield Public Library, having served several terms as both Treasurer and President. Mr. Valentovic holds an undergraduate degree from Colgate University and is a graduate of the National School of Banking at Fairfield University.

Certain Transactions with Members of Our Board of Directors and Executive Officers

Transactions with related persons, including directors, executive officers and their immediate family members, have the potential to create actual or perceived conflicts of interest between Hudson City Bancorp and such persons. Transactions with related persons generally are categorized as either loans that we may make in the ordinary course of business as a financial institution or all other related person transactions.

We do not currently make loans or extend credit to directors or executive officers. We have made residential mortgage loans to two of our executive officers prior to promotion to executive officer status and to members of the immediate families of certain of our officers and directors. Such loans were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features.

All other related person transactions are generally treated as potential violations of our Code of Ethics for which a waiver must otherwise be obtained if they are found to create a conflict of interest. Under both our Code of Ethics and our Audit Committee Charter, the Audit Committee is charged with reviewing and approving all related person transactions, including any loans to directors, executive officers or their immediate family members, for potential conflicts of interest.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Hudson City Bancorp's executive officers and directors, and persons who own more than 10% of Hudson City Bancorp common stock to file with the Securities and Exchange Commission reports of ownership and changes of ownership. Officers, directors and greater than 10% shareholders are required by Securities and Exchange Commission regulation to furnish Hudson City Bancorp with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons, Hudson City Bancorp believes that all filing requirements applicable to its executive officers, directors and greater than 10% beneficial owners were complied with, with the exceptions of one Form 4 filed on behalf of Ms. Dedrick relating to one transaction and one Form 4 filed on behalf of Mr. Golding relating to one transaction. Each of these forms was filed one day late. In addition, one error was discovered in the holdings reported in the Form 3 filed on behalf of Mr. Beierle. This error has been corrected on Form 3/A.

CORPORATE GOVERNANCE

Hudson City Bancorp aspires to the highest standards of ethical conduct. In that spirit, we are committed to being a leader in corporate governance matters. In addition to our ongoing compliance with the Sarbanes-Oxley Act of 2002, the rules of the NASDAQ Global Select Market and Delaware law, Hudson City Bancorp continues to strive to follow high standards of corporate governance.

Independence of Directors

A majority of the Board of Directors and each member of the Compensation, Nominating and Governance, Risk and Audit Committees is independent, as affirmatively determined by the Board consistent with the criteria established by the NASDAQ listing rules and as required by Hudson City Bancorp's bylaws. In addition to explicitly requiring compliance with the NASDAQ listing rules and in order to further ensure the independence of our directors, Hudson City Bancorp's bylaws prohibit directors from serving on the board of directors of an insured depository institution, bank holding company, financial holding company or thrift holding company, other than Hudson City Bancorp and its affiliated entities or the Federal Home Loan Bank of New York, while serving as a member of the Board of Directors. This prohibition prevents directors from simultaneously serving as a director of another financial institution that may have a business relationship, or may compete, with Hudson City Bancorp.

The Board has conducted an annual review of director independence for all current nominees for election as directors and all continuing directors. During this review, the Board considered transactions and relationships during the prior year between each director or any member of his or her immediate family and Hudson City Bancorp and its subsidiaries, affiliates and equity investors, including those reported under "Certain Transactions with Members of Our Board of Directors and Executive Officers" above. The Board also examined transactions and relationships between directors or their affiliates and members of the senior management or their affiliates. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent.

As a result of this review, the Board affirmatively determined that the nominees, Cornelius E. Golding, Donald O. Quest, M.D and Joseph G. Sponholz, and the following continuing directors, meet Hudson City Bancorp's standard of independence: Michael W. Azzara, Scott A. Belair, William G. Bardel and Victoria H. Bruni. At the time of the annual review, the remaining directors were determined not to be independent for the following reasons: Ronald E. Hermance, Jr. and Denis J. Salamone are currently executive officers of Hudson City Bancorp and Hudson City Savings.

Board Leadership Structure

The positions of Chairman of the Board and Chief Executive Officer are held by Mr. Hermance. In these roles, Mr. Hermance has general charge, supervision and control of the business and affairs of Hudson City Bancorp, and is responsible generally for assuring that policy decisions of the Board are implemented as adopted. As part of his duties, Mr. Hermance is also responsible for planning Hudson City Bancorp's growth, for shareholder relations and relations with investment bankers and other similar financial institutions and financial advisors, for exploring opportunities for mergers, acquisitions and new business, and for performing such other duties as the Board may from time to time assign. As the Chairman of the Board, Mr. Hermance provides leadership to the Board and works with the Board to define its structure and activities in the fulfillment of its responsibilities. We believe this Board leadership structure is appropriate for our Company, in that the combined role of Chairman of the Board and Chief Executive Officer promotes unified leadership and direction for our Company, allowing for a single, clear focus for management to execute the Company's strategy and business plan while contributing to a more efficient and effective Board.

In addition, the Board of Directors has created the position of lead independent director, whose primary responsibility is to preside over periodic executive sessions of the independent members of the Board of Directors. The lead independent director also prepares the agenda for meetings of the independent directors, serves as a liaison between the independent directors and management and outside advisors, and makes periodic reports to the Board of Directors regarding the actions and recommendations of the independent directors. William G. Bardel currently serves as the lead independent director.

Oversight of Risk Management

The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal, regulatory, strategic and reputational risks. The Board receives these reports to enable it to understand the Company's risk identification, risk management and risk mitigation strategies. While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of both management and the Board also have responsibility for risk management. In particular, the Risk Committee oversees Hudson City Bancorp's general risk management and assists the Board in outlining our risk principles and management framework, and setting high level strategy and risk tolerances. The Risk Committee consists of a minimum of three independent members of the Board. Members of the Risk Committee are appointed by the Board on the recommendation of the Nominating and Governance Committee and serve at the Board's discretion. The categories of risk overseen by the Risk Committee include legal risk, reputation risk, interest rate risk, liquidity risk, credit risk, market risk, price risk, compliance risk and operational risk. In addition, the Risk Committee has primary responsibility for overseeing enterprise risk management. The Risk Committee is required to meet at least monthly, or more frequently if it deems necessary. Our risk profile is managed by our Chief Risk Officer. Tracey A. Dedrick is the Chief Risk Officer of Hudson City Bancorp and Hudson City Savings Bank. In this position, Ms. Dedrick reports administratively to the Chief Executive Officer, but reports her findings directly to the Risk Committee on a regular basis. The chair of the Risk Committee reports to the full Board with respect to any notable risk management issues and coordinates with other Board and management level committees as necessary. The Board also meets regularly in executive session without management to discuss a variety of topics, including risk. In these ways, the full Board is able to monitor our risk profile and risk management activities on an on-going basis.

In addition, as a part of its charter, the Audit Committee assists the Board in its oversight of the Company's risk assessment and risk management policies as well as the procedures and the safety and soundness of Hudson City Savings. The Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company's internal auditors. With respect to risk related to compensation matters, the Compensation Committee considers, in establishing and reviewing the Company's employee and executive compensation programs, whether these programs encourage unnecessary or excessive risk taking that could threaten the value of or have a material adverse effect on Hudson City Bancorp and has concluded that they do not.

Continuing Corporate Governance Efforts

Hudson City Bancorp's bylaws, among other things, define who may be considered an "independent" director, establish a mandatory retirement age for all directors, require the independent directors to meet periodically in executive session, and require that the responsibilities of the committees of the Board of Directors conform with the requirements of the Sarbanes-Oxley Act of 2002 and related rules and regulations. In addition, Hudson City Bancorp has Corporate Governance Guidelines and a Code of Ethics, both of which are available on our website at www.hcbk.com. Further actions to enhance our corporate governance mechanisms will be taken as required by law and the NASDAQ Global Select Market or as otherwise deemed necessary or appropriate by the Board of Directors, with a continuing focus on high standards of corporate governance.

Shareholder Communications with the Board

Shareholders of Hudson City Bancorp may contact the Board of Directors, either individually or as a group, by writing to the Board of Directors, c/o Corporate Secretary, Hudson City Bancorp, Inc., West 80 Century Road, Paramus, New Jersey 07652. The Corporate Secretary will forward a copy of all written communications to each member of the Board of Directors.

Meetings of the Board of Directors and its Committees

During 2012, Hudson City Bancorp's Board of Directors held 19 meetings. The independent members of the Board of Directors met in executive session 8 times during 2012. No current director attended fewer than 75% of (a) the total number of Board meetings held in 2012 during the period for which such director was a director and (b) the total number of committee meetings held in 2012 during the period which such director was a committee member. While we do not have a specific policy regarding attendance at the annual meeting, all nominees and continuing directors are expected to attend. All of the incumbent directors attended last year's annual meeting of shareholders.

The Board of Directors of Hudson City Bancorp maintains the following four independent standing committees:

The *Nominating and Governance Committee* consists of Mr. Azzara, Mr. Bardel, Mr. Belair, Ms. Bruni, Mr. Golding, Dr. Quest and Mr. Sponholz, with Mr. Azzara serving as Chairman. All members of the Nominating and Governance Committee have been determined by the Board to be independent of Hudson City Bancorp and meet the definition of independence set forth in Rule 5605(a)(2) of the NASDAQ listing rules. The Nominating and Governance Committee acts under a written charter adopted by Hudson City Bancorp's Board of Directors, a copy of which is available on Hudson City Bancorp's website at www.hcbk.com. This committee is responsible for developing and implementing policies and practices relating to corporate governance, including developing and monitoring implementation of Hudson City Bancorp's Corporate Governance Guidelines. In addition, the Nominating and Governance Committee is responsible for developing criteria for the selection and evaluation of directors and recommends to the Board of Directors candidates for election as directors and senior management.

The Nominating and Governance Committee employs a variety of methods for identifying and evaluating nominees for director. The Nominating and Governance Committee will review the performance of Hudson City Bancorp's current Board members up for election to determine if they should stand for reelection. If a determination is made that a current Board member will not be recommended by the Nominating and Governance Committee for reelection, due to no longer satisfying the minimum qualifications, retirement or otherwise, the Nominating and Governance Committee will conduct a search for individuals qualified to become members of Hudson City Bancorp's Board of Directors, unless the Board of Directors decides to reduce the size of the Board. The Nominating and Governance Committee will also evaluate director nominations by shareholders that are submitted in accordance with the procedural and informational requirements set forth in Hudson City Bancorp's bylaws and described herein under "Additional Information — Notice of Business to be Conducted at Annual Meeting."

Hudson City Bancorp's Corporate Governance Guidelines contain criteria considered by the Nominating and Governance Committee in evaluating nominees for a position on the Board. All nominees, including incumbent directors, other board nominees and shareholder nominees, are evaluated in the same manner. Although the Board of Directors does not have a formal diversity policy, the Corporate Governance Guidelines set forth Hudson City Bancorp's goal to have a Board of Directors comprised of members who have diverse professional backgrounds and have demonstrated personal achievement, the highest personal and professional ethics and integrity and have broad experience in positions with a high degree of responsibility, corporate board experience and the ability to commit adequate time and effort to serve as a director. Other criteria that the Nominating and Governance Committee will consider include expertise currently desired on the Board of Directors, geography, finance or financial services industry experience and involvement in the community. The Nominating and Governance Committee also evaluates potential nominees to determine if they meet Hudson City Bancorp's standard of independence (to ensure that at least a majority of the directors will, at all times, be independent).

Directors of Hudson City Bancorp may not serve on the board of more than three other public companies and may not serve on the board of another unaffiliated insured depository institution, bank holding company, financial holding company or thrift holding company, other than the Federal Home Loan Bank of New York, while serving as a director of Hudson City Bancorp. The Nominating and Governance Committee met 8 times during 2012.

The *Risk Committee* consists of Mr. Bardel, Ms. Bruni, Mr. Golding and Mr. Sponholz, with Mr. Golding serving as Chairman. All members of the Risk Committee have been determined by the Board to be independent of Hudson City Bancorp and meet the definition of independence set forth in Rule 5605(a)(2) of the NASDAQ listing rules.

The Risk Committee acts under a written charter adopted by Hudson City Bancorp's Board of Directors, a copy of which is available on Hudson City Bancorp's website at www.hcbk.com. The Risk Committee is primarily responsible for overseeing the Company's Enterprise Risk Management Program and formulating strategies, policies and procedures with respect to the identification, measurement, management and control of all categories of risk, including credit risk, asset/liability risk, operational risk, reputational risk, information technology and information security risk, and systemic risk. The Risk Committee met 17 times during 2012.

The *Audit Committee* consists of Mr. Bardel, Ms. Bruni, Mr. Golding and Mr. Sponholz, each of whom has been determined by the Board to be independent of Hudson City Bancorp and meets the definition of independence set forth in Rule 5605(a)(2) of the NASDAQ listing rules. Mr. Sponholz serves as Chairman of the Audit Committee, and Hudson City Bancorp's Board of Directors has determined that Mr. Bardel is an "audit committee financial expert," as defined by the rules and regulations of the Securities and Exchange Commission.

The Audit Committee acts under a written charter adopted by Hudson City Bancorp's Board of Directors, a copy of which is available on Hudson City Bancorp's website at www.hcbk.com. The Audit Committee is primarily responsible for: monitoring the integrity of Hudson City Bancorp's financial reporting process and systems of internal controls regarding finance, accounting, legal compliance and public disclosure of financial information; monitoring the independence and performance of Hudson City Bancorp's independent registered public accounting firm and internal auditing department; and maintaining free and open communication between the Audit Committee, the independent registered public accounting firm, management, the internal auditing department, and the Board of Directors. The Audit Committee met 8 times during 2012.

The *Compensation Committee* consists of the following members: Mr. Azzara, Mr. Belair. Dr. Quest and Mr. Bardel (*ex officio*), with Mr. Belair serving as Chairman. None of the members is or previously has been an officer or employee, or has had a relationship with us requiring disclosure in this proxy statement under the caption "Certain Transactions with Members of our Board of Directors and Executive Officers." The Compensation Committee has a written charter that has been approved by the Board of Directors, a copy of which is available on Hudson City Bancorp's website at www.hcbk.com. The Compensation Committee met 11 times during 2012.

Our bylaws require that the Board of Directors, or a board committee to which decision-making authority has been delegated, set executive officer compensation. As a NASDAQ Global Select Market listed company, we must observe governance standards that require independent directors or a committee of independent directors to set executive officer compensation. Consistent with these requirements, our Board of Directors has established the Compensation Committee, all of whose members meet the definition of independence set forth in Rule 5605(a)(2) of the NASDAQ listing rules. The Board of Directors has delegated authority to the Compensation Committee to:

- grant incentive compensation under our shareholder-approved Executive Officer Annual Incentive Plan;
- grant equity compensation under the Amended and Restated 2011 Stock Incentive Plan;
- set the terms and conditions of those grants and to administer those plans;
- administer, but not make further equity compensation grants under, our shareholder-approved 2000 Stock Option Plan and 2000 Recognition and Retention Plan;
- design and administer incentive compensation programs for all senior executive officers and other employees who (alone or collectively) have the authority to expose the Company to material risk, to ensure that these programs do not provide incentives to expose the Company to excessive risk;
- implement and enforce the Company's claw-back policy and its policy against hedging Company stock;
- periodically evaluate the performance of the Chief Executive Officer and ensure periodic performance evaluations of other senior managers; and
- determine or recommend, subject to ratification by the Board of Directors or its independent members, compensation policy and other elements of executive officer compensation, including but not limited to base salaries.

The Compensation Committee meets in executive session and with its advisors and invited management present. It considers the expectations of the Chief Executive Officer and the President and Chief Operating Officer with respect to these officers' compensation, and these officers' recommendations with respect to the compensation of directors and more junior executive officers. It also considers empirical data and the recommendations of advisors. Executive officer compensation matters are presented for discussion at periodic executive sessions of the independent directors and at meetings of the full Board of Directors.

The Compensation Committee may delegate any or all of its powers and responsibilities only to subcommittees of its membership. During 2012, the Committee did not delegate any of its powers or responsibilities.

During 2012, the Compensation Committee continued to work with Frederic W. Cook & Co., Inc., a nationally recognized compensation consulting firm, to assist it in carrying out its duties. The consultant's specific assignments included competitive reviews of our director and named executive officer compensation levels and practices, a more focused review of our equity compensation strategies and a review of the group of peers used for benchmarking our compensation. The consultant provides services only to the Compensation Committee and provides no other services to the Company. The Compensation Committee communicates directly with, and receives written work product directly from, its consultant. It determines the compensation of its consultant and meets with the consultant both in executive session and with invited executive officers present. The Compensation Committee relies on consultants for survey data, for assistance in understanding market practices and trends and for recommended compensation strategies. The Compensation Committee has relied on Hudson City Bancorp's outside legal counsel for advice as to its obligations under applicable corporate, securities, tax and employment laws, for assistance in interpreting its obligations under compensation plans and agreements, and for drafting plans and agreements to document business decisions. The Compensation Committee has the right to select other legal counsel.

Compensation Committee Interlocks and Insider Participation

During 2012, the following directors served as members of the Compensation Committee: Mr. Azzara, Mr. Belair and Dr. Quest, with Mr. Belair serving as Chairman. None of the members was, during 2012, an officer or employee of Hudson City Bancorp or Hudson City Savings; and none of them has formerly been an officer or employee of Hudson City Bancorp or Hudson City Savings. In addition, none of them has any relationship requiring disclosure by us in this proxy statement under the caption "Certain Transactions with Members of Our Board of Directors and Executive Officers."

None of our executive officers served as a director or member of the compensation committee (or equivalent body) of another entity where any of our directors or any member of our Compensation Committee served as an executive officer or director.

Compensation Committee Report

The Compensation Committee has reviewed the Compensation Discussion and Analysis included in this proxy statement and has discussed it with management. Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee of Hudson City Bancorp, Inc.

Scott A. Belair, *Chair*

Michael W. Azzara, *Member*

Donald O. Quest, *Member*

COMPENSATION DISCUSSION AND ANALYSIS

Private Securities Litigation Reform Act Safe Harbor Statement

This Compensation Discussion and Analysis contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 which may be identified by the use of such words as "may," "believe," "expect," "anticipate," "consider" "should," "plan," "estimate," "predict," "continue," "probable" and "potential" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to estimates with respect to the financial condition, results of operations and business of Hudson City Bancorp, Inc. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors (many of which are beyond our control) that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These factors include, but are not limited to:

- the timing and occurrence or non-occurrence of events may be subject to circumstances beyond our control;
- there may be increases in competitive pressure among the financial institutions or from non-financial institutions;
- changes in the interest rate environment may reduce interest margins or affect the value of our investments;
- changes in deposit flows, loan demand or real estate values may adversely affect our business;
- changes in accounting principles, policies or guidelines may cause our financial condition to be perceived differently;
- general economic conditions, including unemployment rates, either nationally or locally in some or all of the areas in which we do business, or conditions in the securities markets or the banking industry may be less favorable than we currently anticipate;
- legislative or regulatory changes including, without limitation, the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, may adversely affect our business;
- enhanced regulatory scrutiny may adversely affect our business and increase our cost of operation;
- applicable technological changes may be more difficult or expensive than we anticipate;
- success or consummation of new business initiatives may be more difficult or expensive than we anticipate;
- litigation or matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than we anticipate;
- the risks associated with adverse changes to credit quality, including changes in the level of loan delinquencies and non-performing assets and charge-offs, the duration of our non-performing assets remain in our portfolio and changes in estimates of the adequacy of the allowance for loan losses;
- difficulties associated with achieving expected future financial results;
- our ability to to access the capital markets;
- our ability to comply with the terms of the Memoranda of Understanding with the Office of the Comptroller of the Currency (the "OCC") and the Board of Governors of the Federal Reserve System ("Federal Reserve Board");
- our ability to pay dividends, repurchase our outstanding common stock or execute capital management strategies each of which requires the approval of the OCC and the Federal Reserve Board;

- the effects of changes in existing U.S. government or U.S. government sponsored mortgage programs;
- the risk of an economic slowdown that would adversely affect credit quality and loan originations;
- changes in prevailing compensation practices.
- the actual results of the pending Merger with WTC, a wholly owned subsidiary of M&T, could vary materially as a result of a number of factors, including the possibility that various closing conditions for the transaction may not be satisfied or waived, and the Merger Agreement could be terminated under certain circumstances; and
- delays in closing the Merger.

Our ability to predict results or the actual effects of our plans or strategies is inherently uncertain. As such, forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this filing. We do not intend to update any of the forward-looking statements after the date of this proxy statement or to conform these statements to actual events.

Introduction

This section of the proxy statement: (1) describes our decision- and policy-making process for executive compensation, (2) discusses the background and objectives of our compensation programs for executive officers, and (3) sets forth the material elements of the compensation of the following individuals, whom we refer to as our "named executive officers":

Name	Title
Ronald E. Hermance, Jr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Denis J. Salamone(1)	President and Chief Operating Officer (Acting Chairman and Chief Executive Officer)
James C. Kranz	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Thomas E. Laird	Executive Vice President and Chief Lending Officer
Tracey A. Dedrick	Executive Vice President and Chief Risk Officer
Anthony J. Fabiano	Executive Vice President, Finance and Administration

(1) For several months during 2012, Mr. Salamone served as acting Chairman and Chief Executive Officer of Hudson City Bancorp and Hudson City Savings Bank while Mr. Hermance was on medical leave.

Descriptions of compensation plans, programs and individual arrangements referred to in this Compensation Discussion and Analysis (other than broad-based plans that are open to substantially all salaried employees) that are governed by written documents are qualified in their entirety by reference to the full text of their governing documents. We have filed these documents as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2012 and incorporate them here by this reference.

Executive Summary

Hudson City continued to experience a challenging operating environment in 2012 with elevated mortgage prepayments and reduced origination volumes as the result of continued competition from government-sponsored entities. A historically low interest rate environment persisted. High levels of unemployment and continuing stress in the residential real estate markets caused already high levels of nonperforming assets to be maintained.

We faced continuing high regulatory burdens resulting from regulatory reform in the financial services industry. Management's response to this operating environment included the following:

- We returned to profitability in 2012 on both a core earnings and GAAP basis, reflecting the benefits of the restructuring completed in 2011.
- We further deleveraged our balance sheet, reducing our interest rate risk exposure, using funds from mortgage prepayments that could not be deployed in new mortgage originations to repay borrowings and fund deposit outflows.
- We substantially advanced implementation of enhanced enterprise-wide risk management and compliance functions. These actions may help us anticipate and manage a broader range of business-related risks, but have added to our overhead costs and dampened our operating efficiency.
- We completed a review of strategic alternatives for diversifying our balance sheet and began to execute a diversification strategy by entering into an agreement to combine with M&T Bank Corporation.

The compensation packages of our named executives reflect these efforts and continued challenges. The efforts of management were recognized with awards under our annual cash incentive program. At the same time, as discussed in Key Elements of the Compensation Package — Equity Compensation below, the continued challenges resulted in forfeiture of performance-based option awards and reduced vesting of variable deferred stock unit awards.

Objectives

The creation of long-term value for our shareholders is highly dependent on the development and execution of our business strategy by our executive officers. Our executive officer compensation program, consistent with previous years, seeks to:

- attract and retain executive officers with the skills, experience and vision to create and execute a strategy for the prudent and efficient deployment of invested capital and retained earnings in a manner that will create superior long-term, cumulative returns to our shareholders through dividends and stock price appreciation,
- motivate behavior in furtherance of these goals through an incentive program that appropriately balances short and long term performance objectives without encouraging unnecessary or excessive risks, and
- reward favorable results.

The factors that influence the design of our executive compensation program include the following:

- Our status as a highly regulated business and our resulting need for executives with industry-specific experience and a track record of effective interaction with our primary regulators.
- The sensitivity of our financial performance to the behavior of customers in the local communities that we serve, as well as to local, regional and national interest rates, employment levels and real estate markets, and other economic factors, and our resulting preference for executives with sufficient tenure in our markets to have experienced the behavior of our customers, products and investments in various phases of the economic cycle.
- Our cultural commitment to shared objectives and individual contributions to their achievement.
- Our recognition that strategic initiatives that enhance long-term shareholder value may not always improve short-term operating results or shareholder returns and our resulting preference for decision-making that focuses on long-term results with sensitivity to short-term effects.
- The variability of the interest rate, credit and regulatory environments in which we operate and our focus on flexible decision-making that adapts quickly to change.

- Our commitment to the retention of performing incumbent executives and the internal development of their successors where possible, using external recruitment where retention and management development programs do not meet our needs.
- Our status as a federally regulated financial institution whose compensation practices are regulated by the OCC and the Federal Reserve Board.

The executive compensation program includes several components designed, in combination, to address these factors. We expect that the components of our executive compensation program and their relative significance could change in the future from year to year as circumstances change.

Key Elements of the Compensation Package

In General. Our executive compensation program consists of three key elements: base salary to provide a reasonable level of predictable income; annual cash incentives to motivate our executives to meet or exceed annual performance objectives derived from our business plan; and long-term incentives to retain talented executives and provide an incentive to maximize shareholder return in the long term. We also provide fringe benefits and perquisites, and retirement and other termination benefits, to reduce outside distractions. Performance-based compensation opportunities make up a significant portion of each named executive officer's total annual compensation opportunities. Long-term incentives, with values derived from our stock price, make up a majority of the performance-based compensation opportunities.

Use of Discretion. The Compensation Committee exercises substantial discretion in setting pay levels and determining the elements of compensation, and their relative weight in the compensation packages of our named executive officers. The following table summarizes the most significant elements of our named executive officers' compensation packages and the basis, in addition to cost considerations, on which each has been determined:

Element	Basis of Determination	Selected Contributing Factors
Base Salary	Compensation Committee discretion	Informed but not dictated by peer group practices
		Tenure in office
		Individual long-term performance
		Local cost of living factors
Annual Cash Incentive	Participation and incentive opportunities are at Compensation Committee discretion	Informed but not dictated by peer group practices
	Actual awards derived by achievement of pre-established performance goals, then adjusted within established limits based on subjective review of performance	Strategic and operating objectives derived from business plan, risk management considerations and personal influence over same
		Individual performance
Stock Incentives	Compensation Committee discretion	Informed but not dictated by peer group practices
		Strategic and operating objectives that support earnings growth, dividend policy and share price appreciation consistent with long term strategic plan
Retirement Benefits	Qualified plans — formula applicable to all participating employees	N/A
	Non-qualified plans — participation at Compensation Committee's discretion; benefits are formula-based for all participants	Informed but not dictated by peer group practices
Fringe Benefits	Group insurance and other broad-based benefits — formula applicable to all participating employees	N/A
	Other — Compensation Committee discretion	Informed but not dictated by peer group practices
		Internal custom and practice
Termination Benefits	Compensation Committee discretion	Informed but not dictated by peer group practices
		Benefit demands of external management recruits

Base Salary. Base salaries are reviewed annually. They do not vary substantially and directly with annual performance. Instead, they reflect market factors, experience and tenure in office, job content and sustained job performance over an extended period, and general cost of living. In 2012, Mr. Hermance's base salary was above, and Salamone's base salary approximated the median of an indicated range of salaries for the chief executive officer position. The base salaries of other named executives approximated the medians for their respective positions. In light of the Company's overall performance, Messrs. Hermance and Salamone recommended that no salary increase be awarded for themselves or to executive officers generally and the Compensation Committee agreed with their recommendation. Increases, where awarded, were designed to reflect increases in duties and responsibilities in connection with promotions. Mr. Fabiano's salary was increased to reflect his promotion to Executive Vice President, increased operating responsibilities undertaken as part of the Company's management succession planning and internal fairness considerations relative to the Company's other senior executives.

Name	% Increase	$ Increase	Resulting Annual Base Salary Rate
Ronald E. Hermance, Jr.	0.0%	—	$1,680,000
Denis J. Salamone	0.0	—	1,070,000
James C. Kranz	0.0	—	504,200
Thomas E. Laird	0.0	—	450,000
Tracey A. Dedrick	0.0	—	400,000
Anthony J. Fabiano	90.0%	190,000	400,000

Cash Incentives. Our Executive Officer Annual Incentive Plan provides performance-based annual incentives to motivate named executive officers to execute specific financial and non-financial elements of our business plan, and to reward individual conduct that supports shared corporate goals. A subjective evaluation of individual performance, in addition to the achievement of shared corporate financial goals, influences actual incentive payments. Elements of our 2012 business plan considered for annual incentives include the following:

- ongoing asset liability management following the restructuring of our balance sheet in 2011,
- core earnings performance,
- maintenance of Tier I tangible capital ratio at or above 7.5% of assets,
- expense discipline and the preservation of and growth in annual net income, and
- risk management considerations, including credit quality, interest rate sensitivity, liquidity and compliance.

Consideration of these elements of our business plan helped focus management on the need to reposition Hudson City for future earnings stability and growth.

For 2012, each of our named executive officers had the opportunity to earn an incentive payment if the Company's core operating earnings, or core operating income before taxes and extraordinary items equaled or exceeded a threshold level of $335.9 million, with the actual amount of each executive's incentive payment (if any) determined by the Compensation Committee, up to a predetermined cap. In light of the subjective nature of the individual performance factors, the Compensation Committee did not attach quantitative performance measures to the payment levels. This approach enabled us to control the portion of our core operating earnings expended for cash incentives. It also afforded management flexibility to adapt to business conditions as they emerged during the year and afforded the Compensation Committee the ability to reward or discipline management for its actions based on a retrospective review of the business context in which action was taken.

Although the Compensation Committee did not set formal payment amounts for threshold, target and maximum performance levels for the named executives, consistent with its annual incentive programs for other officers, it generally regards the maximum payout to be the cap amount, the target payout to be 50% of the maximum amount and the threshold payment to be 25% of the maximum amount. For 2012, the named executive officers' threshold, target and maximum award opportunities, and actual incentives awarded, were:

Name	Threshold Award Opportunity	Target Award Opportunity	Maximum Award Opportunity	Actual Award
Ronald E. Hermance, Jr.	$840,000	$1,680,000	$3,360,000	$2,000,000
Denis J. Salamone	454,750	909,500	1,819,000	1,819,000
James C. Kranz	163,865	327,730	655,460	550,000
Thomas E. Laird	146,250	292,500	585,000	550,000
Tracey A. Dedrick	130,000	260,000	520,000	520,000
Anthony J. Fabiano(1)	130,000	260,000	520,000	400,000

(1) Mr. Fabiano's incentive opportunity was adjusted to reflect his promotion to Executive Vice President in 2012 and his resulting salary increase.

The Company's core operating earnings (before taxes and extraordinary items) exceeded the threshold level necessary for the Compensation Committee to consider payment. The Compensation Committee's decision to award incentive payments for 2012 reflected the Committee's judgment that it was important to recognize the significant efforts of management during a demanding year — including the implementation of the Merger, and ongoing efforts such as responding to compliance requirements, balance sheet restructuring, enhanced risk management and compliance functions, and continued conservative loan underwriting and servicing — to position the Company for future success. Favorable results from these actions included an increase in the Company's regulatory capital ratios, reduced interest rate sensitivity and progress toward meeting the heightened risk management and compliance expectations of our regulators. The decision that incentive payments would be above target levels reflects the influence of the following corporate performance considerations and each executive's contribution in that context:

- core operating earnings (before taxes and extraordinary items) of $419.9 million for 2012 as compared to a threshold requirement for incentive payments of $335.9 million,
- ongoing asset liability management following the restructuring of our balance sheet in 2011, and advancing the business strategy for future margin growth,
- responding to compliance requirements, including substantial completion of enhanced enterprise-wide risk management and compliance programs, and
- completion of the strategic review and progress on implementation of strategies to diversify the Company's balance sheet.

The incentive payment for Mr. Hermance also reflected his medical leave in 2012. The incentive payment to Mr. Salamone reflected his assumption of the role of Acting Chief Executive Officer during Mr. Hermance's medical leave and his leadership in substantially advancing the enterprise-wide and compliance projects as well as the strategic review. The incentive payment for Mr. Fabiano was adjusted to reflect his promotion in 2012.

Core operating earnings are not a measure of performance calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). Operating earnings typically exclude the effects of certain non-recurring or unusual transactions. We believe that core operating earnings provide useful information in evaluating the Company's financial results, and thus our management's performance. Core operating earnings should not be considered a substitute for income before income tax expense, earnings per share or any other data prepared in accordance with GAAP. In addition, we may calculate core operating earnings differently from other

companies reporting data with similar names. The following is a reconciliation of the Company's core operating earnings to pre-tax earnings for the year 2012.

	For the Year Ended December 31, 2012 (In thousands)
GAAP income before income tax expense	$413,782
Adjustments to GAAP loss before income tax benefit:	
Merger related costs	6,127
Core operating earnings	$419,909

Equity Compensation. In 2012, we continued a performance-based equity compensation system where performance criteria in addition to stock price performance influences our named executive officers' right to equity compensation and the amount of such compensation. We consider retention of our experienced management team a high priority in this period of stress in the financial services industry and in the regional economy where we operate. The deterioration of the markets for financial institution stocks has significantly impaired the in-the-money value of the stock options outstanding to our named executive officers and compromised the effectiveness of outstanding and potential new option grants as retention incentives. As a result, we included only performance-based deferred stock units in our 2012 long-term incentive awards for officers, because they have some tangible value at grant. We have tied the vesting of these awards to the attainment of financial performance targets that should beneficially affect both stock price performance and Hudson City Bancorp's financial strength. In order to strengthen the performance conditions on these awards, although service conditions are accelerated on retirement, death or disability, any awards outstanding as of retirement, death or disability will remain subject to attainment of the awards' performance conditions. In the event of a change of control, performance conditions on these awards will be deemed met at the target level, but service conditions will only be accelerated if the executive is discharged without cause or resigns with good reason before the awards' regularly scheduled vesting date.

In 2012, we introduced a set of variable deferred stock unit awards under the Amended and Restated 2011 Stock Incentive Plan. These awards provide a variable number of deferred stock units depending on attainment of performance goals. Each of these awards has a nominal number of awarded units, and designated performance goals used to determine the percentage of this nominal number of units that will be available under the award. This percentage is determined by the level of attainment of the applicable performance goal, with higher attainment resulting in higher percentages. Half of each award is subject to performance of the total shareholder return of Hudson City Bancorp's common stock relative to the companies listed in the Keefe, Bruyette & Woods Regional Bank Index over the vesting period of the award. If the designated threshold level is attained, a percentage from 25% up to 150% of the units subject to this condition will be available under the award, subject to satisfaction of service conditions. This target is subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of deferred stock unit holders.

The remaining half of each variable deferred stock unit award granted in 2012 was made subject to Hudson City Bancorp's return on average tangible shareholder equity for the year 2012. A percentage of 25% to 150% of the units subject to this condition were available under the award. Based on actual performance in 2012, our Compensation Committee determined that 60.25% of the units subject to this condition remain available under these awards, subject to satisfaction of service conditions.

In the absence of an acceleration of vesting or settlement described above in this section, the resulting units available under these variable deferred stock unit awards vest on March 30, 2015, provided that the named executive officer continues in service through such date. Each such award that vests will be distributed in full on March 30, 2015 in Hudson City Bancorp common stock.

We also granted non-variable deferred stock unit awards in 2012 under the Amended and Restated 2011 Stock Incentive Plan. These awards vest on March 30, 2015 provided that the named executive officer continues in service through such date, and provided that Hudson City Savings Bank's leverage capital ratio does not drop below 8.0% during the period from January 1, 2012 to December 31, 2014. This target is subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of deferred stock unit holders. Half of each such award that vests will be distributed on March 30, 2015, with the remainder deferred until and distributed on March 30, 2018, in each case in Hudson City Bancorp common stock.

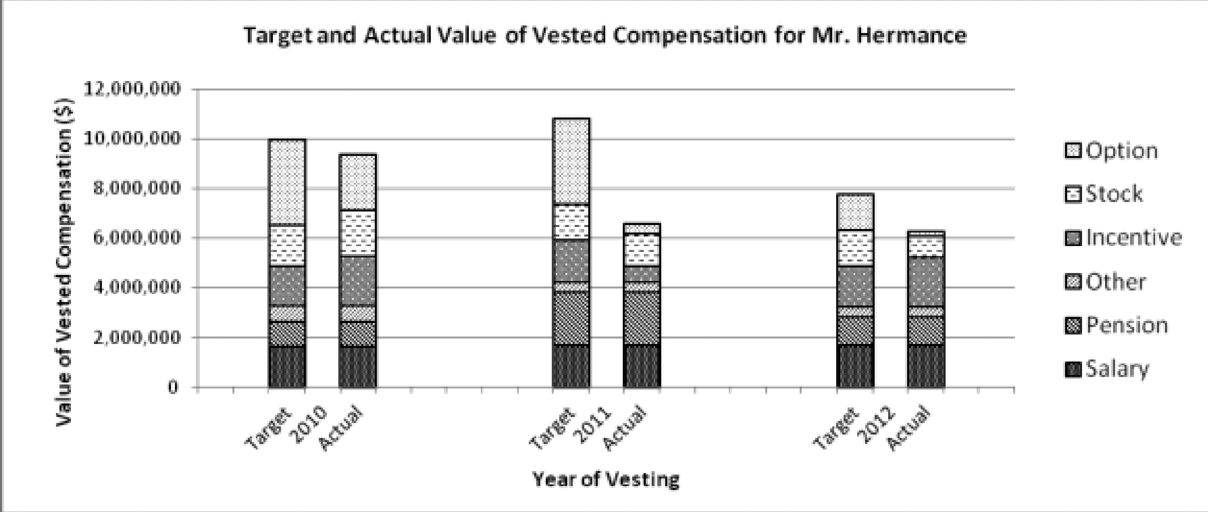
Performance stock options granted in 2010 and 2011 remained outstanding in 2012, subject to attainment of certain performance conditions. Of the performance stock options granted in the year 2010, half vested in part on January 19, 2013, based on Hudson City's attainment of an operating efficiency below 25.0% for each quarter during the years 2010, 2011 and 2012. The other half of these awards was forfeited based on Hudson City Bancorp's failure to maintain aggregate diluted earnings per share of $1.18 over four consecutive quarters in the years 2010, 2011 and 2012. Of the performance stock options granted in 2011, half will vest on March 15, 2014, based on Hudson City's attainment of charge-offs of less than 75 basis points of total loans in 2011, which has been accomplished. The other half of these awards will vest on March 15, 2014 if Hudson City attains a target level of $0.60 for aggregate diluted earnings per share measured over any four consecutive calendar quarters during calendar years 2011, 2012 or 2013. See the notes to unexercised unearned options in the "Outstanding Equity Awards at Fiscal Year-End Table — 2012" below for additional detail on the vesting conditions attached to performance stock option grants.

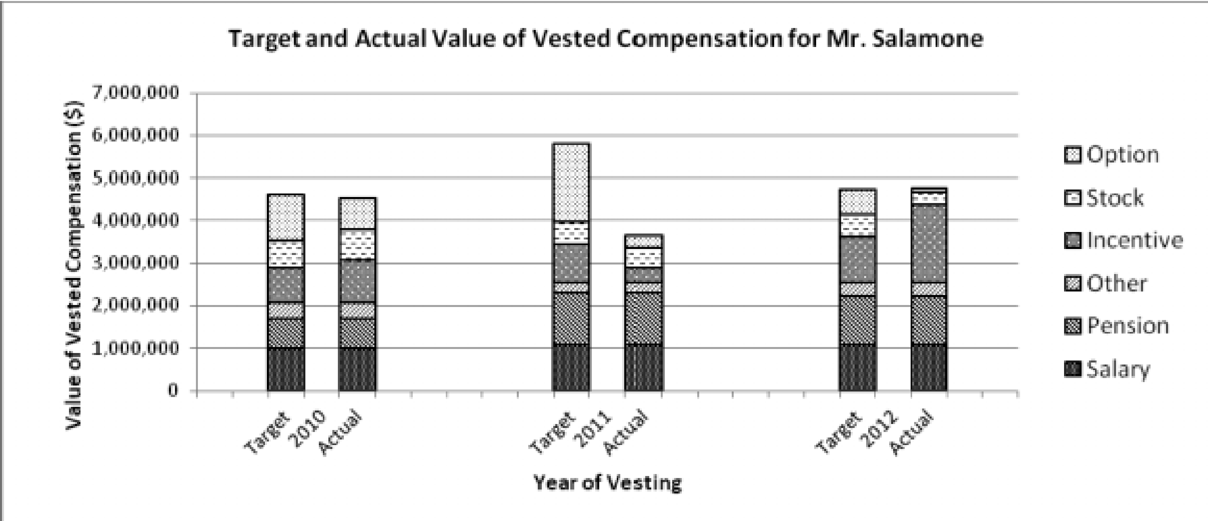
Our current policy is to consider equity grants to incumbent executive officers in the first quarter of each year, giving consideration to any episodic grants we may award to promoted or newly hired executives. In 2012, we delayed granting both equity awards and awards under our annual incentive plan from our customary January time frame to March while we considered and implemented changes to the structure of our long-term incentive program.

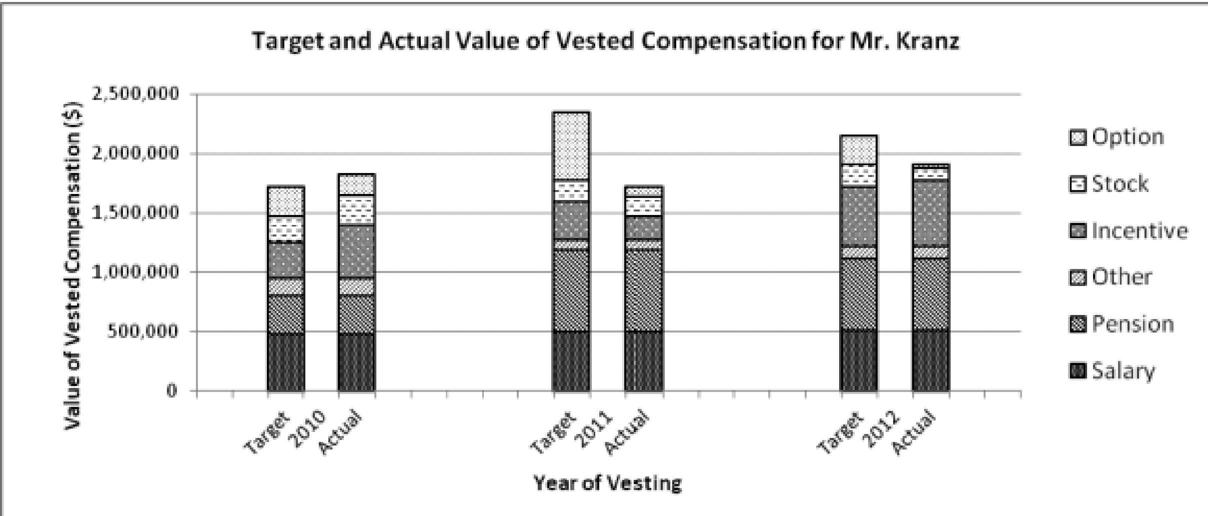
Relationship between Compensation and Performance

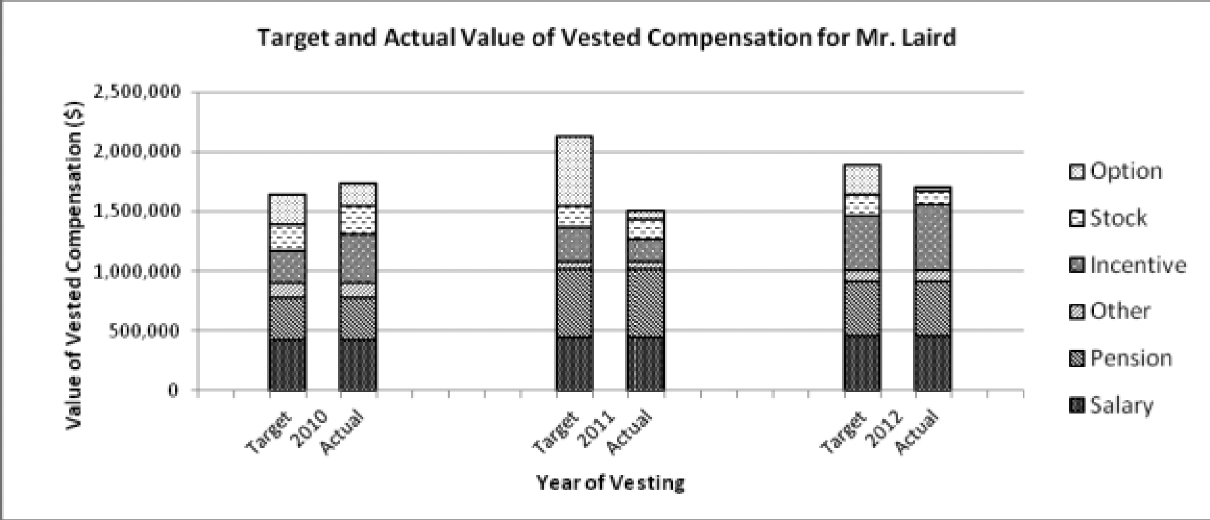
We seek to link the compensation of our named executive officers to corporate and individual performance through a combination of annual cash incentives and equity compensation. The Compensation Committee sets cash incentives and equity compensation opportunities on the basis of their target values when awarded and relies on the actual value of cash incentives paid and equity values at vesting to reflect actual corporate and/or individual performance in relation to expectations.

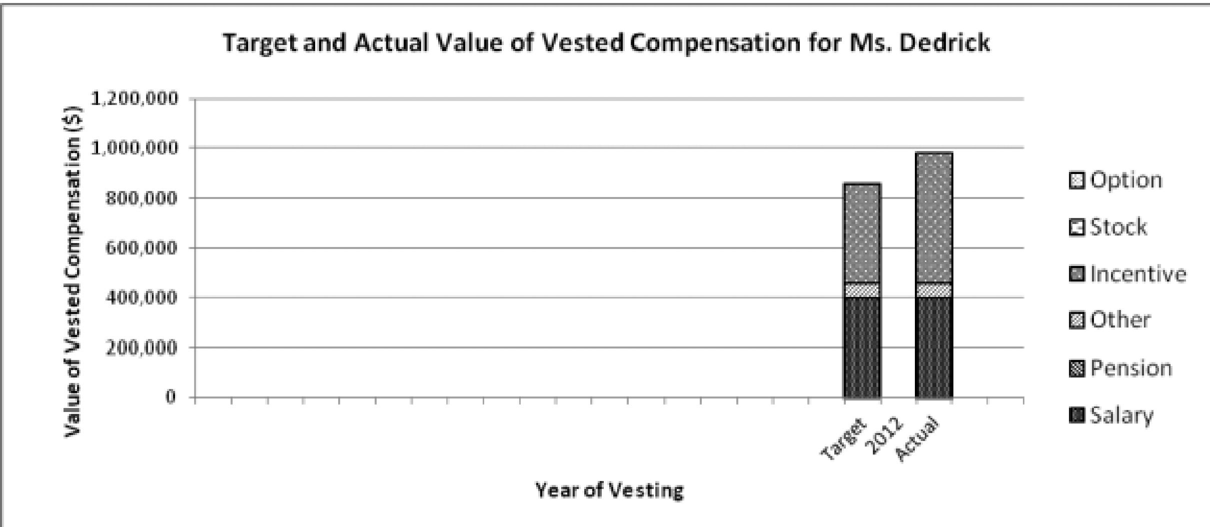
As required by the disclosure rules of the Securities and Exchange Commission, the Summary Compensation Table included elsewhere in this proxy statement presents a combination of actual values for compensation actually delivered (in the case of salary, annual incentives, pension and deferred compensation amounts and other annual compensation that is vested when accrued or paid) and grant-date values for accounting expense purposes (in the case of stock option and equity awards that vest in future years). The presentation in the Summary Compensation Table does not permit a comparison of the aggregate compensation opportunities available for a fiscal year (based on their payment or vesting dates, without regard to the year in which those opportunities were awarded) to the aggregate compensation actually delivered for such year (again, based on their payment or vesting dates, without regard to the year in which the related compensation opportunity was awarded). As a result, the Company does not believe information presented in the Summary Compensation table can form the basis for an evaluation of the extent to which our compensation program is, in operation, effectively linked to performance. The charts below show, for each fiscal year included in the Summary Compensation Table for each named executive, the target values and actual values of the **compensation actually delivered** to the named executive in that year **without regard to the year in which the compensation opportunity was awarded**.

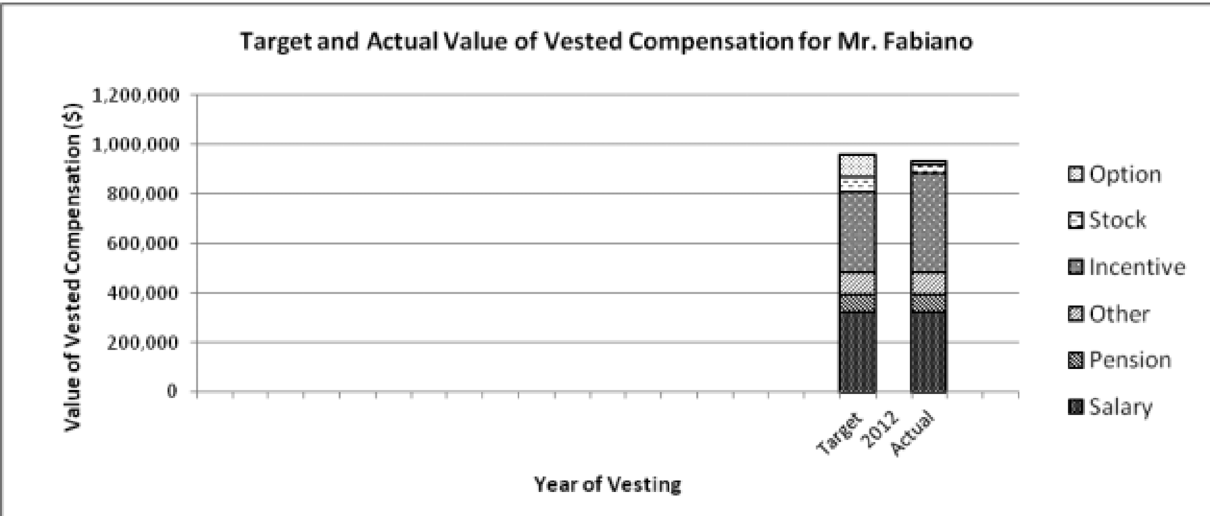

Target and Actual Value of Vested Compensation for Mr. Hermance
Value of Vested Compensation ($)
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
Option
Stock
Incentive
Other
Pension
Salary
Target
2010
Actual
Target
2011
Actual
Target
2012
Actual
Year of Vesting


Target and Actual Value of Vested Compensation for Mr. Salamone
Value of Vested Compensation ($)
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
Option
Stock
Incentive
Other
Pension
Salary
Target
2010
Actual
Target
2011
Actual
Target
2012
Actual
Year of Vesting


Target and Actual Value of Vested Compensation for Mr. Kranz
Value of Vested Compensation ($)
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
Option
Stock
Incentive
Other
Pension
Salary
Target
2010
Actual
Target
2011
Actual
Target
2012
Actual
Year of Vesting


Target and Actual Value of Vested Compensation for Mr. Laird
Value of Vested Compensation ($)
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
Target
2010
Actual
Target
2011
Actual
Target
2012
Actual
Year of Vesting
Option
Stock
Incentive
Other
Pension
Salary


Target and Actual Value of Vested Compensation for Ms. Dedrick
Value of Vested Compensation ($)
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
Target
2012
Actual
Year of Vesting
Option
Stock
Incentive
Other
Pension
Salary


Target and Actual Value of Vested Compensation for Mr. Fabiano
Value of Vested Compensation ($)
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
Target
2012
Actual
Year of Vesting
Option
Stock
Incentive
Other
Pension
Salary

For purposes of these charts, the target and actual values for Salary, Pension, and Other correspond to the amounts for the applicable year under the captions Salary, Change in Pension Value and Nonqualified Deferred Compensation Earnings and All Other Compensation in the Summary Compensation Table. The target values for Incentive are the annual target award opportunities for the years in question, expressed as 50% of the maximum payout permitted under the Annual Incentive Plan for each individual for the applicable year. The actual values for Incentive are the amounts for the applicable year under the caption Non-equity Incentive Plan Compensation in the Summary Compensation Table. The target values for Stock and Option awards are the aggregate grant date values of stock and stock unit awards and stock option awards, respectively, calculated in accordance with FASB ASC Topic 718 for financial statement purposes and reflected in the year awarded under the captions Stock Awards and Options Awards in the Summary Compensation Table. The assumptions used for these calculations have been disclosed in the notes to the audited financial statements in our Annual Reports on Form 10-K for the years in which the options were granted. The actual values for Stock and Option awards are based on the closing prices of our common stock on the dates of vesting, and correspond with the Value Realized on Vesting under the Option Exercises and Stock Vested Table for the year in question. The actual values used for Option awards are calculated as of the date of vesting using an option valuation model method, with the following assumptions:

Grant Date	2/19/2004	7/21/2006	1/26/2007	1/25/2008	1/23/2009
Exercise Price	$12.22	$12.76	$13.78	$15.69	$12.03
Vesting Date	1/13/2010	7/21/2011	1/26/2010	1/25/2011	1/23/2012
Closing Price on Vesting Date	$14.06	$ 8.33	$13.06	$11.06	$ 6.98
Assumptions on Grant Date:					
Expected Dividend Yield	1.63%	2.35%	2.32%	2.30%	4.80%
Expected Volatility	19.79%	19.96%	19.12%	20.61%	29.08%
Risk-free interest rate	3.00%	4.98%	4.87%	2.82%	1.75%
Expected Option Life	1,825 days	1,971 days	1,898 days	1,935 days	2,007 days
Fair Value on Grant Date	$ 2.32	$ 2.71	$ 2.77	$ 2.76	$ 1.92
Assumptions on Vesting Date:					
Expected dividend yield	3.41%	3.82%	3.71%	3.40%	4.56%
Expected volatility	29.14%	33.75%	29.67%	24.42%	33.82%
Risk-free interest rate	1.25%	0.81%	1.23%	0.93%	0.61%
Expected option life	749 days	914 days	802 days	839 days	912 days
Fair Value on Vesting Date	$ 2.84	$ 0.50	$ 1.67	$ 0.33	$ 0.27

As these charts indicate, the compensation opportunities that we offer to our named executives, when compared to the compensation values actually delivered, are sensitive to performance over the period between award and vesting. In addition, we believe that the compensation that we actually delivered to our named executive officers, based on its value when paid or delivered, is highly correlated to shareholder returns.

Other Elements of the Executive Compensation Package

Our 2012 compensation program for our named executive officers also includes the following elements:

Retirement Benefits. In addition to base salary, annual cash incentives and long-term equity incentives, our named executive officers are eligible to participate in the same broad-based, tax-qualified retirement and savings plans as other employees with similar dates of hire. They are also eligible to participate in certain non-qualified supplemental plans because applicable tax rules do not permit them to receive benefits under our broad-based, tax-qualified plans at the same percentage of salary as other employees. The supplemental plans generally provide benefits that, when added to the benefits available under our qualified plans, are equivalent, as a percentage of salary, to the benefits provided to other employees. We provide these benefits in lieu of additional current cash or equity compensation to assure that our named executive officers have a source of retirement income that is available at the time of retirement without regard to the performance of their personal savings and investment portfolios and because these programs enjoy more favorable corporate and/or personal income tax treatment under the federal tax laws than current compensation.

In the past, we used the supplemental plans to provide additional pension benefits to executives who were recruited from other employers in mid-career by granting additional years of service credits for periods of employment with a prior employer. It was our practice to grant additional years of service credit only at the time of hire and as part of the employment negotiation. Messrs. Hermance and Salamone received negotiated prior service credits as part of their hiring packages in their respective years of hire. Prior service credit has not been granted to any executive officer since 2004, and it is the Company's policy not to grant prior service credit.

Under our supplemental employee stock ownership plan, Messrs. Hermance and Salamone also participate in an additional benefit designed to replicate the benefits each would earn under our leveraged employee stock ownership plan if the plan were to repay all acquisition debt incurred by the plan to purchase common stock for future allocation on or before their respective retirement dates. The plan will award this benefit only in the event of early or normal retirement while our employee stock ownership plan has unpaid acquisition debt. We designed the benefit to approximate an additional employee stock ownership plan benefit that would be provided if, prior to the executive's retirement, we should experience a change in control that would result in a mandatory prepayment of our tax-qualified employee stock ownership plan's acquisition debt and an accelerated allocation of any remaining common stock that had secured the acquisition debt. We provide this benefit primarily so that the change in control feature of our employee stock ownership plan does not serve as a financial disincentive to retirement. In addition, in the event of a change in control, we expect that the payment of this benefit to a retirement-eligible executive would reduce the cost of change in control benefits otherwise payable to him.

Benefits under our broad-based and executive-level retirement programs are tied to base salary. Cash incentives, restricted stock, option-related compensation and other items of compensation do not increase or reduce benefit levels.

Perquisites and Other Benefits. We also provide certain perquisites and benefits to our named executive officers. We provide Messrs. Hermance and Salamone with the use of a company automobile and pay dues for their membership in private clubs. We also provide Mr. Fabiano with the use of a company automobile. We cover travel and entertainment expenses for the spouses of all named executive officers to accompany them on certain business travel, both as a convenience and because we believe our business benefits from their participation. We provide these benefits in kind, but the Compensation Committee takes the cost of these items into account in setting other elements of compensation.

Each of our named executive officers is also eligible, under our charitable matching contribution program, to direct us to make charitable gifts in limited dollar amounts to the tax-exempt organizations of their choice. We offer this program to encourage philanthropy among our named executive officers and to capture any benefit to our corporate reputation that may result from our named executive officers' philanthropic activity.

Employment Agreements and Change in Control Agreements. Consistent with the practices of other financial institutions of similar size and asset and business mix, we have entered into employment or change in control severance agreements with each of our named executive officers. We have found it necessary to offer these arrangements as part of the recruitment packages for newly hired executives. We have offered them to incumbent executives in order to make our package of employment and change in control protections comparable to those available at other employers. If we did not follow market practice in this regard, we believe we would compromise our relationship with our executives and would have to offer increased annual compensation packages, at increased recurring annual cost, in order to attract and retain the executive talent we require.

The employment agreements with Messrs. Hermance and Salamone help us protect our franchise in two ways. First, each agreement restricts the named executive officer's ability to work for competitors in our markets for a specified period following a voluntary resignation without good reason or a discharge with cause. Second, each agreement prohibits solicitation of, or disturbance of our relations with, customers or employees by the named executive officer for a specified period following termination for any reason. We have chosen to secure these restrictions through employment agreements rather than by attaching them to equity compensation grants or

other items of compensation so that they remain in effect indefinitely and are not tied to a decision to continue or discontinue, or to the value of, a particular item of compensation. In return for these restrictions, these agreements provide the executives a termination benefit equal in value to three years' compensation and benefits (excluding stock options, restricted stock or other equity compensation) in the event of termination under certain circumstances. These circumstances include discharge without cause or resignation following certain triggering events, including a diminution in title, position, duties or authority, failure to pay or a reduction in compensation, involuntary relocation or other material breach of contract. In addition, for a limited period of time following a change in control, Messrs. Hermance and Salamone may each choose to resign for any reason or no reason and collect the same termination benefits that would be available if their resignation had followed a specified triggering event. We provide these benefits as a retention incentive for these named executive officers to remain in their positions through the conclusion of a change in control transaction, and intend them to stay in place regardless of the existence or value, from time to time, of other items of compensation with retention features. We have provided this resignation window following a change in control to reduce the extent to which personal issues might serve to distract these executives from corporate matters during the negotiation and execution of a change in control transaction. Our employment agreements provide benefits only in the event of an actual termination of employment; payments are not due in the event of a change in control following which the executive retains his position beyond the expiration of the resignation window.

The change in control agreements in effect with our other named executive officers provide a termination benefit equal in value to two years' compensation and benefits (excluding stock options, restricted stock or other equity compensation) in the event of discharge without cause or resignation following certain triggering events. These triggering events include a diminution in title, position, duties or authority, failure to pay or a reduction in compensation, involuntary relocation or other material breach of contract. We provide these benefits as a retention incentive for these named executive officers to remain in their positions through the conclusion of a change in control transaction that will be in place regardless of the existence or value, from time to time, of other items of compensation with retention features. As is the case with our employment agreements, change in control agreements do not provide payments unless the officer experiences a termination of employment.

Material Policies and Procedures

Benchmarking and Survey Data

The Compensation Committee requests and reviews survey data for information relating to compensation practices at other financial institutions of similar asset and business mix as well as general compensation trends in the private sector. For 2012, the Compensation Committee considered survey data for the following companies:

Associated Banc-Corp	Fifth Third Bancorp	People's United Financial
Astoria Financial Corp.	Huntington Bancshares, Inc.	Regions Financial Corporation
Comerica, Inc.	M & T Bank Corp.	Zions Bancorporation
Cullen/Frost Bankers	New York Community Bancorp, Inc.	
First Niagara Financial Group, Inc.	Northern Trust Corporation	

The Compensation Committee, in consultation with its compensation consultant, selected these companies based on their asset size, market capitalization, headcount and/or business focus. The Compensation Committee does not seek to set compensation levels at prescribed percentile rankings within a peer group. It does use survey data to determine on a historical basis the degree of correlation between the base salary, annual incentive and equity compensation provided by us (expressed as a percentile ranking relative to our peers) and our percentile ranking among the same peer group for performance measures that include, but are not limited to, return on average assets, return on average equity, asset growth, total shareholder return, efficiency ratio and net income growth.

Risk

We have sought to establish a compensation package for our named executive officers that rewards success without promoting excessive or unnecessary risk in the conduct of our business. We seek to set base compensation, insurance coverages and retirement savings benefits at levels that support a reasonable standard of living without reliance on incentive pay. Our cash bonus program is not formulaic. We set a challenging but realistic financial goal and afford the Compensation Committee substantial discretion to determine final payouts based on a retrospective, subjective evaluation of corporate and individual conduct using a variety of financial and operational factors. In particular, we do not promise increased payouts for achieving pre-determined, aggressively set goals. We pay a substantial portion of our executive officers' compensation in the form of equity or equity-linked instruments. We impose stock ownership requirements on our executive officers to discourage activities with short-term benefits to corporate performance but potentially adverse long term effects. We tie these guidelines to compensation levels, rather than requiring ownership of a defined number of shares or retention of all or a portion of shares delivered as compensation, so that required holdings are meaningful but should not be so large a portion of any executive's income or net worth as to impair his or her judgment in the performance of duties. We also maintain equity-based compensation programs that by design require the holding of certain equity-based compensation to termination of employment or beyond.

In 2010, the federal financial institution regulatory agencies, including the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the OCC and the Federal Reserve Board jointly issued inter-agency guidance on Sound Incentive Compensation Policies (the "Guidance"). The Guidance establishes broad principles for designing and implementing incentive compensation programs that balance reward and risk, can be effectively monitored through internal controls and procedures and are supported through effective corporate governance. In March 2011, these agencies proposed for public comment regulations that would prohibit the use of incentive compensation programs that encourage excessive risk taking (the "Proposed Regulations"). The Company engaged McLagan Partners, Inc., a subsidiary of Aon Hewitt, in late 2011 to review its incentive compensation programs and evaluate their structure and operation in light of the Guidance and the Proposed Regulations. McLagan had not previously provided any services to the Company and had not participated in the design or administration of our existing incentive programs. Consistent with McLagan's findings, we adjusted our equity compensation program to include additional deferral provisions.

Compensation Clawback Policy

Hudson City Bancorp and Hudson City Savings have adopted compensation clawback policies that apply to all executive officers and to each other officer with functional responsibility for the preparation or verification of information included in their audited financial statements. Under these policies, in the event of a financial restatement, performance-based compensation paid during the three-year period ending on the date the financial restatement occurs will be reviewed by a committee of outside directors. The committee will determine whether the restatement resulted from Hudson City's material non-compliance with financial reporting requirements under the federal securities law and whether any performance-based compensation was paid during the relevant three-year period based on data derived from the financial statement that was required to be restated. If it makes such a determination, it may require the recomputation of that performance-based compensation using data from the financial restatement, and, if overpayments have been made, demand repayment of the overpayment or take other responsive actions.

Impact of Accounting and Tax Treatment

Section 162(m). Section 162(m) of the Internal Revenue Code imposes a $1 million annual limit per executive officer on our federal tax deduction for certain types of compensation paid to some of the named executive officers. It has been the Compensation Committee's practice to structure the compensation and benefit programs offered to the named executive officers with a view to maximizing the tax deductibility for the Company of amounts paid. However, in structuring compensation programs and making compensation decisions, the Compensation Committee considers a variety of factors, including the materiality of the payments and tax deductions involved, the need for flexibility to address unforeseen circumstances and the need to attract and retain qualified management. After considering these factors, the Compensation Committee may decide to authorize payments, all or part of which would be nondeductible for federal tax purposes.

Sections 4999 and 280G. Section 4999 of the Internal Revenue Code imposes a 20% excise tax on certain "excess parachute payments" made to "disqualified individuals." Under section 280G of the Internal Revenue Code, such excess parachute payments are also nondeductible to the Company. If payments that are contingent on a change in control to a disqualified individual (which terms include the named executive officers) exceed three times the individual's "base amount," they constitute "excess parachute payments" to the extent they exceed one times the individual's base amount.

We have entered into employment agreements with each of Messrs. Hermance and Salamone, pursuant to which we will make an indemnification payment to the executive officer so that, after payment of the initial excise tax and all additional income and excise taxes imposed on the indemnification payment, the executive officer would retain approximately the same net after-tax amounts under the employment agreement that he would have retained if there was no excise tax. This indemnification is intended to preserve the net after-tax value to these individuals of termination benefits under their employment agreements, regardless of whether we experience a change in control. Our other named executive officers are not entitled to such payments under their change in control agreements. These agreements provide that payments to these executives will be capped if needed to avoid application of sections 4999 and 280G, but only if the officer is better off on a net after-tax basis. Neither Hudson City Savings, nor Hudson City Bancorp, is permitted to claim a federal income tax deduction for the portion of the change of control payment that constitutes an "excess parachute payment," or the indemnification payment. We have not entered into an employment agreement that includes a tax gross-up provision since 2001 and it is Hudson City's policy not to include such provision in any new employment agreements.

Accounting Considerations. The Compensation Committee is informed of the financial statement implications of the elements of the executive officer compensation program. However, a compensation element's contribution to the objectives of our executive officer compensation program and its projected economic cost, which may or may not be reflected on our financial statements, are the primary drivers of executive officer compensation decisions.

Personal Income Tax Considerations. Federal and state income tax laws do not apply uniformly to all items of compensation, with the result that certain items of compensation are more valuable, on a net after-tax basis, to our named executive officers, or less costly, on a net after-tax basis, to us. We take the federal and state personal income tax treatment of various items of compensation into account to the extent consistent with the corporate goals and objectives of our executive compensation program.

Stock Ownership and Stock Retention Policies

We set stock ownership targets for our directors and officers with a title of Executive Vice President or higher. The purpose of these guidelines is to promote director and officer stock ownership that will cause our directors and officers to share, with other shareholders, a financial interest in the performance of our stock.

Directors. Pursuant to the Stock Ownership Policy, we expect each outside director initially elected or appointed to the Board on or after July 20, 2010, to own an amount of our common stock equal to five times the annual cash retainer for such director's service. For directors elected or appointed to the Board prior to July 20, 2010, the stock ownership target is an amount of our common stock equal to ten times the annual cash retainer for such director's service. Once an outside director holds shares with a value equal to the stock ownership target, such director will be deemed in compliance with the Stock Ownership Policy regardless of future changes in stock price. New directors have five years to meet the applicable stock ownership target. Current stock ownership by our directors meets or exceeds the target levels.

Officers. We expect each senior executive officer to own an amount of our common stock based on their position as follows:

Title	Multiple of Annual Base Salary Rate
Chairman, President, Chief Executive Officer, Chief Operating Officer	5 times
Executive Vice President	3 times

The Board has authorized the Nominating and Governance Committee to adopt stock ownership guidelines for our other officers as it deems necessary or appropriate. New senior executive officers have five years to meet the applicable stock ownership target. Current stock ownership by our named executive officers meets or exceeds the guideline levels.

Stock Retention Policies. It is our policy to require each named executive officer to retain one-half of the net number of shares (after provision for applicable taxes and exercise prices) received through the vesting of stock and stock unit awards and the exercise of vested stock options until such time as he or she is in compliance with our stock ownership guidelines. In addition, our compensation programs require certain equity compensation to be retained through termination of employment and beyond. Through our ESOP, substantially all of our officers and employees own shares which they may not sell until they leave our employ. Through our Benefit Maintenance Plan and Officers Deferred Compensation Plan, Messrs. Hermance and Salamone and each of our named executive officers own share units that may not be divested until the calendar year following termination of employment. The following table shows that number of such shares or share units which each of our named executives held as of December 31, 2012:

Name	ESOP(1)	Officers Deferred Compensation Plan(2)	Benefit Maintenance Plan(3)
Mr. Hermance	43,904	369,627	281,453
Mr. Salamone	31,457	19,808	134,048
Mr. Kranz	43,904	—	29,690
Mr. Laird	42,431	—	18,107
Ms. Dedrick	1,531	—	—
Mr. Fabiano	14,123	—	1,211

(1) The figures shown represent 50% of the shares held in the ESOP accounts of each named executive officer. In accordance with the tax laws applicable to our ESOP, each of our named executive officers either has or will in the future have the right to direct the sale and investment diversification of up to 50% of the shares held in his or her ESOP account. None of our named executive officers has exercised this right.

(2) The figures shown represent the aggregate common stock units credited to each named executive's accounts under the Officers Deferred Compensation Plan on account of the deferral of his or her salary in excess of $1 million. Such deferrals for years prior to 2013 have been converted into stock units that fluctuate in value with our common stock and are adjusted to reflect any dividends on our common stock. These stock units may not be liquidated until the calendar year following the calendar year of termination of employment.

(3) The figures shown represent the aggregate common stock units credited to each named executive's accounts under the Benefit Maintenance Plan to reflect stock that could not be allocated to them under the ESOP due to the contribution and compensation limits imposed on tax-qualified plans under the tax laws. Such deferrals are converted into stock units that may not be liquidated until the calendar year following the calendar year of termination of employment.

Prohibition of Hedging. In support of our stock retention policies, in 2012 we have adopted a policy that prohibits hedging against changes in the value of our common stock by our executive officers and directors. We have authorized our Compensation Committee to enforce this policy by placing transfer restrictions on compensatory awards, requiring periodic certifications of compliance, and/or by taking voluntary compliance

into account in determinations of future compensation. The Compensation Committee may waive this prohibition for intra-family transfers, estate-planning vehicles and philanthropic activities, which it determines are not inconsistent with this policy's intent and purpose.

Role of CEO in Determining the Compensation of Other Named Executive Officers

We believe that compensation policy is an important tool that should be available to the Chief Executive Officer in setting and executing corporate strategy. Our Compensation Committee, alone or in consultation with the other independent members of our Board of Directors, determines the compensation of each executive officer but considers the views of the Chief Executive Officer and President in setting the compensation of the more junior executive officers.

Consideration of Prior Say-on-Pay Votes

At our Annual Meeting of Shareholders held on April 19, 2011, we submitted to a vote of our shareholders the approval, on a non-binding basis, of the compensation of the named executive officers identified in the proxy materials for that meeting. Of the total votes cast on this proposal, 91.1% voted to approve, on a non-binding basis, the compensation of such named executive officers. A similar proposal was submitted to shareholders at the annual meeting held on April 25, 2012. Of the total votes cast on this proposal, 73.8% voted to approve, on a non-binding basis, the compensation of the named executive officers identified in the proxy materials for that meeting. At the time the compensation for the named executive officers was established for 2012 and 2013, our Board and Compensation Committee reviewed the results of the say-on-pay votes and considered these results, along with a variety of other factors, none of which was determinative when taken alone, in considering whether to make any adjustments to our compensation policies and practices.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Executive Officer Compensation

The following table provides information about the compensation of our named executive officers for fiscal years 2010 through 2012.

SUMMARY COMPENSATION TABLE

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
Name and Principal Position	**Year**	**Salary(1) ($)**	**Bonus(2) ($)**	**Stock Awards(3)(8) ($)**	**Option Awards(4)(8) ($)**	**Non-Equity Incentive Plan Compensation(5) ($)**	**Change in Pension Value and Nonqualified Deferred Compensation Earnings(6) ($)**	**All Other Compensation(7) ($)**	**Total ($)**
Ronald E. Hermance, Jr.	2012	$1,680,000	—	$2,300,000	—	$2,000,000	$1,124,947	$392,447	$7,497,394
Chairman of the Board and	2011	1,680,000	—	3,150,189	$1,050,000	600,000	2,125,887	428,953	9,035,029
Chief Executive Officer	2010	1,621,538	—	—	3,587,500	2,000,000	967,942	652,422	8,829,402
Denis J. Salamone	2012	1,070,000	—	2,343,300	—	1,819,000	1,142,635	336,554	6,711,489
President and Chief Operating	2011	1,070,000	—	1,405,184	468,240	350,000	1,226,414	238,003	4,797,841
Officer, Director	2010	985,385	—	—	1,076,250	1,000,000	720,699	360,737	4,143,071
James C. Kranz	2012	504,200	—	554,620	—	550,000	603,283	110,402	2,322,505
Executive Vice President and	2011	496,508	—	371,070	123,600	202,500	690,872	78,732	1,963,282
Chief Financial Officer	2010	475,931	—	—	430,500	450,000	327,592	143,290	1,827,313
Thomas E. Laird	2012	450,000	—	495,000	—	550,000	463,102	95,484	2,053,586
Executive Vice President and	2011	442,308	—	330,057	110,160	180,000	569,893	68,642	1,701,060
Chief Lending Officer	2010	421,731	—	—	430,500	400,000	354,422	128,048	1,734,701
Tracey A. Dedrick Executive Vice President and Chief Risk Officer	2012	400,000	—	440,000	—	520,000	—	60,240	1,420,240
Anthony J. Fabiano Executive Vice President	2012	325,769	—	330,000	—	400,000	69,777	89,739	1,215,285

(1) The figures shown for salary represent amounts earned for the fiscal year, whether or not actually paid during such year, whether or not deferred pursuant to non-incentive deferred compensation plans; and whether or not exchanged for awards of restricted stock, stock options or other forms of non-cash compensation. In 2012, Mr. Hermance was on medical leave for several months. The figure for his salary for 2012 includes salary replacement benefits in the amount of $786,187 provided under our disability plans in lieu of salary. In the case of Messrs. Hermance and Salamone, salary earned and disability benefits provided at an annual rate in excess of $1 million has been deferred, placed in a deferred compensation account and converted into 369,627.1373 cumulative share-equivalent units (years 2006 through 2012) for Mr. Hermance and 19,807.6771 cumulative share equivalents (years 2010 through 2012) for Mr. Salamone. These share equivalents are adjusted to reflect dividends and positive or negative share price performance for Hudson City Bancorp common stock.

(2) Hudson City Bancorp and Hudson City Savings do not award bonuses to executive officers that are not linked to performance.

(3) Represents the aggregate grant date fair value of deferred stock units with respect to Hudson City Bancorp stock granted to the named executive officer during the applicable year, calculated in accordance with FASB ASC Topic 718 for financial statement purposes. For more information concerning the assumptions used for these calculations, please refer to note 11(e) to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. This amount does not reflect the value of dividends (if any) paid on unvested restricted stock, which is included in the Summary Compensation Table under the caption "All Other Compensation."

(4) Represents the aggregate grant date fair value of options to purchase shares of Hudson City Bancorp common stock granted to the named executive officer during the applicable year, calculated in accordance with FASB ASC Topic 718

for financial statement purposes. For more information concerning the assumptions used for these calculations, please refer to note 11(c) to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. All options granted to our named executive officers in fiscal years 2010 and 2011 were performance-based stock options.

(5) Represents amounts earned for services rendered during the fiscal year under our Executive Officer Annual Incentive Plan, whether or not actually paid during such fiscal year.

(6) Includes for each named executive officer the increase (if any) for the fiscal year in the present value of the individual's accrued benefit (whether or not vested) under each tax-qualified and non-qualified actuarial or defined benefit plan calculated by comparing the present value of each individual's accrued benefit under each such plan in accordance with FASB ASC Topic 715 as of the plan's measurement date in such fiscal year to the present value of the individual's accrued benefit as of the plan's measurement date in the prior fiscal year.

(7) The named executive officers participate in certain group life, health and disability insurance and medical reimbursement plans, not disclosed in the Summary Compensation Table, that are generally available to salaried employees and do not discriminate in scope, terms and operation. The figure shown for each named executive officer for 2012 includes our direct out-of-pocket cost (reduced, in the case of the figures shown for company cars, by the amount that we would otherwise have paid in cash reimbursements during the year for business use of a personal car), for the following items:

	Mr. Hermance	Mr. Salamone	Mr. Kranz	Mr. Laird	Ms. Dedrick	Mr. Fabiano
Employer contributions to qualified and non-qualified deferred compensation plans (including 401(k) plans and ESOP)	$139,883	$163,121	$76,865	$68,602	$24,505	$49,663
Life insurance premiums (excluding nondiscriminatory group term life insurance)	—	—	—	—	—	—
Amount paid or accrued under termination of employment or change of control arrangements	—	—	—	—	—	—
Tax gross-up or reimbursement payments	—	—	—	—	—	—
Accelerated benefits due to change in control under defined benefit or actuarial plans	—	—	—	—	—	—
Employer contribution to designated charity under charitable contribution matching program	50,000	30,000	3,500	—	10,000	10,000
Dividends paid on unvested restricted stock where performance conditions have been met but service conditions have not been met	162,722	121,581	30,037	26,771	25,735	14,829
Company car	30,494	12,757	—	—	—	15,062
Club dues	9,298	9,096	—	—	—	—
Executive medical program	50	—	—	110	—	185
Travel expense for spouse to accompany on business travel	—	—	—	—	—	—
Amounts paid under a plan in connection with termination	—	—	—	—	—	—

(8) Securities and Exchange Commission rules require that we report equity and option grants in the year granted even though they are earned based on service over multiple years and are attributable, both for GAAP expense and internal business purposes, ratably over the service period.

The following table shows certain components of 2012 compensation of the executives as a percentage of total compensation for that year (Column (J)), including: salary and bonus (Columns (C) and (D)), total cash compensation (Columns (C), (D) and (G)), and total performance-based compensation (Columns (E) (F) and (G)).

	Components of 2012 Compensation Expressed as a Percentage of Total Compensation (Column (J))		
Name	**Salary and Bonus (Columns (C) and (D))**	**Total Cash Compensation (Columns (C), (D) and (G))**	**Total Performance-Based Compensation (Columns (E) (F) and (G))**
Mr. Hermance	22.4%	49.1%	57.4%
Mr. Salamone	15.9%	43.0%	62.0%
Mr. Kranz	21.7%	45.4%	47.6%
Mr. Laird	21.9%	48.7%	50.9%
Ms. Dedrick	28.2%	64.8%	67.6%
Mr. Fabiano	26.8%	59.7%	60.1%

Employment Agreements

Hudson City Bancorp and Hudson City Savings have each entered into amended and restated employment agreements dated as of December 31, 2008 with Messrs. Hermance and Salamone to secure their services as officers. These employment agreements amend and restate prior agreements among Hudson City Bancorp, Hudson City Savings and each of Messrs. Hermance and Salamone. Other than as noted in this summary or any other discussion of the employment agreements in this annual proxy statement, the terms and conditions of the employment agreements between the executives and Hudson City Bancorp are substantially similar in all material respects to the terms and conditions of the employment agreements between the executives and Hudson City Savings.

The employment agreements between Hudson City Bancorp and each of Messrs. Hermance and Salamone have rolling three-year terms, until the executive or Hudson City Bancorp gives notice of non-extension, at which time the terms are fixed for three years. The employment agreements between Hudson City Savings and each of Messrs. Hermance and Salamone have an initial three-year term, subject to annual extensions based on a review by the Board of Directors of Hudson City Savings of the executive's performance. The executives' current annual salary rates payable pursuant to these agreements are their current rates of $1,680,000 for Mr. Hermance and $1,070,000 for Mr. Salamone. The agreements also provide for discretionary cash bonuses, participation on generally applicable terms and conditions in compensation and fringe benefit plans and customary corporate indemnification and errors and omissions insurance coverage throughout the employment term and for six years after termination. The employment agreements with Hudson City Bancorp also provide for the use of an automobile owned or leased by Hudson City Bancorp and reimbursement for memberships in mutually agreed upon clubs and organizations. See "Executive Officer Compensation — Termination and Change of Control Benefits" for a description of the severance provisions contained in the employment agreements.

Compensation Plans

Incentive Plans

Executive Officer Annual Incentive Plan. Officers at and above the level of Vice President are eligible to earn cash incentives each year under the Executive Officer Annual Incentive Plan upon achievement of corporate and individual performance goals. We intend incentives payable under the Executive Officer Annual Incentive Plan to constitute qualified performance-based compensation under section 162(m) of the Internal Revenue Code.

In order to be eligible for incentive payments under the Executive Officer Annual Incentive Plan for a given year, participants must (with certain exceptions for death, disability, retirement or a change in control) be employed on the last day of the plan year. The amount of the incentive payable to each participant is either a fixed dollar amount or a percentage of his or her annual rate of base salary. The committee administering the plan determines the incentive payments after the end of the year based on the achievement of pre-established corporate performance goals and a subjective review of individual performance in the context of pre-established subjective performance factors. Generally no incentives are payable if corporate and individual performance are below minimum thresholds. We generally pay incentives under the Executive Officer Annual Incentive Plan on or before March 15 of the year following the plan year in which they are earned, following determination of the level of achievement of corporate and individual performance goals. In the event that a deferred compensation plan for officers is in effect, participants may elect to defer payment of their bonus until a later date.

We paid incentives under the Executive Officer Annual Incentive Plan for the year 2012 on December 31, 2012, upon preliminary certification by the Compensation Committee that the goals for 2012 had been met. These payments were made subject to clawback in the event that attainment of those goals was later recalculated. These payments were made in 2012 to improve tax consequences under sections 280G and 4999 of the Code with respect to payments and benefits that may be owed to officers in connection with the Merger.

The Compensation Committee of our Board of Directors has been appointed to be the administrative committee of the Executive Officer Annual Incentive Plan at all times during that plan's existence.

2000 Stock Option Plan. Our Board of Directors adopted the 2000 Stock Option Plan in 1999 and our shareholders approved the plan in 2000. We have not made any awards under this plan since 2005 and will not make any more in the future. Awards made to our named executive officers under these plans after 2000 and prior to 2006 vested in 20% increments over a five year period beginning at the date of grant. The last of these awards completed vesting in 2010. The Compensation Committee of our Board of Directors has been appointed to be the administrative committee of the 2000 Stock Option Plan at all times during that plan's existence.

2006 Stock Incentive Plan and Amended and Restated 2011 Stock Incentive Plan. Our Board of Directors adopted the 2006 Stock Incentive Plan in 2006. Our shareholders approved the plan in the same year. Subject to the terms of the 2006 Stock Incentive Plan, employees, directors and officers of Hudson City Bancorp and Hudson City Savings and any other subsidiary are eligible to participate. Hudson City Bancorp reserved 30,000,000 shares of common stock for issuance under the 2006 Stock Incentive Plan. Our Board adopted, and our shareholders approved, the Amended and Restated 2011 Stock Incentive Plan in 2011, which amends and restates the 2006 Stock Incentive Plan. Hudson City Bancorp has reserved 28,750,000 shares of common stock for issuance under the Amended and Restated 2011 Stock Incentive Plan, including 2,070,000 shares which had remained under the 2006 Stock Incentive Plan.

The committee administering the Amended and Restated 2011 Stock Incentive Plan may, in its discretion, grant any or all of nine types of equity-linked awards to eligible individuals: stock options, stock appreciation rights, restricted stock (both time-based and performance-based), performance shares, performance units, deferred stock, phantom stock and other stock-based awards. The administrative committee will, in its discretion, determine the type of awards made and establish other terms and conditions applicable to the award. The Compensation Committee of our Board of Directors has been appointed to be the administrative committee of the 2011 Amended & Restated Stock Incentive Plan at all times during that plan's existence.

The following table sets forth information regarding plan-based awards granted to the named executive officers of Hudson City Bancorp during the last fiscal year.

GRANTS OF PLAN-BASED AWARDS TABLE — 2012

Name	Grant Date	Compensation Committee Decision Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)	Estimated Future Payouts Under Equity Incentive Plan Awards			Grant Date Fair Value of Stock and Option Awards ($)(2)
			Target ($)	Threshold (#)	Target (#)	Maximum (#)	
(a)	(b)		(d)	(f)	(g)	(h)	(l)
Ronald E. Hermance, Jr.			$3,360,000				
	8/1/12	7/24/12			183,121(3)		$1,150,000
	8/1/12	7/24/12		47,172(4)	188,689(4)	283,034(4)	1,150,001
Denis J. Salamone			1,819,000				
	3/30/12	3/30/12			160,061(3)		1,171,650
	3/30/12	3/30/12		38,665(4)	154,658(4)	231,987(4)	1,171,650
James C. Kranz			655,460				
	3/30/12	3/30/12			37,884(3)		277,310
	3/30/12	3/30/12		9,151(4)	36,605(4)	54,908(4)	277,310
Thomas E. Laird			585,000				
	3/30/12	3/30/12			33,811(3)		247,500
	3/30/12	3/30/12		8,168(4)	32,670(4)	49,005(4)	247,500
Tracey A. Dedrick			520,000				
	3/30/12	3/30/12			30,055(3)		220,000
	3/30/12	3/30/12		7,260(4)	29,040(4)	43,560(4)	220,000
Anthony J. Fabiano			520,000				
	3/30/12	3/30/12			22,541(3)		165,000
	3/30/12	3/30/12		5,445(4)	21,780(4)	32,670(4)	165,000

(1) Represents target awards set under our Executive Annual Incentive Plan for each named executive. The target figures represent the maximum amounts payable to each as an incentive upon achievement of a level of income before taxes and extraordinary items of $335.9 million, subject to downward but not upward adjustment in the discretion of the Compensation Committee.

(2) Represents the aggregate grant date fair value of each deferred stock unit award, calculated in accordance with FASB ASC Topic 718 for financial statement purposes. For more information concerning the assumptions used for these calculations, please refer to notes 11(c) and (e) to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(3) The reported awards are deferred stock unit awards granted under the Amended and Restated 2011 Stock Incentive Plan. These awards vest on March 30, 2015 provided that the named executive officer continues in service through that date, and provided that a specified performance goal has been satisfied. Half of each award that vests will be distributed on March 30, 2015, with the remainder deferred until and distributed on March 30, 2018, in each case in Hudson City Bancorp common stock. The specified performance measure for these awards is a minimum leverage capital ratio of 8.0% that Hudson City Savings must maintain or exceed throughout the vesting period. This goal is subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of deferred stock unit holders. A recipient generally forfeits a deferred stock unit award with performance conditions in the event the recipient terminates service before the vesting date or in the event that the performance goals are not met. In the event of termination of service due to death, disability or retirement prior to March 30, 2015, the deferred stock units scheduled to vest on that date will vest on satisfaction of the specified performance measures. In the event of a change in control followed by a discharge without cause or a resignation with good reason, all unvested deferred stock units will vest on the date of termination. Each deferred stock unit award is governed by the terms and conditions of its award notice, and

of the Amended and Restated 2011 Stock Incentive Plan, which include definitions of disability, retirement, change in control, resignation for good reason and termination for cause for purposes of the awards.

(4) The reported awards are variable deferred stock unit awards granted under the Amended and Restated 2011 Stock Incentive Plan. These awards vest on March 30, 2015 provided that the named executive officer continues in service through that date, with the number of deferred stock units available (if any) determined by the level of attainment of the specified performance goal. Each award that vests will be distributed on March 30, 2015 in Hudson City Bancorp common stock. The specified performance measure for half of these awards is the performance of Hudson City Bancorp's total shareholder return over the vesting period relative to the total shareholder returns of the companies included in the Keefe, Bruyette & Woods Regional Bank Index, with threshold, target and maximum goals of the 25th, 50th and 75th percentiles respectively. The specified performance measure for the other half of these awards is Hudson City Bancorp's return on average tangible shareholder equity for 2012, with threshold, target and maximum goals of 5.0%, 6.0% and 7.5% respectively. Under these variable deferred stock unit awards, the number of units that may be distributed depends on the level of attainment of the performance goals, and the number of units available for vesting is interpolated linearly on attainment between threshold and target or between target and maximum levels. The goals are subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of deferred stock unit holders. Based on Hudson City Bancorp's actual return on average tangible shareholder equity for 2012 of 5.47%, the Compensation Committee determined that 60.25% of the stock units subject to that performance condition are available for vesting. A recipient generally forfeits a deferred stock unit award with performance conditions in the event the recipient terminates service before the vesting date or in the event that the performance goals are not met. In the event of termination of service due to death, disability or retirement prior to March 30, 2015, the deferred stock units scheduled to vest on that date will vest on satisfaction of the specified performance measures. In the event of a change in control followed by a discharge without cause or a resignation with good reason, all unvested deferred stock units will vest on the date of termination. Each deferred stock unit award is governed by the terms and conditions of its award notice, and of the Amended and Restated 2011 Stock Incentive Plan, which include definitions of disability, retirement, change in control, resignation for good reason and termination for cause for purposes of the awards.

Stock Awards and Stock Option Grants Outstanding

The following tables set forth information regarding stock awards, stock options and similar equity compensation outstanding at December 31, 2012, whether granted in 2012 or earlier, including awards that have been transferred other than for value. No vested or unvested option held by our named executives as of December 31, 2012 had an exercise price less than the closing price of our common stock on that date.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE — 2012

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) (Exercisable)	Number of Securities Underlying Unexercised Options (#) (Unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Options Exercise Price ($)(9)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights of Stock That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Ronald E. Hermance, Jr.	566,651	—	—	12.22	2/18/2014	—	—	322,600(5)	$2,622,738
	2,250,000	—	—	12.76	7/20/2016	—	—	183,121(6)	1,488,774
	1,125,000	—	—	13.78	1/25/2017	55,165(7)	448,496	97,128(7)	789,651
	1,250,000	—	—	15.69	1/24/2018	—	—	—	—
	750,000	—	—	12.03	1/22/2019	—	—	—	—
	—	—	625,000(2)	13.12	1/18/2020	—	—	—	—
	—	218,750(3)	218,750(3)	9.50	3/14/2021	—	—	—	—
Denis J. Salamone	312,417	—	—	12.22	2/18/2014	—	—	143,900(5)	1,169,907
	1,125,000	—	—	12.76	7/20/2016	—	—	160,061(6)	1,301,296
	337,500	—	—	13.78	1/25/2017	48,218(7)	392,018	74,627(7)	606,718
	375,000	—	—	15.69	1/24/2018	—	—	—	—
	300,000	—	—	12.03	1/22/2019	—	—	—	—
	—	—	187,500(2)	13.12	1/18/2020	—	—	—	—
	—	97,550(3)	97,550(3)	9.50	3/14/2021	—	—	—	—
James C. Kranz	128,240	—	—	12.22	2/18/2014	—	—	38,000(5)	308,940
	225,000	—	—	12.76	7/20/2016	—	—	37,884(6)	307,997
	67,500	—	—	13.78	1/25/2017	11,412(7)	92,784	17,663(7)	143,600
	150,000	—	—	15.69	1/24/2018	—	—	—	—
	127,500	—	—	12.03	1/22/2019	—	—	—	—
	—	—	75,000(2)	13.12	1/18/2020	—	—	—	—
	—	25,750(3)	25,750(3)	9.50	3/14/2021	—	—	—	—
Thomas E. Laird	103,706	—	—	12.22	2/18/2014	—	—	33,800(5)	274,794
	225,000	—	—	12.76	7/20/2016	—	—	33,811(6)	274,887
	67,500	—	—	13.78	1/25/2017	10,185(7)	82,810	15,764(7)	128,614
	150,000	—	—	15.69	1/24/2018	—	—	—	—
	127,500	—	—	12.03	1/22/2019	—	—	—	—
	—	—	75,000(2)	13.12	1/18/2020	—	—	—	—
	—	22,950(3)	22,950(3)	9.50	3/14/2021	—	—	—	—
Tracey A. Dedrick	—	—	51,813(4)	8.33	7/22/2021	—	—	36,100(8)	293,493
	—	—	—			—	—	30,055(6)	244,344
	—	—	—			9,053(7)	73,609	14,013(7)	113,924
Anthony J. Fabiano	45,000	—	—	13.78	1/25/2017	—	—	13,100(5)	106,503
	50,000	—	—	15.69	1/24/2018	—	—	22,541(6)	183,258
	45,000	—	—	12.03	1/22/2019	6,790(7)	55,207	10,510(7)	85,443
	—	—	37,500(2)	13.12	1/18/2020	—	—	—	—
	—	8,900(3)	8,900(3)	9.50	3/14/2021	—	—	—	—

(1) We calculate market value on the basis of $8.13 per share, which is the closing sales price for our common stock on the NASDAQ Global Select Market on December 31, 2012.

(2) These stock options vested on January 29, 2013, based on Hudson City's attainment of an operating efficiency below 25.0% for any quarter during the years 2010, 2011 and 2012. The other half of the options under these awards were forfeited based on Hudson City's failure to sustain an aggregate diluted earnings per share of $1.18 over any four successive quarters in the years 2010, 2011 and 2012. These targets were subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event would not materially adversely affect the rights of option holders.

(3) These stock options vest on March 15, 2014 subject to continued employment through such date. Half of these options remain subject to Hudson City's attainment target levels for aggregate diluted earnings per share sustained over any four successive quarters in the years 2011, 2012 and 2013. The other half of these options were subject to Hudson City's attainment of charge-offs of less than 75 basis points of total loans in 2011, which has been accomplished. These targets are subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of option holders.

(4) These stock options vest on July 22, 2014 subject to continued employment through such date. Half of these options remain subject to Hudson City's attainment target levels for aggregate diluted earnings per share sustained over any four successive quarters in the years 2011, 2012 and 2013. The other half of these options were subject to Hudson City's attainment of charge-offs of less than 75 basis points of total loans in 2011, which has been accomplished. These targets are subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of option holders.

(5) These deferred stock units vest on March 15, 2014 (subject to continued employment through such date), provided that Hudson City must maintain a minimum leverage capital ratio throughout the vesting period. This target is subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of option holders. These deferred stock units are to be distributed in Hudson City Bancorp common stock, with 50% distributed upon vesting, and the remainder distributed on March 15, 2017.

(6) These deferred stock units vest on March 30, 2015 (subject to continued employment through such date), provided that Hudson City must maintain a minimum leverage capital ratio throughout the vesting period. This target is subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of option holders. These deferred stock units are to be distributed in Hudson City Bancorp common stock, with 50% distributed upon vesting, and the remainder distributed on March 30, 2018.

(7) These awards vest on March 30, 2015 (subject to continued employment through such date), with the number of deferred stock units available (if any) determined by the level of attainment of the specified performance goal. Each award that vests will be distributed on March 30, 2015 in Hudson City Bancorp common stock. The specified performance goal for half of these awards is based on the performance of Hudson City Bancorp's total shareholder return over the vesting period relative to the total shareholder returns of the companies included in the Keefe, Bruyette & Woods Regional Bank Index. Units subject to this goal are included in column (i) of this table. The specified performance measure for the other half of these awards is Hudson City Bancorp's return on average tangible shareholder equity for 2012, with threshold, target and maximum goals of 5.0%, 6.0% and 7.5% respectively. Based on Hudson City Bancorp's actual return on average tangible shareholder equity for 2012 of 5.47%, the Compensation Committee determined that 60.25% of the stock units subject to that performance condition are available for vesting. The resulting units are recorded in column (g) of this table. Under these variable deferred stock unit awards, the number of units that may be distributed depends on the level of attainment of the performance goals, and the number of units available for vesting is interpolated linearly on attainment between threshold

and target or between target and maximum levels. The goals are subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of deferred stock unit holders.

(8) These deferred stock units vest on July 22, 2014 (subject to continued employment through such date), provided that Hudson City must maintain a minimum leverage capital ratio throughout the vesting period. This target is subject to mandatory adjustment in the event of an unforeseen or extraordinary circumstance such that the event does not materially adversely affect the rights of option holders. These deferred stock units are to be distributed in Hudson City Bancorp common stock, with 50% distributed upon vesting, and the remainder distributed on July 22, 2017.

(9) All stock options have a ten-year term. Generally our options have an exercise price equal to the closing sales price for our common stock on the NASDAQ Global Select Market on the date of grant (or, where no sales occurred on the date of grant, the closing sales price on the closest prior date on which sales occurred). In certain cases, however, we have granted options with a designated pricing date that is three days after our earnings announcement next following the date of grant. For purposes of FASB ASC Topic 718, the grant date of these awards is considered to be the designated pricing date. The exercise prices for all options with expiration dates prior to 2016 include adjustments made to the original grant-date exercise price to reflect subsequent stock splits. In 2010 we modified the terms of outstanding option awards such that the expiration date is accelerated (if applicable) to the fifth anniversary of retirement, death or disability, to the three-month anniversary of voluntary resignation or discharge without "cause" and to the date of discharge for "cause." The option grant dates and split-adjusted closing sales price for our common stock on the various options grants are as follows:

Name	Number of Securities Underlying Unexercised Options (#) (Exercisable)	Number of Securities Underlying Unexercised Options (#) (Unexercisable)	Equity Incentive Plan Award: Number of Securities Underlying Unexercised Unearned Options (#)	Option Award Date	Option Pricing Date (if Different)	NASDAQ Global Select Market Closing Sales Price on Option Award or Pricing Date ($)
Ronald E. Hermance, Jr.	566,651	—	—	2/19/2004		12.22
	2,250,000	—	—	7/21/2006		12.76
	1,125,000	—	—	1/26/2007		13.78
	1,250,000	—	—	1/25/2008		15.69
	750,000	—	—	1/23/2009		12.03
	—	—	625,000	1/19/2010	1/22/2010	13.12
	—	218,750	218,750	3/15/2011	4/25/2011	9.50
Denis J. Salamone	312,417	—	—	2/19/2004		12.22
	1,125,000	—	—	7/21/2006		12.76
	337,500	—	—	1/26/2007		13.78
	375,000	—	—	1/25/2008		15.69
	300,000	—	—	1/23/2009		12.03
	—	—	187,500	1/19/2010	1/22/2010	13.12
	—	97,550	97,550	3/15/2011	4/25/2011	9.50
James C. Kranz	128,240	—		2/19/2004		12.22
	225,000	—	—	7/21/2006		12.76
	67,500	—	—	1/26/2007		13.78
	150,000	—	—	1/25/2008		15.69
	127,500	—	—	1/23/2009		12.03
	—	—	75,000	1/19/2010	1/22/2010	13.12
	—	25,750	25,750	3/15/2011	4/25/2011	9.50
Thomas E. Laird	103,706	—	—	2/19/2004		12.22
	225,000	—	—	7/21/2006		12.76
	67,500	—	—	1/26/2007		13.78
	150,000	—	—	1/25/2008		15.69
	127,500	—	—	1/23/2009		12.03
	—	—	75,000	1/19/2010	1/22/2010	13.12
	—	22,950	22,950	3/15/2011	4/25/2011	9.50
Tracey A. Dedrick	—	—	51,813	7/19/2011	7/22/2011	8.33
Anthony J. Fabiano	45,000	—	—	1/26/2007		13.78
	50,000	—	—	1/25/2008		15.69
	45,000	—	—	1/23/2009		12.03
	—	—	37,500	1/19/2010	1/22/2010	13.12
	—	8,900	8,900	3/15/2011	4/25/2011	9.50

The following table sets forth the stock awards that vested and the option awards that were exercised for the named executive officers during the last fiscal year.

OPTION EXERCISES AND STOCK VESTED TABLE — 2012

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)(1)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)(1)**
Ronald E. Hermance, Jr.	—	—	120,000	$819,600
Denis J. Salamone	—	—	43,750	298,813
James C. Kranz	—	—	15,000	102,450
Thomas E. Laird	—	—	15,000	102,450
Tracey A. Dedrick	—	—	—	—
Anthony J. Fabiano	—	—	5,000	34,150

(1) These figures include the amount realized during the fiscal year upon exercise of vested stock options by the named individual and the vesting of restricted stock, based on the closing sales price for a share of our common stock on the NASDAQ Global Select Market on the exercise date or vesting date, as applicable. Option holders may not transfer unexercised stock options or unvested restricted stock for value.

Post-Employment Compensation

Pension Benefits

The Employees' Retirement Plan of Hudson City Savings Bank is a tax-qualified plan that covers substantially all salaried employees hired before August 1, 2005 who have attained age 21 and have at least one year of service. Its purpose is to take advantage of favorable tax rules to provide substantially all eligible employees with a stable and predictable source of retirement income that does not require the individual employee to bear either investment or mortality risk.

The Hudson City Savings Bank Benefit Maintenance Plan provides for the payment of certain benefits that would otherwise be payable under the Employees' Retirement Plan, but for certain limitations imposed by the Internal Revenue Code. Tax laws impose a limit (up to $250,000 for individuals retiring in 2012) on the average final compensation that we may count in computing benefits under the Employees' Retirement Plan, and on the annual benefits ($200,000 in 2012) that we may pay. The Employees' Retirement Plan may also pay benefits accrued as of January 1, 1994 based on tax law limits then in effect. For Messrs. Hermance, Salamone, Kranz and Laird, benefits based on average final compensation in excess of tax limits are payable under the Benefit Maintenance Plan.

Under the Employees' Retirement Plan, upon attaining age 65, participants receive an annual retirement benefit commencing at retirement equal to two percent of their average compensation (which includes salary within tax law limits, but not bonus, overtime or other special pay) for the highest three consecutive years out of the final ten years of employment, multiplied by their years of credited service, up to a maximum of 30 years of service. The Benefit Maintenance Plan provides that participants, upon attaining age 65, will receive an annual retirement benefit equal to two percent of their average compensation (which includes salary, but not bonus, overtime or other special pay) for the highest three consecutive years out of the final ten years of employment, multiplied by their years of credited service, up to a maximum of 30 years of service, minus the amount of their accrued benefit under the Employee's Retirement Plan. Under both the Employees' Retirement Plan and the Benefit Maintenance Plan, participants have the option of choosing an actuarially equivalent alternative form of benefit, which would affect the amount of the retirement benefit payable each year.

Both the Employees' Retirement Plan and the Benefit Maintenance Plan also provide for payment of a reduced early retirement benefit to participants who retire either after age sixty with at least five years of service or after 30 years of service. Messrs. Salamone, Kranz and Laird are currently eligible for early retirement benefits. The plans calculate early retirement benefits under the same formula as normal retirement benefits, but base them on compensation and credited service as of the date of termination of employment, and reduce benefits by 2/12 of 1% for each of the first 120 months that payment commencement precedes the normal retirement date. A participant who has completed at least 30 years of service and wants to begin payment before age 55 is entitled to the actuarial equivalent to the benefit payable at age 55.

Prior to 2005, as part of our hiring negotiations with a new employee, we may have agreed to grant credit for service with the newly hired employee's immediate prior employer. We no longer grant such prior service credit.

Mr. Fabiano joined Hudson City in connection with the merger of Sound Federal Bancorp, Inc., and its subsidiary, Sound Federal Savings and Loan Association, into Hudson City Bancorp and Hudson City Savings, respectively. Prior to this merger, Sound Federal Savings and Loan Association maintained a Retirement Income Plan. This plan was merged into the Employees' Retirement Plan in 2007, but generally without altering its benefit provisions. At the time of the Sound Federal merger, benefits under the Sound Federal Retirement Income Plan were frozen. Under this plan, upon attaining age 65, participants receive an annual retirement benefit commencing at retirement equal to the difference between 4% of average annual earnings (average earnings during the three consecutive calendar years within the last ten years of service that results in the highest average, including salary, bonus and disability, but including deferrals only if made under a 401(k) plan) and 0.65% of the final average compensation (average earnings during the last three calendar years of service) up to the Social Security taxable wage base, multiplied by the participant's years of credited service (up to a maximum of 15 years). The Sound Federal Retirement Income Plan provides for payment of a reduced early retirement benefit to participants who retire after age 55 with at least five years of service.

The following table sets forth information regarding pension benefits accrued by the named executive officers as of the end of the last fiscal year.

PENSION BENEFITS TABLE — 2012

Name	Plan Name	Number of Years of Credited Service (#)(1)(2)	Present Value of Accumulated Benefit ($)(2)	Payments During Last Fiscal Year ($)
Ronald E. Hermance, Jr.	Retirement Plan for Employees	24.75	$1,538,491	—
	Benefit Maintenance Plan	24.75	9,026,188	—
Denis J. Salamone	Retirement Plan for Employees	10.17	524,816	—
	Benefit Maintenance Plan	24.75	5,140,949	—
James C. Kranz	Retirement Plan for Employees	28.33	1,784,372	—
	Benefit Maintenance Plan	28.33	1,845,379	—
Thomas E. Laird	Retirement Plan for Employees	30	1,570,017	—
	Benefit Maintenance Plan	30	1,287,386	—
Tracey A. Dedrick	Retirement Plan for Employees	—	—	—
	Benefit Maintenance Plan	—	—	—
Anthony J. Fabiano	Retirement Plan for Employees	8.83	461,409	—
	Benefit Maintenance Plan	—	—	—

(1) As part of his initial employment negotiations, Mr. Salamone was granted 14.58 years of service credit under the Benefit Maintenance Plan for prior employment with his former employer. Mr. Hermance was granted 1.33 years of service credit under the Benefit Maintenance Plan and Retirement Plan for Employees. We have not granted any prior service credit to any of our executive officers since 2004.

(2) We determined the figures shown as of the plan's measurement date during 2012 under FASB ASC Topic 715 for purposes of Hudson City Bancorp's audited financial statements. For the mortality, discount rate and other assumptions used for this purpose, please refer to note 11(a) to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Deferred Compensation

Profit Incentive Bonus Plan. The Profit Incentive Bonus Plan of Hudson City Savings Bank is a tax-qualified defined contribution plan for substantially all salaried employees who have attained age 21 and have at least one year of service. Hudson City Savings may make discretionary contributions to this plan as determined by the Board of Directors. The Profit Incentive Bonus Plan has an individual account for each participant's contributions and allows each participant to direct the investment of his or her account. One permitted investment is common stock of Hudson City Bancorp. Participants direct the voting of shares purchased for their plan accounts.

Benefits under the Profit Incentive Bonus Plan are generally payable upon termination of employment or retirement (including early retirement). No employer contributions were made to this plan for 2012.

Employee Stock Ownership Plan. The Employee Stock Ownership Plan of Hudson City Savings Bank is a tax-qualified plan that covers substantially all salaried employees who have at least one year of service and have attained age 21. In 1999, Hudson City Bancorp lent the plan enough money to purchase 27,879,376 of the shares of Hudson City Bancorp common stock (adjusted for stock splits) issued to investors other than Hudson City, MHC (or 3.76% of the total number of shares issued in our 1999 reorganization). The plan has purchased all 27,879,376 shares. In connection with the second-step conversion and stock offering completed on June 7, 2005, Hudson City Bancorp lent the plan enough money to purchase an additional 15,719,223 of the shares of Hudson City Bancorp common stock (or 4% of the total number of shares issued in our second-step conversion and stock offering). The plan has purchased all 15,719,223 shares. As a condition to the extension of the 2005 loan, Hudson City Bancorp and the trustee of the plan renegotiated the terms (including the interest rate and maturity) of the 1999 loan. Although contributions to this plan are discretionary, Hudson City Savings intends to contribute enough money each year to make the required principal and interest payments on the loans from Hudson City Bancorp. Any additional contributions are discretionary. Both the 1999 loan (as extended) and the 2005 loan mature on December 31, 2044. Each loan calls for level annual payments of principal and interest. The plan has pledged the shares it purchased as collateral for the loan and holds them in a suspense account. The plan released 962,185 of the pledged shares during 2012. We expect the plan will release 962,185 of the shares annually in the years 2013 through 2043, and release the remaining shares in 2044. The plan will allocate the shares released each year among the accounts of participants in proportion to their base salary for the year. For example, if a participant's base salary for a year represents 1% of the total base salaries of all participants for the year, the plan would allocate to that participant 1% of the shares released for the year. Participants direct the voting of shares allocated to their accounts. The trustee of the plan will usually vote the shares in the suspense account in a way that mirrors the votes which participants cast for shares in their individual accounts.

Benefit Maintenance Plan. The supplemental savings benefit under the Benefit Maintenance Plan of Hudson City Savings Bank is a non-qualified plan that permits selected individuals to defer amounts that would otherwise be deferred under the Profit Incentive Bonus Plan, but for certain limitations imposed by the Internal Revenue Code. This aspect of the Benefit Maintenance Plan was frozen as of December 31, 2004 and no additional amounts may be deferred thereunder. In 2010, Mr. Hermance had his balance under this aspect of the Plan transferred to his account under our non-qualified deferred compensation plan for named executive officers. As of December 31, 2012, Messrs. Salamone and Kranz had balances under this aspect of the Plan. This aspect of the Plan credits account balances with interest at the end of each calendar quarter at the highest rate of interest credited on certificates of deposit issued by Hudson City Savings during the calendar quarter. During 2012, the plan credited balances using interest rates of 1.95% during the first calendar quarter, 1.95% during the second calendar quarter, 1.71% during the third calendar quarter and 1.61% during the fourth calendar quarter. This

aspect of the Plan allows for distribution of accounts in a single lump sum (unless the participant elects to receive annual installments over a period not to exceed fifteen years) as soon as administratively practicable on or after the first day of the calendar quarter coinciding with or next following (i) the participant's termination of employment, (ii) the participant's attainment of a designated age not earlier than age 59-1/2 and not later than age 70-1/2, (iii) the earlier of (i) and (ii), or (iv) the later of (i) and (ii), as elected by the participant, with (i) being the default if no election is made.

The Benefit Maintenance Plan also provides a "supplemental ESOP benefit" and an "ESOP restoration benefit" to certain executives with respect to their participation in the qualified Employee Stock Ownership Plan. The supplemental ESOP benefit consists of a payment representing shares that we cannot allocate under the Employee Stock Ownership Plan due to the legal limitations imposed on tax-qualified plans. See "Executive Officer Compensation — Deferred Compensation — Employee Stock Ownership Plan" for a discussion of the Employee Stock Ownership Plan of Hudson City Savings Bank, including the share allocation formula thereunder. The plan pays out this benefit in a single lump sum as soon as practicable following the last day of the year of termination of service (or in such other form as elected within 30 days after becoming eligible for the supplemental benefit) in an amount determined by multiplying the number of shares payable under the supplemental ESOP benefit by the closing price of Hudson City Bancorp's common stock as reported on the NASDAQ Global Select Market. For Messrs. Hermance and Salamone only, the amount of this benefit is determined by multiplying the number of shares payable under the supplemental ESOP benefit by the average closing price of Hudson City Bancorp's common stock reported on the NASDAQ Global Select Market at the end of each quarter during the immediately preceding twelve quarters. The ESOP restoration benefit consists of a payment representing shares that the Employee Stock Ownership Plan and supplemental benefit of this Plan would have allocated to a participant who retires before the repayment in full of the Employee Stock Ownership Plan's loans if his employment had continued through the full term of the loans. The ESOP restoration benefit is payable in a single lump sum as soon as practicable following the last day of the calendar year of termination of service (or in such other form as elected within 30 days after becoming eligible for such benefit). The plan determines the amount of the benefit by multiplying the number of shares payable under the ESOP restoration benefit by the average closing price of Hudson City Bancorp's common stock reported on the NASDAQ Global Select Market at the end of each quarter during the twelve quarters immediately preceding termination of service.

In December, 2012, Messrs. Hermance and Salamone entered into letter agreements with Hudson City Bancorp and Hudson City Savings in connection with the Merger. These letter agreements amend the Benefit Maintenance Plan to provide that, if the Merger were to become effective, the ESOP-related benefits available to the executives under the Benefit Maintenance Plan would be limited to the amounts they would have received on repayment of the loans under the ESOP and the resulting allocation of shares, if their supplemental ESOP accounts were held in the ESOP. These letter agreements further provide that, for purposes of determining the cash value of these ESOP-related benefits for Messrs. Hermance and Salamone only, share equivalents will be deemed to have a per share value equal to the average closing price of our common stock for the last business day of each of the last 12 quarters to end immediately prior to the date of termination of employment. In the event that the Merger does not become effective and the Merger Agreement is terminated, these provisions of the letter agreements will cease to have any effect.

The following table sets forth information regarding nonqualified deferred compensation our named executive officers earned during the last fiscal year under the Benefit Maintenance Plan.

NONQUALIFIED DEFERRED COMPENSATION TABLE — BENEFIT MAINTENANCE PLAN — 2012

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)(1)	Aggregate Earnings in Last FY ($)(2)	Aggregate Withdrawals/ Distributions ($)(3)	Aggregate Balance at Last FYE ($)
Ronald E. Hermance, Jr.	—	$100,063	$628,244	$121,423	$2,298,261
Denis J. Salamone	—	123,301	305,665	81,535	1,109,840
James C. Kranz	—	37,045	245,469	21,110	245,469
Thomas E. Laird	—	28,782	42,238	14,814	147,432
Tracey A. Dedrick	—	—	—	—	—
Anthony J. Fabiano	—	9,843	3,472	3,472	9,843

(1) The Summary Compensation Table includes registrant contributions under the caption “All Other Compensation” in the Summary Compensation Table.

(2) The Summary Compensation Table does not include reported earnings, as they did not accrue at above-market or preferential rates.

(3) Consists of current payment of dividend equivalents on stock units.

Other Deferred Compensation Program. We maintain a non-qualified deferred compensation plan pursuant to which our named executive officers may elect to defer all or any portion of their base salary, bonus or cash incentive under the Executive Annual Incentive Plan. Base salary at a rate in excess of $1 million annually for any named executive officer is automatically deferred. Executives may elect to invest deferred amounts in phantom units of our common stock or in an interest-bearing phantom account that the plan credits with interest on a quarterly basis based on the highest rate of interest Hudson City Savings paid to depositors during the quarter. The plan will pay deferred amounts, adjusted for earnings and/or losses, following termination of employment or at specified dates that the named executive officer has selected prior to the deferral.

The following table sets forth information regarding nonqualified deferred compensation our named executive officers earned during the last fiscal year under the other non-qualified defined contribution plan.

NONQUALIFIED DEFERRED COMPENSATION TABLE — OFFICERS’ DEFERRED COMPENSATION PLAN — 2012

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)(2)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
Ronald E. Hermance, Jr.	$680,000	—	$709,478	—	$3,005,069
Denis J. Salamone	70,000	—	33,758	—	161,036
James C. Kranz	—	—	—	—	—
Thomas E. Laird	—	—	—	—	—
Tracey A. Dedrick	—	—	—	—	—
Anthony J. Fabiano	—	—	—	—	—

(1) The Summary Compensation Table includes executive contributions under the captions “Salary” and “Non-Equity Incentive Plan Compensation,” as applicable.

(2) The Summary Compensation Table does not include reported earnings, as they did not accrue at above-market or preferential rates.

Termination and Change in Control Benefits

Hudson City provides additional benefits, not included in the previous tables, to the named executive officers in the event of retirement, termination of employment in certain circumstances, or a change in control. Employment or change in control agreements set forth these termination and change in control benefits for each of the named executive officers.

Employment Agreements. Pursuant to the terms of the employment agreements with each of Messrs. Hermance and Salamone, in the event that Hudson City Savings or Hudson City Bancorp discharges the executive without cause, Hudson City will provide the executive with the following severance benefits:

- continued group life, health, dental, accident and long-term disability insurance benefits for the remaining employment term;
- a lump sum payment equal to the estimated present value of the executive's base salary for the remaining employment term at the highest annual salary rate paid plus bonuses for the remaining employment period at the rate (expressed as a percentage of salary) paid for the three-year period ending on or immediately prior to the date of termination;
- a lump sum supplemental pension makeup payment under the qualified and nonqualified defined benefit and defined contribution pension plans (including the employee stock ownership plan) computed as if the executive had continued employment for the remaining employment term; and
- at the election of Hudson City Bancorp or Hudson City Savings, a lump sum payment in an amount equal to the spread of any options held by the executive or the value of any restricted stock held by the executive in exchange for such options or restricted stock, computed in each case as if the executive was fully vested at the time of payment.
- The same severance benefits are payable if any of the executives resigns under any of the following circumstances:
  - during the term within 90 days following a loss of title, office or membership on the board of directors; material reduction in duties, functions or responsibilities which is not cured within 30 days following notice;
  - involuntary relocation of the executive's principal place of employment to a location that is not the principal executive office of Hudson City Savings or that is over 25 miles in distance from Hudson City Savings' principal office in Paramus, New Jersey and over 25 miles from the executive's principal residence;
  - reduction in base salary; change in the terms and conditions of any compensation or benefit program that alone, or in conjunction with other changes, has a material adverse effect on the aggregate value of the executive's total compensation package (other than as a result of certain across-the-board reductions) which is not cured within 30 days following notice; or
  - other material breach of any material term of the agreement by Hudson City Bancorp or Hudson City Savings which is not cured within 30 days following notice.

In addition, the employment agreements provide that, for 60 days after a change of control, each executive may resign for any reason or no reason and collect severance benefits as if he had resigned for good reason. In the event of such a resignation, severance benefits are calculated based on a remaining term of three years.

In December, 2012, Messrs. Hermance and Salamone entered into letter agreements with Hudson City Bancorp and Hudson City Savings in connection with the Merger. These letter agreements amend the terms of their employment agreements as follows:

- cash incentive awards for 2012 will not be recognized for purposes of calculating bonus severance to the extent they exceed the executive's target opportunity (50% of the benefit disclosed in the Grants of Plan Based Awards Table — 2012, above);

- on a termination on or after consummation of the Merger, in connection with which the employee stock ownership plan is to be terminated, no severance will be paid in connection with any continued benefits the executive might have received under that plan or any related supplemental plan for the remaining employment term; and
- no elective payments will be made by Hudson City Bancorp or Hudson City Savings in exchange for any options or restricted stock held by the executive.

In the event that the Merger does not become effective and the Merger Agreement is terminated, these provisions of the letter agreements will cease to have any effect.

If Hudson City Bancorp or Hudson City Savings experiences a change in ownership, a change in effective ownership or control or a change in the ownership of a substantial portion of its assets as contemplated by section 280G of the Internal Revenue Code, a portion of any severance payments under the employment agreements might constitute an "excess parachute payment" under current federal tax laws. Federal tax laws impose a 20% excise tax, payable by the executive, on excess parachute payments. Under the employment agreements with Hudson City Bancorp, Hudson City Bancorp would reimburse the executive for the amount of this excise tax and would make an additional indemnification payment so that, after payment of the initial excise tax and all additional income and excise taxes imposed on the indemnification payment, the executive would retain approximately the same net after-tax amounts under the employment agreement that he would have retained if there was no 20% excise tax. The effect of this provision is that Hudson City Bancorp, rather than the executive, bears the financial cost of the excise tax. Neither Hudson City Savings nor Hudson City Bancorp could claim a federal income tax deduction for an excess parachute payment, excise tax reimbursement payment or gross-up payment.

In the event that any of the executives performs services for both Hudson City Savings and Hudson City Bancorp, the employment agreements apportion liability for the payment of severance benefits between the two entities in the same manner in which the entities apportion compensation. Notwithstanding the foregoing, Hudson City Bancorp is jointly and severally liable with Hudson City Savings for all obligations of Hudson City Savings under the employment agreement with Hudson City Savings.

The agreements allow Hudson City Savings or Hudson City Bancorp to condition payment of severance benefits on the executive's resignation from all positions as an officer, director or committee member of Hudson City Savings, Hudson City Bancorp or any of its or their subsidiaries or affiliates.

Change in Control Agreements. Hudson City Bancorp and Hudson City Savings have jointly entered into two-year change in control agreements with Mr. Kranz, Mr. Laird, Ms. Dedrick and Mr. Fabiano (as well as each of the other twelve executive officers). The term of these agreements is perpetual until the later of (a) one year after Hudson City Savings gives notice of non-extension and (b) two years following the most recent change of control or pending change of control that occurs within one year following notice of non-extension.

Generally, Hudson City Savings may terminate the employment of any officer covered by these agreements, with or without cause, at any time prior to a pending change of control without obligation for severance benefits. However, if Hudson City Bancorp or Hudson City Savings signs a merger or other business combination agreement, or if a third party makes a tender offer or initiates a proxy contest, Hudson City Savings cannot terminate an officer's employment without cause without liability for severance benefits. The severance payments and benefits generally include:

- continued group life, health, dental, accident and long-term disability insurance benefits for two years;
- a lump sum payment equal to the estimated present value of the executive's salary for two years at the highest annual salary rate paid and two years of bonuses at the rate (expressed as a percentage of salary) paid for the three-year period ending on or immediately prior to the date of termination;

- a lump sum payment equal to the estimated present value of the executive's long-term non-equity incentive compensation payments for two years;
- a lump sum supplemental pension makeup payment under the qualified and non-qualified defined benefit and defined contribution pension plans (including the employee stock ownership plan) computed as if the executive had continued employment for an additional two years; and
- the election of Hudson City Savings, a lump sum payment in an amount equal to the spread of any options held by the executive or the value of any restricted stock held by the executive in exchange for such options or restricted shares, computed in each case as if the executive was fully vested at the time of payment.
- Hudson City Savings must pay the same severance benefits if the officer resigns after a change of control under any of the following circumstances:
  - loss of title, office or membership on the Board of Directors;
  - material reduction in duties, functions or responsibilities which is not cured within 30 days following notice;
  - involuntary relocation of his or her principal place of employment to a location that is not the principal executive office of Hudson City Savings or that is over 25 miles from Hudson City Savings' principal office on the day before the change of control and over 25 miles from the officer's principal residence;
  - reduction in base salary; change in the terms and conditions of any compensation or benefit program that alone, or with other changes, has a material adverse effect on the aggregate value of his or her total compensation package (other than as a result of certain across-the-board reductions) which is not cured within 30 days following notice; or
  - other material breach of any material term of the agreement which is not cured within 30 days following notice.

If Hudson City Savings or Hudson City Bancorp experiences a change in ownership, a change in effective ownership or control or a change in the ownership of a substantial portion of its assets as contemplated by section 280G of the Internal Revenue Code, a portion of any severance payments under the change in control agreements might constitute an "excess parachute payment" under current federal tax laws. Any excess parachute payment would be subject to a federal excise tax payable by the officer and would be non-deductible by Hudson City Savings and Hudson City Bancorp for federal income tax purposes. The change in control agreements do not provide a tax indemnity. The Company has not entered into an employment agreement with a tax indemnity provision since 2001, and it is the Company's policy not to include tax indemnity provisions in new employment agreements in the future.

The change in control agreements allow Hudson City Savings or Hudson City Bancorp to condition payment of severance benefits on the executive's resignation from all positions as an officer, director or committee member of Hudson City Savings or any of its subsidiaries or affiliates. The agreements also allow Hudson City to condition payments on a release of claims against Hudson City Savings and its officers, directors, shareholders, subsidiaries and affiliates from liability for compensation or damages in connection with the executive's employment and termination of employment except liability for severance benefits. Hudson City Bancorp guarantees all amounts payable under the change in control agreements.

In December, 2012, Mr. Kranz, Mr. Laird, Ms. Dedrick and Mr. Fabiano (as well as each of the other twelve executive officers) entered into letter agreements with Hudson City Bancorp and Hudson City Savings in connection with the Merger. These letter agreements amend the terms of their change in control agreements as follows:

- cash incentive awards for 2012 will not be recognized for purposes of calculating bonus severance to the extent they exceed the executive's target opportunity (50% of the benefit disclosed in the Grants of Plan Based Awards Table — 2012, above);

- no severance payments will be provided with respect to any long-term non-equity incentive compensation or defined contribution benefits the executive might have been eligible to receive on continued service;
- no elective payments will be made by Hudson City Bancorp or Hudson City Savings in exchange for any options or restricted stock held by the executive; and
- in the event that any payments or benefits due to the executive would be deemed "excess parachute payments" under current federal tax laws, those payments and benefits will be reduced to the minimum extent needed to prevent any payment or benefit from being deemed an "excess parachute payment," but only if such reduction would not reduce the executive's overall benefit on an after-tax basis.

In the event that the Merger does not become effective and the Merger Agreement is terminated, these provisions of the letter agreements will cease to have any effect.

The following table sets forth estimates of the amounts that would be payable to each of our named executive officers in the event of their termination of employment on December 31, 2012 under designated circumstances. SEC rules require that we assume for purposes of these estimates that the termination or change in control triggering the payment or benefit took place on the last day of our last completed fiscal year. The table does not include amounts payable under broad-based termination benefits programs that are generally applicable to all salaried employees or vested, accrued benefits under qualified and non-qualified defined benefit or actuarial pension plans or qualified or non-qualified deferred compensation plans that are disclosed elsewhere in this proxy statement. See "Executive Officer Compensation — Post-Employment Compensation". The estimates shown are highly dependent on a variety of factors, including but not limited to: the date of termination, the closing sales price of our common stock on such date, interest rates, federal, state and local tax rates and compensation history. Actual payments due could vary substantially from the estimates shown. In general, we consider each termination scenario listed below to be exclusive of all other scenarios and do not expect that any of our executive officers would be eligible to collect the benefits shown under more than one termination scenario.

	Mr. Hermance	Mr. Salamone	Mr. Kranz	Mr. Laird	Ms. Dedrick	Mr. Fabiano
Retirement/Early Retirement						
Early Retirement Subsidy(2)	—	—	42,057	725,259	—	—
Retiree Health/Life Insurance(1)	198,741	—	203,420	177,150	—	—
Stock Option Vesting(5)	—	—	—	—	—	—
Stock Award Vesting(6)	5,349,658	—	—	—	—	—
ESOP Restoration Benefit(12)	9,331,631	—	—	—	—	—
Disability						
Salary Continuation(4)	840,000	535,000	252,100	225,000	200,000	200,000
Disability Retirement Subsidy(3)	—	2,169,727	—	1,046,809	—	—
Retiree Health/Life Insurance(1)	198,741	—	203,420	177,150	—	—
Stock Option Vesting(5)	—	—	—	—	—	—
Stock Award Vesting(6)	5,349,658	3,469,938	853,321	760,655	431,877	430,410
ESOP Restoration Benefit(12)	9,331,631	—	—	—	—	—
Death						
Stock Option Vesting(5)	—	—	—	—	—	—
Stock Award Vesting(6)	5,349,658	3,469,938	853,321	760,655	431,877	430,410
ESOP Restoration Benefit(12)	9,331,631	—	—	—	—	—
Discharge w/o Cause or Resignation w/ Good Reason — No Change of Control						
Stock Option Vesting(5)	—	—	—	—	—	—
Stock Award Vesting(6)	5,349,658	—	—	—	—	—
Cash Payment(s)(7)	10,376,930	6,010,656	1,789,048	1,599,664	1,052,897	828,607
Retirement Subsidy(9)	1,333,372	3,314,015	299,336	746,813	—	—
Other In-kind Benefits(8)	206,721	70,105	208,802	188,658	47,278	47,278
ESOP Restoration Benefit(12)	9,331,631	—	—	—	—	—
Discharge w/o Cause or Resignation w/ Good Reason — After Change of Control						
Stock Option Vesting(5)	—	—	—	—	—	—
Stock Award Vesting(6)	5,349,658	3,469,938	853,321	760,655	431,877	430,410
Cash Payment(s)(7)	10,376,930	6,010,656	1,789,048	1,599,664	1,052,897	828,607
Other In-kind Benefits(8)	206,721	70,105	208,802	188,658	47,278	47,278
Retirement Subsidy(9)	1,705,504	4,050,511	299,336	918,599	—	—
Supplemental ESOP Benefit(10)	3,286,100	1,565,073	304,533	185,722	—	12,419
280G Tax Indemnification Payment/ Cutback(11)	—	5,252,518	—	—	(377,873)	—
Change of Control — No Termination of Employment						
Stock Option Vesting(5)	—	—	—	—	—	—
Stock Award Vesting(6)	—	—	—	—	—	—
Retirement Subsidy(9)	—	1,986,433	42,057	897,044	—	—
Supplemental ESOP Benefit(10)	3,286,100	1,565,073	304,533	185,722	—	12,419
280G Tax Indemnification Payment/ Cutback(11)	—	—	—	—	—	—

(1) Individuals are entitled to post-retirement medical benefits upon normal or early retirement after attainment of ten years of continuous service. In 2007 we capped our obligation to individuals under this policy to annual coverage rates for 2007. Each individual receiving benefits under this policy is thus responsible for

annual coverage costs in excess of those 2007 rates. Individuals who retire before the year they would attain age 65 are also responsible for a percentage of the coverage costs at 2007 rates. The amount of this responsibility is based on how early the individual retires and includes 5% of such costs for each year that the year in which they retire precedes the year in which they would attain age 65. Individuals are responsible for increases in the cost of coverage over that amount. At December 31, 2012, only Messrs. Hermance, Kranz and Laird were eligible for retiree insurance benefits. As of March 27, 2013, Mr. Salamone has attained age 60, and is eligible for benefits under this program that are not reflected here. The reported figure reflects the estimated present value of the future premium cost of such benefits for the named individual eligible for this benefit on December 31, 2012, calculated on the basis of the assumptions used by Hudson City Bancorp in measuring its liability for such benefits for financial statement purposes under FASB ASC Topic 715. For more information concerning the assumptions used for these calculations, please refer to note 11(a) to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(2) Participants are entitled to a reduced early retirement allowance under the Employees' Retirement Plan and Benefit Maintenance Plan upon termination of employment after age 60 with at least five years of credited service or at least 30 years of credited service regardless of age. The plans calculate the early retirement benefit under the same formula as the normal retirement benefit, but base the early retirement benefit on compensation and credited service as of the date of termination of employment, and reduce the benefit by 2/12 of 1% for each of the first 120 months that payment commencement precedes the normal retirement date. A participant who has completed at least 30 years of service and wants to begin payment before age 55 is entitled to the actuarial equivalent to the benefit payable at age 55. At December 31, 2012, only Messrs. Kranz and Laird were eligible for early retirement benefits. As of March 27, 2013, Mr. Salamone has attained age 60, and is eligible for early retirement benefits that are not reflected here. The figure shown for the Early Retirement Subsidy shows the additional value of this early retirement benefit over the normal retirement benefit disclosed in the Pension Benefits Table — 2012, above. For the mortality, discount rate and other assumptions used for this purpose, please refer to note 11(a) to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(3) The Employees' Retirement Plan and Benefit Maintenance Plan entitle participants to a disability retirement allowance upon the requisite certification of disability with at least ten years of credited service (at least five of which are with Hudson City Savings). The plans calculate the disability retirement benefit under the same formula as the normal retirement benefit, but do not reduce the benefit for early receipt. Payment of the disability retirement allowance will commence at least 30, but no later than 90, days after the retirement committee has approved an executive's application. At December 31, 2012, only Messrs. Hermance, Salamone, Kranz and Laird were eligible for disability retirement benefits. The figure shown for the Disability Retirement Subsidy reflects the present value of a pension payable to the named individual commencing on July 1, 2013 (the end of an assumed 6-month salary continuation period) and continuing until age 65 with no mortality assumption and a discount rate of 4.15% per annum. For the mortality, discount rate and other assumptions used for this purpose, please refer to note 11(a) to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(4) The employment agreements in effect for Messrs. Hermance and Salamone provide for salary continuation payments following termination due to disability for the remaining contract term or until group long-term disability benefits begin. The change in control agreements in effect for Mr. Kranz, Mr. Laird, Ms. Dedrick and Mr. Fabiano provide for salary continuation payments following termination due to disability following a change of control or pending change of control. The figures shown assume payment of full salary for 180 days, equal to the waiting period for benefits under our group long-term disability program, without discount for present value.

(5) Stock options granted under our 2006 Stock Incentive Plan or Amended and Restated 2011 Stock Incentive Plan remain subject to attainment of their performance conditions following retirement or a termination due to death or disability. In the case of retirement, they also remain subject to compliance with confidentiality and non-solicitation requirements. The figures shown reflect the in-the-money value of those stock options

that would accelerate, calculated based on the excess, if any, of $8.13, the closing sales price for a share of our common stock on December 31, 2012, over the exercise price.

(6) Deferred stock unit awards granted under our 2006 Stock Incentive Plan or Amended and Restated 2011 Stock Incentive Plan remain subject to the attainment of any remaining performance criteria following retirement or termination for death or disability. All outstanding deferred stock unit awards to the named executives vest in full in the event of discharge without cause or resignation with good reason following a change in control. The figures shown reflect the value of any deferred stock unit awards that would accelerate, calculated based on a per share value of $8.13, which is the closing sales price for a share of our common stock on December 31, 2012.

(7) The employment agreements in effect for Messrs. Hermance and Salamone provide for a lump sum cash payment equal to the present value of the salary payments, estimated cash incentives (based on the prior three-years' cash incentives, as a percentage of salary), along with cash payments of additional qualified and non-qualified defined contribution plan benefits that would be earned during the remaining contract term. The figures shown for Messrs. Hermance and Salamone reflect an assumed remaining contract term of three years. The change in control agreements in effect for Mr. Kranz, Mr. Laird, Ms. Dedrick and Mr. Fabiano provide for a lump sum cash payment equal to the present value of the salary payments, estimated cash incentives (based on the prior three-years' cash incentives, as a percentage of salary), and additional qualified and non-qualified defined contribution plan benefits that would be earned during the two-year period following certain terminations of employment. Pursuant to the Merger Agreement, the severance payable based on cash incentives for each of these officers is no less than would be applicable to a termination of employment on August 27, 2012. These change in control agreements also impose a cap on the aggregate compensation they may provide, which may not exceed three times average annual total compensation for the past five years. The figures for Ms. Dedrick and Mr. Fabiano include reductions by $307,036 and $552,282 respectively to avoid exceeding this cap. All figures assume an annual discount rate of 0.24%, except for the estimated cash incentives for termination of employment on August 27, 2012, which assume a discount rate of 0.25%.

(8) The employment agreements in effect for Messrs. Hermance and Salamone and the change in control agreements in effect for Mr. Kranz, Mr. Laird, Ms. Dedrick and Mr. Fabiano provide for continued health, life and other insurance benefits for the remaining contract term, with an offset for benefits provided by a subsequent employer. The figures shown represent the present value of continued insurance benefits for an assumed remaining contract term of three years for Messrs. Hermance and Salamone using an annual discount rate of 0.95%, and a fixed period of two years for the other named executive officers using an annual discount rate of 0.24%, and assume no offset for benefits provided by a subsequent employer. The figures shown for Messrs. Hermance, Kranz and Laird do not include the present value of continued medical and dental insurance during the remaining contract term, but do include the post-retirement medical benefits for which those individuals are eligible, as discussed above in footnote (1) to this table.

(9) In the event of a change in control, our Benefit Maintenance Plan provides for supplemental pension benefits beginning immediately without reduction for early payment. In addition, the employment agreements in effect for Messrs. Hermance and Salamone, and the change in control agreements in effect for the other named executive officers provide for cash payments of additional qualified and non-qualified pension plan benefits that would be earned during the remaining contract term. The figures shown include the present value of an un-reduced pension under our qualified and non-qualified defined benefit plans payable beginning January 1, 2013 and ending at age 65. In addition, the figures provided for discharge or resignation related to a change in control include the present value of the increased benefits that each named individual would have earned under our qualified and non-qualified pension plans if his or her service had continued for an additional three years (in the case of the employment agreements) or two years (in the case of the change in control agreements). For the mortality, discount rate and other assumptions used for this purpose, please refer to note 11(a) to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

(10) In the event of a change in control, our tax-qualified Employee Stock Ownership Plan would sell the shares of our common stock held in a suspense account for future allocation to employees. The plan would then apply a portion of the proceeds from this sale to repay the outstanding balance on the loans used to purchase the unallocated shares. The plan would then distribute the remaining unallocated shares (or the proceeds from their sale) on a pro-rata basis among the accounts of plan participants. We estimate this distribution to be approximately $10.26 per allocated share, based on: 9,781,351 allocated and undistributed shares; 18,031,865 unallocated shares and $2,683,477 cash in the suspense account for an outstanding loan of $49.0 million; 12,767,043 unallocated shares and $75,000 cash in the suspense account for an outstanding loan of $174.8 million; and stock price of $8.31 per share, which is the closing sales price for a share on the NASDAQ Global Select Market on December 31, 2012. The Benefit Maintenance Plan would apply a corresponding earnings credit to accumulated share equivalents provided under the ESOP-related portion of that plan. The figures shown represent an estimated earnings credit of $10.26 per share equivalent credited to each of the named individuals.

(11) The employment agreements in effect for Messrs. Hermance and Salamone provide that Hudson City Bancorp will indemnify them, on a net after-tax basis, against the effects of a 20% federal excise tax on "excess parachute payments." Excess parachute payments are payments that are contingent on a change in control, where the aggregate value of such payments equals or exceeds three times the individual's average five-year W-2 earnings for the period of five consecutive calendar years ending prior to the date of the change in control. The figure shown reflects an estimate of the indemnification payment that would be due to each named individual. The change in control agreements in effect for Mr. Kranz, Mr. Laird, Ms. Dedrick and Mr. Fabiano provide for a cut-back to payments and benefits to those executives in the event that any payments or benefits owed to them would amount to "excess parachute payments," but only if the cut-back would not reduce the value of payments and benefits owed to them on a net after-tax basis.

(12) This amount is payable only if retirement, disability or death precedes the occurrence of a change in control. Only Messrs. Hermance and Salamone participate in this benefit. No benefit amount is shown for Mr. Salamone because he was not eligible for normal or early retirement as of December 31, 2012.

Director Compensation

Cash Compensation. Non-employee directors received the following cash compensation for service on the Boards of Directors of Hudson City Bancorp, Inc. and Hudson City Savings Bank and the respective Board committees during 2012:

Non-Employee Board Member Compensation	
Annual Retainer	50,000
Meeting Fee	1,500
Lead Independent Director Compensation	
Additional Annual Retainer	25,000
Non-Employee Committee Member Compensation	
Meeting Fee	1,500
Committee Chair Additional Annual Retainers	
Audit Committee	15,000
Compensation Committee	15,000
Nominating & Governance Committee	10,000
Risk Committee	15,000

Stock Compensation. From 2006 through 2011, each non-employee director received an annual grant of options to purchase shares of Hudson City Bancorp common stock. The grants were made and priced on or about the date of the annual meeting of shareholders in that year. Beginning in 2010, Hudson City Bancorp started the transition from an equity compensation program for non-employee directors consisting of stock options to one consisting of deferred stock units. In April, 2012, the Compensation Committee authorized awards to each non-

employee director of 10,761 deferred stock units. These units vest on April 25, 2013, and will be distributed to each non-employee director upon the first day of the calendar month following the sixth month anniversary of termination of service as a director. Prior to distribution, dividend equivalents on these deferred stock units will be paid in cash consistent with the dividends paid on Hudson City Bancorp's common stock.

Outside Directors Consultation Plan. The Outside Directors Consultation Plan provides continued compensation following termination of service as a director to eligible outside directors who agree to serve as consultants to Hudson City Savings. A director is eligible to participate if he or she became a director before January 1, 2005 and retires after attaining age 65 and completing 10 years of service as an outside director. The monthly consulting fee is equal to the sum of (a) 5/12 of 1% of the annual board retainer fee in effect at the date of termination of service plus (b) 5% of the fee for attendance at a meeting of the board of directors in effect at the date of termination of service as a director, multiplied by the number of full years of service as an outside director, to a maximum of 20 years of service. A director's consulting arrangement will continue for 120 months or until an earlier date when the director withdraws from the performance of consulting services. If a change of control of Hudson City Bancorp or Hudson City Savings occurs, this plan will settle all of its obligations by lump sum payment to all participants and will then terminate. In computing these obligations, each eligible non-employee director is presumed to have attained age 65 and completed 20 years of service. This plan has been suspended for individuals who become non-employee directors after December 31, 2004. Mr. Golding is the only outside director who is not eligible to participate in this plan. In recognition of his contributions, the board has approved a one-time payment to him of $330,000, conditioned on completion of the Merger in 2013.

Charitable Matching Contribution Program. Each of our directors is also eligible, under our charitable matching contribution program, to direct us to make charitable gifts in limited dollar amounts to the tax-exempt organizations of their choice. We offer this program to encourage philanthropy among our directors and to capture any benefit to our corporate reputation that may result from our directors' philanthropic activity.

The following table sets forth information regarding compensation earned by the non-employee directors of Hudson City Bancorp, Inc. during the last fiscal year.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(4)	All Other Compensation ($)(5)	Total($)
Michael W. Azzara	$127,500	$75,000	—	—	$27,296	$229,796
William G. Bardel	173,000	75,000	—	—	33,046	281,046
Scott A. Belair	132,500	75,000	—	—	33,046	240,546
Victoria H. Bruni	135,500	75,000	—	—	28,246	238,746
Cornelius E. Golding	155,000	75,000	—	—	24,427	254,427
Donald O. Quest, M.D.	114,500	75,000	—	—	33,046	222,546
Joseph G. Sponholz	142,750	75,000	—	—	33,046	250,796

(1) Includes retainers, meeting fees, and committee meeting fees earned during the fiscal year, whether the director received payment of such fees or elected to defer them.

(2) Represents the aggregate grant-date fair value of deferred stock units granted to the director during the applicable year, calculated in accordance with FASB ASC Topic 718 for financial statement purposes. For more information concerning the assumptions used for these calculations, please refer to note 11(e) to the audited financial statements, included in our Annual Report on Form 10-K for the year ended December 31, 2012. The grant date fair value of the deferred stock units granted to the director in 2012 was $6.97 per share. The total number of deferred stock units outstanding to each non-employee director at December 31, 2012 was: Mr. Azzara, 16,551; Mr. Bardel, 16,551; Mr. Belair, 16,551; Ms. Bruni, 16,551; Mr. Golding, 37,212; Dr. Quest, 16,551; and Mr. Sponholz, 16,551.

(3) The total number of options outstanding to each non-employee director at December 31, 2012 was: Mr. Azzara, 272,917; Mr. Bardel, 479,397; Mr. Belair, 401,157; Ms. Bruni, 272,917; Mr. Golding, 60,417; Dr. Quest, 272,917; and Mr. Sponholz, 272,917.

(4) Does not include the value of compensation that may become payable under the Outside Directors Consultation Plan following termination of service as a director, as these amounts are only payable in consideration for a written agreement to provide post-termination consulting services. This plan has been suspended for individuals who become non-employee directors after December 31, 2004. Certain directors participate in a voluntary deferred compensation plan under which they may invest deferred amounts in phantom shares of our common stock or in a phantom account to which we credit interest quarterly based on the highest rate of interest paid to depositors by Hudson City Savings for the quarter. Neither of these investment options produces above-market earnings reportable in this table.

(5) The figure for each named individual represents the amount of cash contributions made by Hudson City Bancorp during the fiscal year to charities that the named individual designates pursuant to Hudson City Bancorp's charitable contribution matching program, as well as phantom dividends on deferred stock units, as follows:

Name	Matching Charitable Gifts ($)	Dividends on Unvested Stock Units ($)
Michael W. Azzara	$24,250	$3,046
William G. Bardel	30,000	3,046
Scott A. Belair	30,000	3,046
Victoria H. Bruni	25,200	3,046
Cornelius E. Golding	18,075	6,352
Donald O. Quest, M.D.	30,000	3,046
Joseph G. Sponholz	30,000	3,046

PROPOSAL 2
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

The Audit Committee of the Board of Directors has appointed the firm of KPMG LLP to act as Hudson City Bancorp's independent registered public accounting firm for the fiscal year ending December 31, 2013, subject to ratification of such appointment by our shareholders. A representative of KPMG LLP is expected to be present at the annual meeting and will be given an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions. No determination has been made as to what action the Board of Directors would take if the shareholders do not ratify the appointment.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" APPROVAL OF THE RATIFICATION OF APPOINTMENT OF KPMG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF HUDSON CITY BANCORP FOR THE FISCAL YEAR ENDING DECEMBER 31, 2013.

Fees Paid to KPMG LLP

Audit Fees

For the fiscal year ended December 31, 2012, KPMG LLP billed Hudson City Bancorp an aggregate of $1,480,000 for professional services rendered for the audits of the Company's financial statements for such period and internal control over financial reporting as of December 31, 2012, and the reviews of the financial statements included in Hudson City Bancorp's Quarterly Reports on Form 10-Q during such period. Such fees were $1,472,000 for the fiscal year ended December 31, 2011.

Audit-Related Fees

For the fiscal year ended December 31, 2012, KPMG LLP billed Hudson City Bancorp an aggregate of $125,661 for services that are reasonably related to the audit or review of the Company's financial statements and not described above under the caption "Audit Fees." The services comprising these fees were employee benefit plan audits. Audit-related fees were $106,500 for the fiscal year ended December 31, 2011.

Tax Fees

For the fiscal year ended December 31, 2012, KPMG LLP billed Hudson City Bancorp an aggregate of $122,400 for professional services rendered for federal and state tax compliance, advice and planning. Tax fees were $141,846 for the fiscal year ended December 31, 2011.

All Other Fees

KPMG LLP did not perform any other services for Hudson City Bancorp for the fiscal years ended December 31, 2012 and 2011.

Audit Committee Approval

Acting under its charter, the Audit Committee annually appoints the independent registered public accounting firm, in its sole discretion, and reviews the scope of the audit services to be performed for the year

with the independent registered public accounting firm, the principal accounting officer and the senior internal auditing executive, and pre-approves all such audit services. In addition, the Audit Committee pre-approves the retention of the independent registered public accounting firm for all non-audit services and the fees to be paid for such services. In accordance with its charter, the Audit Committee pre-approved 100% of the services described above under "Audit-Related Fees," "Tax Fees" and "All Other Fees."

Audit Committee Report

Management is responsible for the financial reporting process, the system of internal controls, including internal control over financial reporting, risk management and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. Hudson City's independent registered public accounting firm is responsible for the integrated audit of the consolidated financial statements and internal control over financial reporting. The responsibilities of the Audit Committee are as set forth in the Audit Committee Charter, adopted by the Board of Directors, which is available at www.hcbk.com. Under the guidance of the Audit Committee Charter, the Audit Committee is primarily responsible for:

- Monitoring the integrity of Hudson City Bancorp's financial statements, the reporting process and systems of internal controls regarding finance, accounting, legal and regulatory compliance and public disclosure of financial information;
- Monitoring the independence and performance of Hudson City Bancorp's independent registered public accounting firm and internal auditing department; and
- Maintaining free and open communication between the Audit Committee, the independent registered public accounting firm, management, the internal auditing department, and the Board of Directors.

In fulfilling its responsibilities, the Audit Committee, among other things:

- Reviews with management and the independent registered public accounting firm Hudson City Bancorp's audited financial statements and other financial disclosures to be included in its Annual Report on Form 10-K and the quarterly financial statements and other financial disclosures to be included in its Quarterly Reports on Form 10-Q, in each case prior to the filing of such reports with the Securities and Exchange Commission;
- Supervises the relationship between Hudson City Bancorp and its independent registered public accounting firm, including making decisions with respect to its appointment or removal, evaluating its performance, reviewing the scope of its audit services and approving the compensation for such services, approving any non-audit services and the fees for such services, and evaluating the independence of the independent registered public accounting firm; and
- In consultation with management, the independent registered public accounting firm, and the internal auditors of Hudson City Bancorp, evaluates the integrity of Hudson City Bancorp's financial reporting processes and system of internal control.

In accordance with the Audit Committee Charter, the Audit Committee has reviewed and discussed the audited financial statements of Hudson City Bancorp for the fiscal year ended December 31, 2012, with Hudson City Bancorp's management. In addition, the Audit Committee has discussed with KPMG LLP Hudson City Bancorp's audited financial statements for the fiscal year ended December 31, 2012, including the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board.

The Audit Committee has also received the written disclosures and the letter from KPMG LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP's communications with the Audit Committee concerning independence, and the Audit Committee has discussed the independence of KPMG LLP with that firm. The Audit Committee has also considered whether KPMG LLP's provision of non-audit services is compatible with its independence.

Based on the review and discussions with Hudson City Bancorp's management and KPMG LLP as noted above, the Audit Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended December 31, 2012 be included in Hudson City Bancorp's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

Audit Committee of Hudson City Bancorp, Inc.

Joseph G. Sponholz, *Chair*

William G. Bardel, *Member*

Victoria H. Bruni, *Member*

Cornelius E. Golding, *Member*

PROPOSAL 3
THE APPROVAL OF A NON-BINDING ADVISORY PROPOSAL ON NAMED EXECUTIVE OFFICER COMPENSATION

The Company is seeking a non-binding advisory vote from its shareholders to approve the compensation awarded to our named executive officers.

As noted above, Hudson City Bancorp has six named executive officers, who are also executive officers of Hudson City Savings. As described in detail above, our executive compensation programs are designed to attract, motivate and retain highly qualified and talented executive officers, including our named executive officers, who are critical to our success. The Company and the Compensation Committee of the Board of Directors, with the benefit of objective input from our independent consultant, monitor executive compensation programs throughout each year and adopt changes to reflect the dynamic marketplace in which the Company competes for talent, and changes in the Company's operating environment, as well as general economic, regulatory and legislative developments affecting executive compensation.

The Board of Directors recognizes the importance of aligning executive compensation with shareholder interests in light of the risks and economic conditions faced by Hudson City Bancorp and Hudson City Savings. We have described in the Compensation Discussion and Analysis the philosophy we have adopted and strategies we have employed to attract, retain and motivate our executives, to link their compensation to the returns experienced by shareholders, and to reward or discipline them in the short term for actions that may only be apparent in shareholder returns over time. We have demonstrated in the accompanying narrative and tabular discussions how, over a three-year period, our philosophy and strategies have been translated into compensation that is strongly linked to shareholder returns while remaining sensitive to year-to-year operating conditions. Shareholders are encouraged to carefully review the Compensation Discussion and Analysis, the accompanying compensation tables and the corresponding narrative discussion and footnotes, all set forth on pages 21 through 58 of this proxy statement, for a detailed discussion of our executive compensation programs.

In this Proposal 3, commonly known as a "Say on Pay" proposal, we are asking you to support the compensation of our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers, as described in this proxy statement pursuant to the rules set forth by the Securities and Exchange Commission. In considering this proposal, we ask that you approve the following resolution:

"RESOLVED, that the shareholders of Hudson City Bancorp, Inc. hereby approve, on an advisory basis, the compensation of the named executive officers of Hudson City Bancorp, Inc., as disclosed on pages 21 through 58 of this proxy statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission."

THE BOARD OF DIRECTORS RECOMMENDS AN ADVISORY VOTE "FOR" THE APPROVAL OF THE COMPENSATION OF HUDSON CITY BANCORP'S NAMED EXECUTIVE OFFICERS AS DESCRIBED IN THIS PROXY STATEMENT.

Under the proxy rules of the Securities and Exchange Commission, your vote on the compensation of the named executive officers is advisory and will not be binding on the Company or the Board of Directors, will not affirm prior decisions and will not change fiduciary duties. However, the Compensation Committee of the Board of Directors will consider the outcome of the vote when considering future executive compensation arrangements.

OTHER MATTERS

As of the date of this proxy statement, the Board of Directors of Hudson City Bancorp does not know of any other matters to be brought before the shareholders at the 2013 Annual Meeting of Shareholders. If, however, any other matters not known are properly brought before the meeting, the persons named in the accompanying proxy card will vote the shares represented by all properly executed proxies on such matters in such manner as shall be determined by a majority of the Board of Directors.

ADDITIONAL INFORMATION

Notice of Business to be Conducted at Annual Meeting

The bylaws of Hudson City Bancorp provide for an advance notice procedure for a shareholder to properly bring business before an annual meeting or to nominate any person for election to our Board of Directors. The shareholder must be a shareholder of record and have given timely notice thereof in writing to our corporate secretary. To be timely, a shareholder's notice must be delivered to or received by the corporate secretary not later than the following dates: (i) with respect to an annual meeting of shareholders, ninety (90) days in advance of the anniversary of the previous year's annual meeting if the current year's meeting is to be held within thirty (30) days prior to, on the anniversary date of, or after the anniversary of the previous year's annual meeting; and (ii) with respect to an annual meeting of shareholders held at a time other than within the time periods set forth in the immediately preceding clause (i), the close of business on the tenth (10th) day following the date on which notice of such meeting is first given to shareholders. Notice shall be deemed to first be given to shareholders when disclosure of such date of the meeting of shareholders is first made in a press release reported to Dow Jones News Services, Associated Press or comparable national news service, or in a document publicly filed by Hudson City Bancorp with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act. A shareholder's notice to the Secretary shall set forth such information as required by the bylaws of Hudson City Bancorp. Nothing in this paragraph shall be deemed to require Hudson City Bancorp to include in its proxy statement and proxy card relating to an annual meeting any shareholder proposal or nomination which does not meet all of the requirements for inclusion established by the Securities and Exchange Commission in effect at the time such proposal or nomination is received. See "Date For Submission of Shareholder Proposals."

Date for Submission of Shareholder Proposals

In the event the Merger is not completed by January 31, 2014 for any reason, we expect to schedule the 2014 Annual Meeting of Shareholders to take on place on or about May 20, 2014. Accordingly, any shareholder proposal intended for inclusion in our proxy statement and proxy card relating to our 2014 Annual Meeting of Shareholders must be received by us by January 3, 2014, pursuant to the proxy solicitation regulations of the Securities and Exchange Commission. Nothing in this paragraph shall be deemed to require Hudson City Bancorp to include in its proxy statement and proxy card for such meeting any shareholder proposal which does not meet the requirements of the Securities and Exchange Commission in effect at the time. Any such proposal will be subject to 17 C.F.R. § 240.14a-8 of the rules and regulations promulgated by the Securities and Exchange Commission under the Exchange Act.

Annual Report to Shareholders

A copy of the 2012 Annual Report to Shareholders, including the consolidated financial statements prepared in conformity with U.S. generally accepted accounting principles, for the fiscal year ended December 31, 2012 accompanies this proxy statement. The consolidated financial statements have been audited by KPMG LLP, whose report appears in the 2012 Annual Report to Shareholders. **Hudson City Bancorp's Annual Report on Form 10-K for the year ended December 31, 2012 has been filed with the Securities and Exchange Commission. Shareholders may obtain, free of charge, an additional copy of the 2012 Annual Report to Shareholders and a copy of the Annual Report on Form 10-K by writing to Susan K. Munhall, Hudson City Bancorp, Inc., West 80 Century Road, Paramus, New Jersey 07652 or by calling (201) 967-8290.**

The 2012 Annual Report to Shareholders on Form 10-K is also available on Hudson City Bancorp's website at www.hcbk.com and on the Securities and Exchange Commission's website at www.sec.gov.

By Order of the Board of Directors,

Veronica Olszewski
Senior Vice President, Treasurer
and Corporate Secretary

Paramus, New Jersey
November 6, 2013

TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ACCOMPANYING PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED OR, IF YOU PREFER, VOTE BY USING THE TELEPHONE OR INTERNET.

2012 ANNUAL REPORT

Selected Consolidated Financial Information

The summary information presented below under "Selected Financial Condition Data," "Selected Operating Data" and "Selected Financial Ratios and Other Data" at or for each of the years presented is derived in part from the audited consolidated financial statements of Hudson City Bancorp, Inc.

	At December 31,				
	2012	2011	2010	2009	2008
	(In thousands)				
Selected Financial Condition Data:					
Total assets	$ 40,596,341	$ 45,355,885	$ 61,166,033	$ 60,267,760	$ 54,145,328
Total loans	27,090,879	29,327,345	30,923,897	31,779,921	29,418,888
Federal Home Loan Bank of New York stock	356,467	510,564	871,940	874,768	865,570
Investment securities held to maturity	39,011	539,011	3,939,006	4,187,704	50,086
Investment securities available for sale	428,057	7,368	89,795	1,095,240	3,413,633
Mortgage-backed securities held to maturity	2,976,757	4,115,523	5,914,372	9,963,554	9,572,257
Mortgage-backed securities available for sale	8,040,742	9,170,390	18,120,537	11,116,531	9,915,554
Total cash and cash equivalents	827,968	754,080	669,397	561,201	261,811
Foreclosed real estate, net	47,322	40,619	45,693	16,736	15,532
Total deposits	23,483,917	25,507,760	25,173,126	24,578,048	18,464,042
Total borrowed funds	12,175,000	15,075,000	29,675,000	29,975,000	30,225,000
Total shareholders' equity	4,699,808	4,560,440	5,510,238	5,339,152	4,938,796

	For the Year Ended December 31,				
	2012	2011	2010	2009	2008
	(In thousands)				
Selected Operating Data:					
Total interest and dividend income	$ 1,673,039	$ 2,167,637	$ 2,784,496	$ 2,941,786	$ 2,653,225
Total interest expense	819,116	1,186,703	1,593,669	1,698,308	1,711,248
Net interest income	853,923	980,934	1,190,827	1,243,478	941,977
Provision for loan losses	95,000	120,000	195,000	137,500	19,500
Net interest income after provision for loan losses	758,923	860,934	995,827	1,105,978	922,477
Non-interest income:					
Service charges and other income	11,461	11,449	10,369	9,399	8,485
Gains on securities transactions, net	-	102,468	152,625	24,185	-
Total non-interest income	11,461	113,917	162,994	33,584	8,485
Non-interest expense:					
Loss on extinguishment of debt	-	1,900,591	-	-	-
Other non-interest expense	356,602	329,569	266,388	265,596	198,076
Total non-interest expense	356,602	2,230,160	266,388	265,596	198,076
Income (loss) before income tax expense (benefit)	413,782	(1,255,309)	892,433	873,966	732,886
Income tax expense (benefit)	164,639	(519,320)	355,227	346,722	287,328
Net income (loss)	$ 249,143	$ (735,989)	$ 537,206	$ 527,244	$ 445,558

This Annual Report to Shareholders contains information set forth in the Hudson City Bancorp, Inc. Annual Report on Form 10-K for the year ended December 31, 2012, as well as other information as or for the periods ending December 31, 2012. This Annual Report to Shareholders does not contain any information for subsequent events or any recent developments since the filing of the Annual Report on Form 10-K with the Securities and Exchange Commission. See "Important Additional Information."

Selected Consolidated Financial Information (Continued)
(Dollars in thousands, except per share data)

	At or for the Year Ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on average assets	0.58 %	(1.38) %	0.88 %	0.92 %	0.91 %
Return on average stockholders' equity	5.33	(14.72)	9.66	10.18	9.36
Net interest rate spread (1)	1.85	1.67	1.77	1.93	1.58
Net interest margin (2)	2.06	1.89	2.01	2.22	1.96
Non-interest expense to average assets (5)	0.83	0.62	0.44	0.46	0.41
Efficiency ratio (3)	40.50	32.68	19.68	20.80	20.84
Average interest-earning assets to average interest-bearing liabilities	1.11 x	1.09 x	1.09 x	1.09 x	1.11 x
Share and Per Share Data:					
Basic (loss) earnings per share	$ 0.50	$ (1.49)	$ 1.09	$ 1.08	$ 0.92
Diluted (loss) earnings per share	0.50	(1.49)	1.09	1.07	0.90
Cash dividends paid per common share	0.32	0.39	0.60	0.59	0.45
Dividend pay-out ratio	64.00 %	NM	55.05 %	54.63 %	48.91 %
Book value per share (4)	$ 9.46	$ 9.20	$ 11.16	$ 10.85	$ 10.10
Tangible book value per share (4)	9.15	8.89	10.85	10.53	9.77
Weighted average number of common shares outstanding:					
Basic	496,570,311	494,629,395	493,032,873	488,908,260	484,907,441
Diluted	496,604,809	494,629,395	494,314,390	491,295,511	495,856,156
Capital Ratios:					
Average stockholders' equity to average assets	10.89 %	9.41 %	9.14 %	9.03 %	9.74 %
Stockholders' equity to assets	11.58	10.05	9.01	8.86	9.12
Regulatory Capital Ratios of Bank:					
Leverage capital	10.09 %	8.83 %	7.95 %	7.59 %	7.99 %
Total risk-based capital	21.59	20.00	22.74	21.02	21.52
Asset Quality Ratios:					
Non-performing loans to total loans	4.29 %	3.48 %	2.82 %	1.98 %	0.74 %
Non-performing assets to total assets	2.98	2.34	1.50	1.07	0.43
Allowance for loan losses to non-performing loans	26.01	26.77	27.15	22.32	22.89
Allowance for loan losses to total loans	1.12	0.93	0.77	0.44	0.17
Net charge-offs to average total loans	0.24	0.28	0.31	0.15	0.02
Branch and Deposit Data:					
Number of deposit accounts	644,077	685,795	720,456	725,979	638,951
Banking offices	135	135	135	131	127
Average deposits per branch (thousands)	$ 173,955	$ 188,946	$ 186,468	$ 187,619	$ 145,386

(1) Determined by subtracting the weighted average cost of average total interest-bearing liabilities from the weighted average yield on average total interest-earning assets.
(2) Determined by dividing net interest income by average total interest-earning assets.
(3) See calculation on page 3.
(4) See calculation on page 3.
(5) For 2011, non-interest expense excludes $1.90 billion of losses on the extinguishment of debt.
NM - Not meaningful

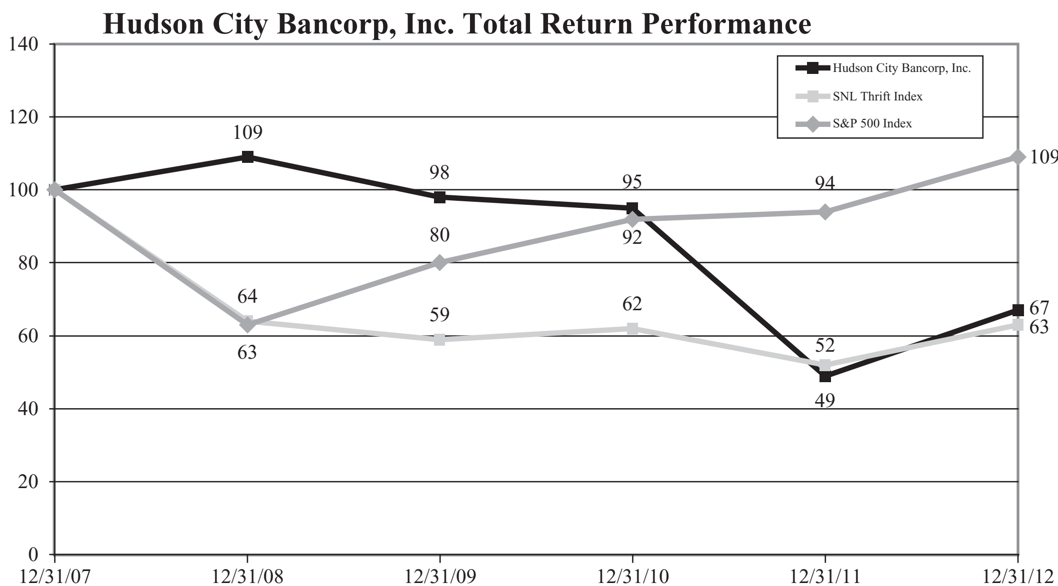
Calculation of Efficiency Ratio and Book Value Ratios
(Dollars in thousands, except per share data)

	At or for the Year Ended December 31,				
	2012	2011	2010	2009	2008
	(Dollars in thousands, except per share data)				
Efficiency Ratio:					
Net interest income	$ 853,923	$ 980,934	$ 1,190,827	$ 1,243,478	$ 941,977
Total non-interest income	11,461	113,917	162,994	33,584	8,485
Less net gains on securities transactions related to debt extinguishments	-	(98,278)	-	-	-
Total operating income	$ 865,384	$ 996,573	$ 1,353,821	$ 1,277,062	$ 950,462
Total non-interest expense	$ 356,602	$ 2,230,160	$ 266,388	$ 265,596	$ 198,076
Less:					
Merger related costs	(6,127)				
Loss on extinguishment of debt	-	(1,900,591)	-	-	-
Valuation allowance related to Lehman Brothers, Inc.	-	(3,900)	-	-	-
Total non-interest operating expense	$ 350,475	$ 325,669	$ 266,388	$ 265,596	$ 198,076
Efficiency ratio (1)	40.50%	32.68%	19.68%	20.80%	20.84%
Book Value Calculations:					
Shareholders' equity	$ 4,699,808	$ 4,560,440	$ 5,510,238	$ 5,339,152	$ 4,938,796
Goodwill and other intangible assets	(154,235)	(155,217)	(156,714)	(158,336)	(160,207)
Tangible shareholders' equity	$ 4,545,573	$ 4,405,223	$ 5,353,524	$ 5,180,816	$ 4,778,589
Book Value Share Computation:					
Issued	741,466,555	741,466,555	741,466,555	741,466,555	741,466,555
Treasury shares	(213,255,093)	(213,895,059)	(214,748,245)	(214,972,879)	(217,695,938)
Shares outstanding	528,211,462	527,571,496	526,718,310	526,493,676	523,770,617
Unallocated ESOP shares	(30,789,909)	(31,752,096)	(32,714,280)	(33,676,464)	(34,638,643)
Unvested RRP shares	-	(6,000)	(282,583)	(593,283)	(196,376)
Shares in trust	(391,266)	(269,325)	(164,845)	(108,945)	(65,031)
Book value shares	497,030,287	495,544,075	493,556,602	492,114,984	488,870,567
Book value per share	$ 9.46	$ 9.20	$ 11.16	$ 10.85	$ 10.10
Tangible book value per share income and expenses	9.15	8.89	10.85	10.53	9.77

(1) Calculated by dividing total non-interest operating expense by total operating income. These measures are non-GAAP financial measures. We believe these measures, by excluding the transactions involved in our balance sheet restructuring, provide a better measure of our non-interest income and expenses.

Performance Graph

Pursuant to the regulations of the Securities and Exchange Commission, the graph below compares the performance of Hudson City Bancorp, Inc. with that of the Standard and Poor's 500 Stock Index, and for all thrift stocks as reported by SNL Securities L.C. from December 31, 2007 through December 31, 2012. The graph assumes the reinvestment of dividends in all additional shares of the same class of equity securities as those listed below. The index level for all series was set to 100.00 on December 31, 2007.



	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/30/2011	12/31/2012
Hudson City Bancorp, Inc.	100	109	98	95	49	67
SNL Thrift Index	100	64	59	62	52	63
S&P 500 Index	100	63	80	92	94	109

* Source: SNL Financial LC and Bloomberg Financial Database

There can be no assurance that stock performance will continue in the future with the same or similar trends as those depicted in the graph above.

Information about Our Common Stock and Dividends

Hudson City Bancorp common stock is traded on the Nasdaq Global Select Market under the symbol "HCBK." The table below shows the reported high and low sales prices of the common stock during the periods indicated.

	Sales Price		Dividend Information	
	High	Low	Amount Per Share	Date of Payment
2011				
First quarter	13.26	9.51	0.150	February 25, 2011
Second quarter	10.05	7.89	0.080	May 27, 2011
Third quarter	8.64	5.33	0.080	August 30, 2011
Fourth quarter	6.36	5.09	0.080	November 30, 2011
2012				
First quarter	7.62	6.34	0.080	February 28, 2012
Second quarter	7.41	5.75	0.080	May 25, 2012
Third quarter	8.00	5.69	0.080	August 27, 2012
Fourth quarter	8.79	7.79	0.080	November 30, 2012

As of February 20, 2013, there were approximately 26,258 holders of record of Hudson City Bancorp common stock.

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

This Annual Report to Shareholders contains certain “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 which may be identified by the use of such words as “may,” “believe,” “expect,” “anticipate,” “should,” “plan,” “estimate,” “predict,” “continue,” and “potential” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, estimates with respect to the financial condition, results of operations and business of Hudson City Bancorp, Inc. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors (many of which are beyond our control) that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These factors include, but are not limited to:

- the timing and occurrence or non-occurrence of events may be subject to circumstances beyond our control;
- there may be increases in competitive pressure among financial institutions or from non-financial institutions;
- changes in the interest rate environment may reduce interest margins or affect the value of our investments;
- changes in deposit flows, loan demand or real estate values may adversely affect our business;
- changes in accounting principles, policies or guidelines may cause our financial condition to be perceived differently;
- general economic conditions, including unemployment rates, either nationally or locally in some or all of the areas in which we do business, or conditions in the securities markets or the banking industry may be less favorable than we currently anticipate;
- legislative or regulatory changes including, without limitation, the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Reform Act”), and any actions regarding foreclosures may adversely affect our business;
- enhanced regulatory scrutiny may adversely affect our business and increase our cost of operation;
- applicable technological changes may be more difficult or expensive than we anticipate;
- success or consummation of new business initiatives may be more difficult or expensive than we anticipate;
- litigation or matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than we anticipate;
- the risks associated with adverse changes to credit quality, including changes in the level of loan delinquencies and non-performing assets and charge-offs, the length of time our non-performing assets remain in our portfolio and changes in estimates of the adequacy of the allowance for loan losses (“ALL”);
- difficulties associated with achieving or predicting expected future financial results;
- our ability to diversify our funding sources and to access the capital markets;
- our ability to comply with the terms of the Memoranda of Understanding with the Office of the Comptroller of the Currency (the “OCC”) and the Board of Governors of the Federal Reserve System (“FRB”);
- our ability to pay dividends, repurchase our outstanding common stock or execute capital management strategies each of which requires the approval of the OCC and FRB;
- the effects of changes in existing U.S. government or U.S. government sponsored mortgage programs;
- the risk of a continued economic slowdown that would adversely affect credit quality and loan originations;
- the potential impact on our operations and customers resulting from natural or man-made disasters, including the impact of Hurricane Sandy;

- the actual results of the pending merger (the "Merger") with Wilmington Trust Corporation ("WTC"), a wholly owned subsidiary of M&T Bank Corporation ("M&T") could vary materially as a result of a number of factors, including the possibility that various closing conditions for the transaction may not be satisfied or waived, and the Merger Agreement could be terminated under certain circumstances; and
- delays in closing the Merger.

Our ability to predict results or the actual effects of our plans or strategies is inherently uncertain. As such, forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this filing. We do not intend to update any of the forward-looking statements after the date of this Annual Report to Shareholders or to conform these statements to actual events.

As used in this Annual Report to Shareholders, unless we specify otherwise, "Hudson City Bancorp," "Company," "we," "us," and "our" refer to Hudson City Bancorp, Inc., a Delaware corporation. "Hudson City Savings" and "Bank" refer to Hudson City Savings Bank, a federal stock savings bank and the wholly-owned subsidiary of Hudson City Bancorp.

Important Additional Information

Hudson City Bancorp's Annual Report on Form 10-K for the year ended December 31, 2012 has been filed with the Securities and Exchange Commission. Shareholders may obtain, free of charge, an additional copy of this 2012 Annual Report to Shareholders, a copy of the Annual Report on Form 10-K and a copy of each of our Quarterly Reports on Form 10-Q for 2013 by writing to Susan K. Munhall, Hudson City Bancorp, Inc., West 80 Century Road, Paramus, New Jersey 07652 or by calling (201) 967-8290.

A copy of this 2012 Annual Report to Shareholders and the Annual Report on Form 10-K are also available on Hudson City Bancorp's website at www.hcbk.com and on the Securities and Exchange Commission's website at www.sec.gov.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

Pending Merger

On August 27, 2012, the Company entered into an Agreement and Plan of Merger with M&T and WTC, with WTC as the surviving entity. As part of the Merger, the Bank will merge with and into Manufacturers and Traders Trust Company. Subject to the terms and conditions of the Merger Agreement, in the Merger, Hudson City Bancorp shareholders will have the right to receive with respect to each of their shares of common stock of the Company, at their election (but subject to proration and adjustment procedures), 0.08403 of a share of common stock, or cash having a value equal to the product of 0.08403 multiplied by the average closing price of the M&T common stock for the ten days immediately prior to the completion of the Merger. The Merger Agreement also provides that at the closing of the Merger, 40% of the outstanding shares of Hudson City Bancorp common stock will be converted into the right to receive cash and the remainder of the outstanding shares of Hudson City Bancorp common stock will be converted into the right to receive shares of M&T common stock. In connection with the Merger, M&T has filed a registration statement on Form S-4 with the Securities and Exchange Commission that includes a joint proxy statement of the Company and M&T and a prospectus of M&T, as well as other relevant documents concerning the Merger. On February 21, 2013, M&T filed Amendment No. 3 to the S-4. The registration statement was declared effective by the Securities and Exchange Commission on February 22, 2013. A definitive proxy statement has been mailed to the Company's shareholders. The Merger is subject to shareholder and regulatory approvals and the satisfaction of other customary conditions. To find out how to obtain updated information on the Merger, see "Important Additional Information."

Financial Condition and Results of Operations

During 2012, we continued to focus on our consumer-oriented business model through the origination of one- to four-family mortgage loans. We have traditionally funded this loan production with customer deposits and borrowings. Market interest rates remained at historically low levels during 2012 and, as a result, we continued to reduce the size of our balance sheet. Our assets decreased by 10.5% to $40.60 billion at December 31, 2012 from $45.36 billion at December 31, 2011, primarily due to elevated repayments of mortgage-related assets in this low interest rate environment.

During the first quarter of 2011, the Bank completed a balance sheet restructuring transaction, which involved the extinguishment of $12.5 billion of structured putable borrowings with an average cost of 3.56%. The extinguishment of the borrowings was funded by the sale of $8.66 billion of securities with an average yield of 3.20% and $5.00 billion of new short-term fixed-maturity borrowings with an average cost of 0.66% (the "Restructuring Transaction"). Interest rates continued to decline during 2011 which resulted in increased prepayments on our mortgage-related assets and calls of our investment securities. During the fourth quarter of 2011, the Bank used the excess liquidity provided by the prepayments of mortgage-related assets and calls of investment securities to extinguish $4.3 billion of structured putable borrowings with a weighted average cost of 4.21%. The Restructuring Transaction and the extinguishment of debt during the fourth quarter of 2011 are collectively referred to as the "Transactions". The Transactions reduced after-tax earnings by $1.07 billion.

The Transactions were part of our ongoing strategy to reduce interest rate risk and realign our funding mix. We decided to complete the Transactions because of the effect of the market events during 2011, including the unprecedented involvement of the U.S. government and the government-sponsored enterprises ("GSEs") in the mortgage market and the protracted period of historically low market interest rates had on our balance sheet. The extended low interest rate environment caused accelerated prepayment speeds on our mortgage-related assets and calls of our investment securities resulting in the reinvestment of these funds at the current low

market interest rates. These lower-yielding assets and higher-cost borrowings, which did not reprice during this extended low rate environment, caused margin compression and heightened interest rate risk concerns for us.

Our results of operations depend primarily on net interest income, which, in part, is a direct result of the market interest rate environment. Net interest income is the difference between the interest income we earn on our interest-earning assets, primarily mortgage loans, mortgage-backed securities and investment securities, and the interest we pay on our interest-bearing liabilities, primarily time deposits, interest-bearing transaction accounts and borrowed funds. Net interest income is affected by the shape of the market yield curve, the timing of the placement and repricing of interest-earning assets and interest-bearing liabilities on our balance sheet, the prepayment rate on our mortgage-related assets and the puts of our borrowings. Our results of operations may also be affected significantly by general and local economic and competitive conditions, particularly those with respect to changes in market interest rates, credit quality, government policies and actions of regulatory authorities. Our results are also affected by the market price of our stock, as the expense of our employee stock ownership plan is related to the current price of our common stock.

The Federal Open Market Committee ("FOMC") noted that economic activity and employment have continued to expand at a moderate pace in recent months, apart from weather-related disruptions, although the unemployment rate remains elevated. The FOMC noted that while the housing sector and household spending continue to show signs of improvement, growth in business fixed investment has slowed. The national unemployment rate was 7.8% in December 2012, a decline from an 8.5% unemployment rate in December 2011. The FOMC decided to maintain the overnight lending rate at zero to 0.25% during the fourth quarter of 2012 and stated that exceptionally low levels for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6.5%. Previously, the FOMC stated that these levels for the federal funds rate are likely to be warranted at least through mid-2015. As a result, market interest rates have remained at low levels, and consequently, the yields on our mortgage-related assets continued to decrease during 2012.

The FOMC decided to expand its accommodative monetary policy by purchasing an additional $40.0 billion of agency mortgage-backed securities per month to ensure that inflation is at the rate most consistent with its dual mandate regarding both inflation and unemployment. In addition, during 2013 the FRB will purchase longer-term Treasury securities initially at a pace of $45.0 billion per month. This follows the completion of "Operation Twist" at the end of 2012. These programs will continue to put downward pressure on longer-term interest rates.

During 2012, our net interest rate spread increased 18 basis points to 1.85% and our net interest margin increased 17 basis points to 2.06% as compared to 1.67% and 1.89%, respectively for 2011. The increase in our interest rate spread and net interest margin during 2012 is primarily due to the effects of the Transactions. Notwithstanding the increases in our interest rate spread and net interest margin, net interest income decreased $127.0 million, or 12.9%, to $853.9 million for 2012 as compared to $980.9 million for 2011. The decrease in net interest income reflects the overall decrease in the size of our balance sheet as a result of the Transactions and the lack of reinvestment opportunities in 2012.

Mortgage-related assets represented 95.9% of our average interest-earning assets during 2012. Market interest rates on mortgage-related assets remained at near-historic lows primarily due to the FRB's program to purchase mortgage-backed securities to keep mortgage rates low and provide stimulus to the housing markets. In addition, over the past few years, we have faced increased competition for mortgage loans due to the unprecedented involvement of the GSEs in the mortgage market as a result of the economic crisis. The GSEs involvement is also an attempt to provide stimulus to the housing markets and has caused the interest rates for the thirty year fixed rate mortgage loans that conform to the GSEs' guidelines for purchase to remain low. We originate such conforming loans and retain them in our portfolio. Further, the FOMC has decided to maintain the overnight lending rate at the current level of zero to 0.25% through mid-2015 if recent economic conditions continue. The resulting low market interest rates have made reinvestment opportunities scarce. We expect this adverse environment for portfolio lending to continue, with the likely result that we will continue to reduce the size of our balance sheet and experience compression of our net interest margin.

The provision for loan losses amounted to $95.0 million for 2012 as compared to $120.0 million for 2011. The decrease in the provision for loan losses for the year ended December 31, 2012 was due primarily to the overall declining trends in net charge-offs, the stabilization of home prices and a decrease in the size of the loan portfolio, yet resulted in an overall increase in our ALL as non-performing loans continued to increase and unemployment levels remain elevated. Non-performing loans, defined as non-accruing loans and accruing loans delinquent 90 days or more, amounted to $1.16 billion at December 31, 2012 compared with $1.02 billion at December 31, 2011. The ratio of non-performing loans to total loans was 4.29% at December 31, 2012 compared with 3.48% at December 31, 2011. The highly publicized foreclosure issues that have recently affected the nation's largest mortgage loan servicers have resulted in greater bank regulatory, court and state attorney general scrutiny. As a result, our foreclosure process and the time to complete a foreclosure continue to be prolonged, especially in New Jersey and New York where 70% of our non-performing loans are located. We continue to experience a time frame to repayment or foreclosure ranging from 30 to 36 months from the initial non-performing period. This protracted foreclosure process delays our ability to resolve non-performing loans through the sale of the underlying collateral.

Total non-interest income was $11.5 million for 2012 as compared to $113.9 million for 2011. Included in non-interest income for the year 2011 were net gains on securities transactions of $102.5 million which resulted from the sale of $9.04 billion of securities available-for-sale. Substantially all of the proceeds from the sale of securities were used to repay borrowings as part of the Restructuring Transaction. There were no security sales for the year ended December 31, 2012.

Total non-interest expense amounted to $356.6 billion for 2012 as compared to $2.23 billion for 2011. Included in total non-interest expense for 2011 was a $1.90 billion loss on the extinguishment of debt related to the Transactions.

Loans decreased $2.25 billion to $26.89 billion at December 31, 2012 from $29.14 billion at December 31, 2011. Our loan production was $5.06 billion for 2012 offset by $7.13 billion in principal repayments. Loan production declined during 2012 which reflects our low appetite for adding long-term fixed-rate mortgage loans in the current low market interest rate environment. The decrease in net loans was also due to continued elevated levels of refinancing activity caused by low market interest rates.

Mortgage-backed securities decreased $2.27 billion to $11.02 billion at December 31, 2012 from $13.29 billion at December 31, 2011. The decrease in mortgage-backed securities reflected repayments of $3.69 billion, partially offset by purchases of $1.47 billion of mortgage-backed securities issued by GSEs.

Investment securities decreased $79.30 million to $467.1 million at December 31, 2012 due to calls of $500.0 million during 2012. The proceeds from the calls were used to purchase $407.8 million of corporate bonds.

Total deposits decreased $2.03 billion, or 8.0%, to $23.48 billion at December 31, 2012 from $25.51 billion at December 31, 2011 due to planned reductions in deposit rates to curtail deposit growth during this time of limited investment opportunities.

Borrowings amounted to $12.18 billion at December 31, 2012 as compared to $15.08 billion at December 31, 2011. The decrease in borrowed funds is a result of the maturity of short-term borrowings during 2012 and the continuation of our strategy of allowing the balance sheet to deleverage as the borrowings mature.

The Bank is currently subject to a memorandum of understanding with the OCC ("Bank MOU"). In accordance with the Bank MOU, the Bank has adopted and has implemented enhanced operating policies and procedures that are intended to continue to (a) reduce our level of interest rate risk, (b) reduce our funding concentration, (c) diversify our funding sources, (d) enhance our liquidity position, (e) monitor and manage loan modifications and (f) maintain our capital position in accordance with our existing capital plan. In addition, we developed a written strategic plan for the Bank which establishes various objectives, including, but not limited to, objectives for the Bank's overall risk profile, earnings performance, growth and balance sheet mix and to enhance our enterprise risk management program. The implementation of the strategic plan has been suspended pending the completion of the Merger. To find out how to obtain updated information on the Merger, see "Important Additional Information."

The Company is currently subject to a memorandum of understanding with the FRB ("Company MOU"). In accordance with the Company MOU, the Company must, among other things support the Bank's compliance with the Bank MOU. The Company MOU also requires the Company to: (a) obtain approval from the FRB prior to receiving a capital distribution from the Bank or declaring a dividend to shareholders, (b) obtain approval from the FRB prior to repurchasing or redeeming any Company stock or incurring any debt with a maturity of greater than one year and (c) submit a comprehensive Capital Plan and a comprehensive Earnings Plan to the FRB. These agreements will remain in effect until modified or terminated by the OCC (with respect to the Bank MOU) and the FRB (with respect to the Company MOU).

Comparison of Financial Condition at December 31, 2012 and December 31, 2011

Total assets decreased $4.76 billion, or 10.5%, to $40.60 billion at December 31, 2012 from $45.36 billion at December 31, 2011. The decrease in total assets reflected a $2.27 billion decrease in total mortgage-backed securities, a $2.25 billion decrease in net loans and a $154.1 million decrease in Federal Home Loan Bank ("FHLB") stock.

Our net loans decreased $2.25 billion to $26.89 billion at December 31, 2012 as compared to $29.14 billion at December 31, 2011. The decrease in loans primarily reflects reduced levels of purchases as well as elevated levels of loan repayments during 2012 as a result of continued low market interest rates. Historically our focus has been on loan portfolio growth through the origination of one- to four-family first mortgage loans in New Jersey, New York, Pennsylvania and Connecticut and, to a lesser extent, the purchases of mortgage loans. During 2012, we originated $5.04 billion and purchased $28.7 million of loans, compared to originations of $4.93 billion and purchases of $344.8 million for 2011. The originations and purchases of loans were offset by principal repayments of $7.13 billion in 2012, as compared to $6.71 billion for 2011. The decrease in loan originations and purchases during 2012 reflects our low appetite for adding long-term fixed-rate mortgage loans in the current low market interest rate environment. The decrease in net loans was also due to continued elevated levels of refinancing activity caused by low market interest rates.

Our first mortgage loan production during 2012 was substantially all in one- to four-family mortgage loans. Approximately 65% of mortgage loan originations for 2012 were variable-rate loans as compared to approximately 45% for 2011. Approximately 82.5% of mortgage loans purchased for the year ended December 31, 2012 were fixed-rate mortgage loans. Fixed-rate mortgage loans accounted for 61.1% of our first mortgage loan portfolio at December 31, 2012 and 66.8% at December 31, 2011.

Our ALL amounted to $302.3 million at December 31, 2012 and $273.8 million at December 31, 2011. Non-performing loans amounted to $1.16 billion or 4.29% of total loans at December 31, 2012 as compared to $1.02 billion or 3.48% of total loans at December 31, 2011.

Total mortgage-backed securities decreased $2.27 billion to $11.02 billion at December 31, 2012 from $13.29 billion at December 31, 2011. The decrease in mortgage-backed securities reflected repayments of $3.69 billion, partially offset by purchases of $1.47 billion of mortgage-backed securities issued by GSEs. At December 31, 2012, variable-rate mortgage-backed securities accounted for 86.0% of our portfolio compared with 84.1% at December 31, 2011.

Total investment securities decreased $79.3 million to $467.1 million at December 31, 2012 from $546.4 million at December 31, 2011. This decrease was primarily due to the calls of $500.0 million of investment securities during 2012, partially offset by the purchase of corporate bonds in the amount of $407.8 million during the year ended December 31, 2012.

FHLB stock decreased $154.1 million to $356.5 million at December 31, 2012 as compared to $510.6 million at December 31, 2011. The decrease in the balance of FHLB stock was primarily due to mandatory redemptions of stock due to a decrease in the amount of borrowings outstanding with the FHLB.

Total cash and cash equivalents increased $73.9 million to $828.0 million at December 31, 2012 as compared to $754.1 million at December 31, 2011. This increase is primarily due to increased repayments on mortgage-

related assets and the lack of reinvestment opportunities due to low market interest rates. Other assets decreased $49.3 million to $679.9 million at December 31, 2012 as compared to $729.2 million at December 31, 2011. The decrease in other assets is primarily due to a decrease of $54.0 million in current and deferred tax assets. The decrease in current and deferred tax assets is primarily due to accrued tax expense related to earnings during 2012.

Total liabilities decreased $4.90 billion, or 12.0%, to $35.90 billion at December 31, 2012 from $40.80 billion at December 31, 2011. The decrease in total liabilities primarily reflected a $2.90 billion decrease in borrowed funds and a decrease in total deposits of $2.03 billion.

Total deposits decreased $2.03 billion, or 8.0%, to $23.48 billion at December 31, 2012 as compared to $25.51 billion at December 31, 2011. The decrease in total deposits reflected a $1.82 billion decrease in our money market accounts and a $640.1 million decrease in time deposits, partially offset by an increase interest-bearing transaction and savings accounts of $315.2 million and $77.3 million, respectively. The decrease in our money market and time deposit accounts is primarily due to planned reductions in our deposit rates to curtail deposit growth while we experience excess liquidity from prepayment activity and limited investment opportunities. We had 135 branches at both December 31, 2012 and 2011.

Borrowings amounted to $12.18 billion at December 31, 2012 as compared to $15.08 billion at December 31, 2011. The decrease in borrowed funds was primarily a result of the maturing of the short-term borrowings utilized as part of the Restructuring Transaction.

At December 31, 2012, we had $4.00 billion of borrowed funds with put dates within one year, including $2.68 billion that can be put back to the Company during any three-month period. If interest rates were to decrease, or remain consistent with current rates, we believe these borrowings would probably not be put back and our average cost of existing borrowings would not decrease even as market interest rates decrease. Conversely, if interest rates increase above the market interest rate for similar borrowings, we believe these borrowings would likely be put back at their next put date and our cost to replace these borrowings would increase. However, we believe, given current market conditions, that the likelihood that a significant portion of these borrowings would be put back will not increase substantially unless interest rates were to increase by at least 300 basis points.

Other liabilities increased $24.9 million to $237.6 million at December 31, 2012 from $212.7 million at December 31, 2011. The increase is due to a $25.8 million increase in accrued expenses. The increase in accrued expenses is primarily the result of an increase in accrued Federal Deposit Insurance Corporation (“FDIC”) premiums of $20.9 million and a $6.2 million increase in the postretirement benefit plan liability.

Total shareholders’ equity increased $139.4 million to $4.70 billion at December 31, 2012 from $4.56 billion at December 31, 2011. The increase was primarily due to net income of $249.1 million for the year ended December 31, 2012 and an increase in accumulated other comprehensive income of $30.3 million. This increase was partially offset by cash dividends paid to common shareholders of $158.8 million.

Accumulated other comprehensive income amounted to $70.0 million at December 31, 2012 and included a $122.5 million after-tax net unrealized gain on securities available for sale ($207.2 million pre-tax) partially offset by a $52.5 million after-tax accumulated other comprehensive loss related to the funded status of our employee benefit plans. Accumulated other comprehensive income amounted to $39.7 million at December 31, 2011 and included an $89.3 million after-tax net unrealized gain on securities available for sale ($150.9 million pre-tax) partially offset by a $49.6 million after-tax accumulated other comprehensive loss related to the funded status of our employee benefit plans.

As of December 31, 2012, there remained 50,123,550 shares that may be purchased under our existing stock repurchase programs. We did not repurchase any shares of our common stock during 2012 pursuant to our repurchase programs. Pursuant to the Company MOU, any future share repurchases must be approved by the FRB. In addition, pursuant to the terms of the Merger Agreement, we may not repurchase shares of Hudson

City Bancorp common stock without the consent of M&T. During 2012, 62,579 shares were surrendered by employees for withholding taxes related to vesting stock awards. At December 31, 2012, our capital ratios were in excess of the applicable regulatory requirements to be considered well-capitalized. See "Liquidity and Capital Resources."

At December 31, 2012, our shareholders' equity to asset ratio was 11.58% compared with 10.05% at December 31, 2011. The ratio of average shareholders' equity to average assets was 10.89% for the year ended December 31, 2012 as compared to 9.41% for the year ended December 31, 2011. Our book value per share, using the period-end number of outstanding shares, less purchased but unallocated employee stock ownership plan shares and less purchased but unvested recognition and retention plan shares, was $9.46 at December 31, 2012 and $9.20 at December 31, 2011. Our tangible book value per share, calculated by deducting goodwill and the core deposit intangible from shareholders' equity, was $9.15 as of December 31, 2012 and $8.89 at December 31, 2011.

Analysis of Net Interest Income

Net interest income represents the difference between the interest income we earn on our interest-earning assets, such as mortgage loans, mortgage-backed securities and investment securities, and the expense we pay on interest-bearing liabilities, such as time deposits and borrowed funds. Net interest income depends on our volume of interest-earning assets and interest-bearing liabilities and the interest rates we earned or paid on them.

Average Balance Sheet. The following table presents certain information regarding our financial condition and net interest income for 2012, 2011 and 2010. The table presents the average yield on interest-earning assets and the average cost of interest-bearing liabilities for the periods indicated. We derived the yields and costs by dividing income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the periods shown. We derived average balances from daily balances over the periods indicated. Interest income includes fees that we considered adjustments to yields. Yields on tax-exempt obligations were not computed on a tax equivalent basis. Non-accrual loans were included in the computation of average balances and therefore have a zero yield. The yields set forth below include the effect of deferred loan origination fees and costs, and purchase premiums and discounts that are amortized or accreted to interest income.

	For the Year Ended December 31,								
	2012			2011			2010		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	(Dollars in thousands)								
Assets:									
Interest-earning assets:									
First mortgage loans, net (1)	$ 27,677,039	$ 1,309,568	4.73 %	$ 29,722,678	$ 1,492,989	5.02 %	$ 31,395,378	$ 1,667,027	5.31 %
Consumer and other loans	270,188	12,887	4.77	309,245	15,740	5.09	346,166	18,409	5.32
Federal funds sold	591,092	1,443	0.24	1,668,333	4,392	0.26	1,102,575	2,614	0.24
Mortgage-backed securities, at amortized cost	12,034,383	314,035	2.61	16,304,890	514,560	3.16	20,557,582	851,595	4.14
Federal Home Loan Bank stock	425,561	23,470	5.52	770,314	38,820	5.04	878,672	46,107	5.25
Investment securities, at amortized cost	429,539	11,636	2.71	3,021,573	101,136	3.35	4,992,249	198,744	3.98
Total interest-earning assets	41,427,802	1,673,039	4.04	51,797,033	2,167,637	4.18	59,272,622	2,784,496	4.70
Noninterest-earning assets (4)	1,506,828			1,361,057			1,560,439		
Total assets	$ 42,934,630			$ 53,158,090			$ 60,833,061		
Liabilities and shareholders' equity:									
Interest-bearing liabilities:									
Savings accounts	$ 908,903	2,761	0.30 %	$ 866,029	5,071	0.59 %	$ 839,029	5,952	0.71 %
Interest-bearing transaction accounts	2,181,326	11,608	0.53	2,015,019	15,698	0.78	2,323,618	23,996	1.03
Money market accounts	7,529,380	35,059	0.47	7,842,413	75,506	0.96	5,217,815	54,949	1.05
Time deposits	13,223,809	189,256	1.43	14,140,688	232,239	1.64	16,111,567	291,450	1.81
Total interest-bearing deposits	23,843,418	238,684	1.00	24,864,149	328,514	1.32	24,492,029	376,347	1.54
Repurchase agreements	6,950,000	314,485	4.52	9,127,800	398,929	4.37	15,034,110	616,488	4.10
FHLB advances	6,623,094	265,947	4.02	13,349,342	459,260	3.44	14,875,000	600,834	4.04
Total borrowed funds	13,573,094	580,432	4.28	22,477,142	858,189	3.82	29,909,110	1,217,322	4.07
Total interest-bearing liabilities	37,416,512	819,116	2.19	47,341,291	1,186,703	2.51	54,401,139	1,593,669	2.93
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	611,656			583,257			588,150		
Other noninterest-bearing liabilities	230,491			232,617			284,335		
Total noninterest-bearing liabilities	842,147			815,874			872,485		
Total liabilities	38,258,659			48,157,165			55,273,624		
shareholders' equity	4,675,971			5,000,925			5,559,437		
Total liabilities and shareholders' equity	$ 42,934,630			$ 53,158,090			$ 60,833,061		
Net interest income		$ 853,923			$ 980,934			$ 1,190,827	
Net interest rate spread (2)			1.85			1.67			1.77
Net interest-earning assets	$ 4,011,290			$ 4,455,742			$ 4,871,483		
Net interest margin (3)			2.06 %			1.89 %			2.01 %
Ratio of interest-earning assets to interest-bearing liabilities			1.11x			1.09x			1.09x

(1) Amount is net of deferred loan costs and allowance for loan losses and includes non-performing loans.
(2) Determined by subtracting the weighted average cost of average total interest-bearing liabilities from the weighted average yield on average total interest-earning assets.
(3) Determined by dividing net interest income by average total interest-earning assets.
(4) Includes the average balance of principal receivable related to FHLMC mortgage-backed securities of $122.3 million, $156.4 million and $297.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Rate/Volume Analysis. The following table presents the extent to which the changes in interest rates and the changes in volume of our interest-earning assets and interest-bearing liabilities have affected our interest income and interest expense during the periods indicated. Information is provided in each category with respect to:

- changes attributable to changes in volume (changes in volume multiplied by prior rate);
- changes attributable to changes in rate (changes in rate multiplied by prior volume); and
- the net change.

The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	2012 Compared to 2011			2011 Compared to 2010		
	Increase (Decrease) Due To			Increase (Decrease) Due To		
	Volume	Rate	Net	Volume	Rate	Net
	(In thousands)					
Interest-earning assets:						
First mortgage loans, net	$ (99,719)	$ (83,702)	$ (183,421)	$ (85,942)	$ (88,096)	$ (174,038)
Consumer and other loans	(1,905)	(948)	(2,853)	(1,899)	(770)	(2,669)
Federal funds sold	(2,635)	(314)	(2,949)	1,529	249	1,778
Mortgage-backed securities	(120,469)	(80,056)	(200,525)	(157,178)	(179,857)	(337,035)
Federal Home Loan Bank stock	(18,755)	3,405	(15,350)	(5,502)	(1,785)	(7,287)
Investment securities	(73,198)	(16,302)	(89,500)	(69,671)	(27,937)	(97,608)
Total	(316,681)	(177,917)	(494,598)	(318,663)	(298,196)	(616,859)
Interest-bearing liabilities:						
Savings accounts	248	(2,558)	(2,310)	181	(1,062)	(881)
Interest-bearing transaction accounts	1,226	(5,316)	(4,090)	(2,935)	(5,363)	(8,298)
Money market accounts	(2,933)	(37,514)	(40,447)	25,589	(5,032)	20,557
Time deposits	(14,449)	(28,534)	(42,983)	(33,494)	(25,717)	(59,211)
Repurchase agreements	(97,763)	13,319	(84,444)	(255,855)	38,296	(217,559)
FHLB advances	(260,871)	67,558	(193,313)	(57,833)	(83,741)	(141,574)
Total	(374,542)	6,955	(367,587)	(324,347)	(82,619)	(406,966)
Net change in net interest income	$ 57,861	$ (184,872)	$ (127,011)	$ 5,684	$ (215,577)	$ (209,893)

Comparison of Operating Results for the Years Ended December 31, 2012 and 2011

General. Net income was $249.1 million for 2012, an increase of $985.1 million, or 133.8%, compared with a net loss of $736.0 million for 2011. Basic and diluted earnings per common share were both $0.50 for 2012 as compared to a net loss per share of $(1.49) for 2011. For 2012, our return on average shareholders' equity was 5.33%, compared with (14.72)% for 2011. Our return on average assets for 2012 was 0.58% as compared to (1.38)% for 2011. The increase in the annualized return on average equity and assets is primarily due to the net loss during 2011 as a result of the Transactions.

Interest and Dividend Income. Total interest and dividend income for the year ended December 31, 2012 decreased $494.6 million, or 22.8%, to $1.67 billion from $2.17 billion for the year ended December 31, 2011. The decrease in total interest and dividend income was primarily due to a decrease in the average balance of total interest-earning assets of $10.37 billion, or 20.0%, to $41.43 billion for 2012 from $51.80 billion for 2011.

The decrease in total interest and dividend income was also due to a decrease of 14 basis points in the weighted-average yield on total interest-earning assets to 4.04% for 2012 from 4.18% for 2011. The decrease in the average balance of total interest-earning assets was due primarily to the effects of the Transactions and elevated levels of repayments of mortgage-related assets during 2012 due to the low interest rate environment.

For the year ended December 31, 2012, interest on first mortgage loans decreased $183.4 million, or 12.3%, to $1.31 billion from $1.49 billion for the year ended December 31, 2011. This was primarily due to a $2.04 billion decrease in the average balance of first mortgage loans to $27.68 billion for the year ended December 31, 2012 from $29.72 billion for the year ended December 31, 2011. The decrease in interest income on mortgage loans was also due to a 29 basis point decrease in the weighted-average yield to 4.73% for the year ended December 31, 2012 from 5.02% for the year ended December 31, 2011.

The decrease in the average yield earned during the year ended December 31, 2012 was due to lower market interest rates on mortgage products and also due to the continued mortgage refinancing activity. Refinancing activity, which resulted in continued elevated levels of loan repayments, also caused the average balance of our first mortgage loans to decline during the year ended December 31, 2012.

Interest on consumer and other loans decreased $2.8 million to $12.9 million for 2012 from $15.7 million for 2011. The average balance of consumer and other loans decreased $39.0 million to $270.2 million for 2012 as compared to $309.2 million for 2011 and the average yield earned decreased 32 basis points to 4.77% as compared to 5.09% for the same respective periods. The average balance of consumer loans decreased as consumer loans is not a business that we actively pursue. The decrease in the weighted-average yield is a result of current market interest rates.

Interest on mortgage-backed securities decreased $200.6 million to $314.0 million for the year ended December 31, 2012 from $514.6 million for the year ended December 31, 2011. This decrease was due primarily to a $4.27 billion decrease in the average balance of mortgage-backed securities to $12.03 billion for 2012 from $16.30 billion for 2011. The decrease in interest income on mortgage-backed securities was also due to a 55 basis point decrease in the weighted-average yield to 2.61% for 2012 from 3.16% for 2011. The decrease in the average balance of mortgage-backed securities was due primarily to the effects of the Restructuring Transaction. The decrease in the weighted-average yield is a result of principal repayments on securities that have higher yields than the existing portfolio as well as the re-pricing of variable rate mortgage-backed securities in this continued low interest rate environment.

For the year ended December 31, 2012, interest on investment securities decreased $89.5 million to $11.6 million from $101.1 million for the year ended December 31, 2011. This decrease was due primarily to a $2.59 billion decrease in the average balance of investment securities to $429.5 million for 2012 from $3.02 billion for 2011. The decrease in the average balance is due primarily to calls of $3.40 billion of investment securities during 2011. In addition, the average yield of investment securities decreased 64 basis points to 2.71% for 2012 from 3.35% for 2011. The decrease in the average yield earned reflects current market interest rates.

Dividends on FHLB stock decreased $15.3 million, or 39.4%, to $23.5 million for the year ended December 31, 2012 from $38.8 million for the year ended December 31, 2011. The decrease was primarily due to a $344.7 million decrease in the average balance of FHLB stock to $425.6 million for 2012 from $770.3 million for 2011. The effect of the decrease was partially offset by a 48 basis point increase in the average dividend yield earned to 5.52% for 2012 as compared to 5.04% for 2011. As part of the membership requirements of the FHLB, we are required to hold a certain dollar amount of FHLB common stock based on our mortgage-related assets and borrowings from the FHLB. The decrease in the average balance of FHLB stock was due primarily to mandatory redemptions of stock due to a decrease in the amount of borrowings outstanding with the FHLB.

Interest on Federal funds sold and other overnight deposits amounted to $1.4 million for the year ended December 31, 2012 as compared to $4.4 million for the year ended December 31, 2011. The average balance of Federal funds sold and other overnight deposits amounted to $591.1 million for 2012 as compared to $1.67 billion for 2011. The yield earned on Federal funds sold and other overnight deposits was 0.24% for the year

ended December 31, 2012 and 0.26% for the year ended December 31, 2011. The decrease in the average balance of Federal funds sold and other overnight deposits is primarily a result of the timing of the Transactions.

Interest Expense. Total interest expense for the year ended December 31, 2012 decreased $367.6 million, or 31.0%, to $819.1 million from $1.19 billion for the year ended December 31, 2011. This decrease was primarily due to a $9.92 billion, or 21.0%, decrease in the average balance of total interest-bearing liabilities to $37.42 billion for 2012 from $47.34 billion for 2011. The decrease was also due to a 32 basis point decrease in the weighted-average cost of total interest-bearing liabilities to 2.19% for the year ended December 31, 2012 from 2.51% for the year ended December 31, 2011. The decrease in the average balance of total interest-bearing liabilities was due primarily to an $8.91 billion decrease in the average balance of borrowings and a $1.02 billion decrease in the average balance of total deposits.

Interest expense on our time deposit accounts decreased $42.9 million to $189.3 million for 2012 from $232.2 million for 2011. The decrease in interest on time deposits was due to a 21 basis point decrease in the weighted-average cost to 1.43% for 2012 compared with 1.64% for 2011 as maturing time deposits were renewed or replaced by new time deposits at lower rates. This decrease was also due to a $916.9 million decrease in the average balance of time deposit accounts to $13.22 billion for 2012 from $14.14 billion for 2011. The decline in the average balance of our time deposits also reflects our decision to lower deposit rates to continue our balance sheet reduction while profitable investment opportunities remain scarce in the current environment.

Interest expense on money market accounts decreased $40.4 million to $35.1 million for 2012 as compared to $75.5 million for 2011. This decrease was due to a decrease in the weighted-average cost of 49 basis points to 0.47% for 2012 compared with 0.96% for 2011. This decrease was due to a decrease in the average balance of money market accounts of $313.0 million to $7.53 billion for 2012 as compared to $7.84 billion for 2011. Interest expense on our interest-bearing transaction accounts decreased $4.1 million to $11.6 million for 2012 from $15.7 million for 2011. The decrease is due to a 25 basis point decrease in the weighted-average cost to 0.53%, partially offset by a $166.3 million increase in the average balance to $2.18 billion for 2012 as compared to $2.02 billion for 2011.

The decrease in the average cost of deposits for 2012 reflected lower market interest rates and our decision to maintain lower deposit rates to continue our balance sheet reduction.

At December 31, 2012, time deposits scheduled to mature within one year totaled $7.64 billion with an average cost of 0.89%. These time deposits are scheduled to mature as follows: $3.12 billion with an average cost of 0.78% in the first quarter of 2013, $1.93 billion with an average cost of 0.90% in the second quarter of 2013, $1.17 billion with an average cost of 0.94% in the third quarter of 2013 and $1.42 billion with an average cost of 1.06% in the fourth quarter of 2013. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of these time deposits will remain with us as renewed time deposits or as transfers to other deposit products at the prevailing rate.

For the year ended December 31, 2012, interest expense on borrowed funds decreased $277.8 million to $580.4 million from $858.2 million for the year ended December 31, 2011. This decrease was due to an $8.91 billion decrease in the average balance of borrowed funds to $13.57 billion for 2012 from $22.48 billion for 2011. This decrease was partially offset by a 46 basis point increase in the weighted-average cost of borrowed funds to 4.28% for 2012 as compared to 3.82% for 2011. The decrease in the average balance of borrowed funds is primarily due to the Transactions. The increase in the weighted-average cost of borrowed funds was due to the maturity of lower cost short-term borrowings that were used to fund a portion of the debt extinguishments in the Restructuring Transaction.

Borrowings amounted to $12.18 billion at December 31, 2012 with an average cost of 4.59%. There are no scheduled maturities for 2013.

At December 31, 2012, we had $4.0 billion of borrowings with put dates within one year. We believe, given current market conditions, that the likelihood that a significant portion of these borrowings would be put back

will not increase substantially unless interest rates were to increase by at least 300 basis points. See "Liquidity and Capital Resources."

Net Interest Income. Net interest income decreased $127.0 million, or 12.9%, to $853.9 million for 2012 compared to $980.9 million for 2011. Our interest rate spread increased 18 basis points to 1.85% for 2012 as compared to 1.67% for 2011. Our net interest margin increased 17 basis points to 2.06% for 2012 as compared to 1.89% for 2011. The increase in our interest rate spread and net interest margin during 2012 is primarily due to Transactions. Notwithstanding the increase in interest rate spread and net interest margin, net interest income decreased reflecting the overall decrease in interest-earning assets and interest-bearing liabilities.

Provision for Loan Losses. The provision for loan losses amounted to $95.0 million for 2012 as compared to $120.0 million for 2011. The ALL amounted to $302.3 million and $273.8 million at December 31, 2012 and 2011, respectively. The decrease in the provision for loan losses for the year ended December 31, 2012 was due primarily to the overall declining trends in net charge-offs, the stabilization of home prices and a decrease in the size of the loan portfolio. However, our ALL increased as non-performing loans continued to increase and unemployment levels remain elevated. We have also taken into consideration the loss exposure on our loan portfolio as a result of Hurricane Sandy. We estimate that our loss exposure to these loans is less than $6.0 million. We recorded our provision for loan losses during 2012 based on our ALL methodology that considers a number of quantitative and qualitative factors, including the amount of non-performing loans, the loss experience of our non-performing loans, recent collateral valuations, conditions in the real estate and housing markets, current economic conditions, particularly continued elevated levels of unemployment, and growth or shrinkage in the loan portfolio. See "Critical Accounting Policies – Allowance for Loan Losses."

Our primary lending emphasis is the origination and purchase of one- to four-family first mortgage loans on residential properties and, to a lesser extent, second mortgage loans on one- to four-family residential properties. Our loan growth is primarily concentrated in one- to four-family mortgage loans with original loan-to-value ("LTV") ratios of less than 80%. The average LTV ratio of our 2012 first mortgage loan originations and our total first mortgage loan portfolio were 59.8% and 58.1%, respectively using the appraised value at the time of origination. The value of the property used as collateral for our loans is dependent upon local market conditions. As part of our estimation of the ALL, we monitor changes in the values of homes in each market using indices published by various organizations. Based on our analysis of the data for 2012, we concluded that home values in our lending markets declined from 2011 levels, but stabilized during the latter half of 2012.

Economic conditions have improved but at a slower pace than anticipated during 2012. Home sale activity and real estate valuations improved slightly during the second half of 2012 and unemployment, while improving, remained at elevated levels. We continue to closely monitor the local and national real estate markets and other factors related to risks inherent in our loan portfolio.

Non-performing loans amounted to $1.16 billion at December 31, 2012 as compared to $1.02 billion at December 31, 2011. Non-performing loans at December 31, 2012 included $1.15 billion of one- to four-family first mortgage loans as compared to $1.01 billion at December 31, 2011. The ratio of non-performing loans to total loans was 4.29% at December 31, 2012 compared to 3.48% at December 31, 2011. Loans delinquent 30 to 59 days amounted to $393.8 million at December 31, 2012 as compared to $427.2 million at December 31, 2011. Loans delinquent 60 to 89 days amounted to $239.3 million at December 31, 2012 as compared to $187.4 million at December 31, 2011. Foreclosed real estate amounted to $47.3 million at December 31, 2012 as compared to $40.6 million at December 31, 2011. Accordingly, total early stage delinquencies (loans 30 to 89 days past due) increased $18.5 million to $633.1 million at December 31, 2012 from $614.6 million at December 31, 2011. As a result of our underwriting policies, our borrowers typically have a significant amount of equity, at the time of origination, in the underlying real estate that we use as collateral for our loans. Due to the steady deterioration of real estate values in recent years, the LTV ratios based on appraisals obtained at time of origination do not necessarily indicate the extent to which we may incur a loss on any given loan that may go into foreclosure. However, our lower average LTV ratios at origination have helped to moderate our charge-offs.

At December 31, 2012, the ratio of the ALL to non-performing loans was 26.01% as compared to 26.77% at December 31, 2011. The ratio of the ALL to total loans was 1.12% at December 31, 2012 as compared to 0.93% at December 31, 2011. Changes in the ratio of the ALL to non-performing loans is not, absent other factors, an indication of the adequacy of the ALL since there is not necessarily a direct relationship between changes in various asset quality ratios and changes in the ALL, non-performing loans and losses we may incur on our loan portfolio. In the current economic environment, a loan generally becomes non-performing when the borrower experiences financial difficulty. In many cases, the borrower also has a second mortgage or home equity loan on the property. In substantially all of these cases, we do not hold the second mortgage or home equity loan as this is not a business we have actively pursued.

We obtain new collateral values by the time a loan becomes 180 days past due. If the estimated fair value of the collateral (less estimated selling costs) is less than the recorded investment in the loan, we charge-off an amount to reduce the loan to the fair value of the collateral less estimated selling costs. As a result, certain losses inherent in our non-performing loans are being recognized as charge-offs which may result in a lower ratio of the ALL to non-performing loans. Charge-offs amounted to $87.1 million for 2012 as compared to $97.1 million for 2011. Recoveries of amounts previously charged-off amounted to $20.7 million for 2012 as compared to $14.3 million for 2011. Write-downs and net losses on the sale of foreclosed real estate amounted to $1.9 million for 2012 as compared to $7.5 million for 2011. The results of our reappraisal process and our recent charge-off history are considered in the determination of the ALL.

As part of our estimation of the ALL, we monitor changes in the values of homes in each market using indices published by various organizations including the FHFA and Case Shiller. Our Asset Quality Committee ("AQC") uses these indices and a stratification of our loan portfolio by state as part of its quarterly determination of the ALL. We do not apply different loss factors based on geographic locations since, at December 31, 2012, 82% of our loan portfolio and 77% of our non-performing loans were located in the New York metropolitan area. We generally obtain updated collateral values by the time a loan becomes 180 days past due and annually thereafter, which we believe identifies potential charge-offs more accurately than a house price index that is based on a wide geographic area and includes many different types of houses. However, we use house price indices to identify geographic trends in housing markets to determine if an overall adjustment to the ALL is required based on loans we have in those geographic areas and to determine if changes in the loss factors used in the ALL quantitative analysis are necessary. Our quantitative analysis of the ALL accounts for increases in non-performing loans by applying progressively higher risk factors to loans as they become more delinquent.

Due to the nature of our loan portfolio, our evaluation of the adequacy of our ALL is performed primarily on a "pooled" basis. Each quarter we prepare an analysis which categorizes the entire loan portfolio by certain risk characteristics such as loan type (fixed and variable one- to four-family, interest-only, reduced documentation, multi-family, commercial, construction, etc.), loan source (originated or purchased) and payment status (i.e., current or number of days delinquent). Loans with known potential losses are categorized separately. We assign estimated loss factors to the payment status categories on the basis of our assessment of the potential risk inherent in each loan type. These factors are periodically reviewed for appropriateness giving consideration to our loss experience, delinquency trends, portfolio growth and environmental factors such as the status of the regional economy and housing market, in order to ascertain that the loss factors cover probable and estimable losses inherent in the portfolio. We define our loss experience on non-performing loans as the ratio of the excess of the loan balance (including selling costs) over the updated collateral value to the principal balance of loans for which we have updated valuations. We generally obtain updated collateral values by the time a loan becomes 180 days past due and on an annual basis thereafter for as long as the loan remains non-performing. Based on our analysis, our estimated loss experience on our non-performing one- to four-family first mortgage loans was approximately 14.3% during 2012 as compared to 13.5% in 2011 and 13.3% in 2010.

In addition to our loss experience, we also use environmental factors and qualitative analyses to determine the adequacy of our ALL. This analysis includes further evaluation of economic factors, such as trends in the unemployment rate, as well as a ratio analysis to evaluate the overall measurement of the ALL, a review of delinquency ratios, net charge-off ratios and the ratio of the ALL to both non-performing loans and total loans.

The qualitative review is used to reassess the overall determination of the ALL and to ensure that directional changes in the ALL and the provision for loan losses are supported by relevant internal and external data. Based on our recent loss experience on non-performing loans, and to a lesser extent, Hurricane Sandy, and our consideration of environmental factors, we increased certain loss factors used in our quantitative analysis of the ALL for our one- to four- family first mortgage loans during 2012. The adjustment to our loss factors in 2012 did not have a material effect on the ultimate level of our ALL or on our provision for loan losses. If our future loss experience requires additional increases in our loss factors, this may result in increased levels of loan loss provisions.

We consider the average LTV ratio of our non-performing loans and our total portfolio in relation to the overall changes in house prices in our lending markets when determining the ALL. This provides us with a "macro" indication of the severity of potential losses that might be expected. Since substantially all our portfolio consists of first mortgage loans on residential properties, the LTV ratio is particularly important to us when a loan becomes non-performing. The weighted average LTV ratio in our one- to four-family mortgage loan portfolio at December 31, 2012 was approximately 58.1%, using appraised values at the time of origination. The average LTV ratio of our non-performing loans was approximately 67.5% at December 31, 2012. Based on the valuation indices, house prices have declined in the New York metropolitan area, where 77% of our non-performing loans were located at December 31, 2012, by approximately 25% from the peak of the market in 2006 through October 2012 and by 30% nationwide during that period. For the twelve months ended September 30, 2012, home prices declined 2.3% in the New York metropolitan area and increased 3.6% nationwide. Changes in house values may affect our loss experience which may require that we change the loss factors used in our quantitative analysis of the ALL. There can be no assurance whether significant further declines in house values may occur and result in higher loss experience and increased levels of charge-offs and loan loss provisions.

Net charge-offs amounted to $66.4 million for 2012 as compared to net charge-offs of $82.8 million for 2011. Net charge-offs as a percentage of average loans was 0.24% for 2012 as compared to 0.28% for 2011. Our charge-offs on non-performing loans have historically been low due to the amount of underlying equity in the properties collateralizing our first mortgage loans. Until the recent recessionary cycle, it was our experience that as a non-performing loan approached foreclosure, the borrower sold the underlying property or, if there was a second mortgage or other subordinated lien, the subordinated lien holder would purchase the property to protect their interest thereby resulting in the full payment of principal and interest to Hudson City Savings. Due to the unprecedented level of foreclosures and the desire by most states to slow the foreclosure process, we continue to experience a time frame to repayment or foreclosure ranging from 30 to 36 months from the initial non-performing period. These delays have impacted our level of non-performing loans as these loans take longer to migrate to real estate owned and ultimate disposition. In addition, the highly publicized foreclosure issues that have recently affected the nation's largest mortgage loan servicers has resulted in greater court and state attorney general scrutiny, and the time to complete a foreclosure continues to be prolonged, especially in New York and New Jersey where 70% of our non-performing loans are located. If real estate prices do not improve or decline, this extended time may result in further charge-offs. In addition, current conditions in the housing market have made it more difficult for borrowers to sell homes to satisfy the mortgage and second lien holders and are less likely to repay our loan if the value of the property is not enough to satisfy their loan. We continue to closely monitor the property values underlying our non-performing loans during this timeframe and take appropriate charge-offs when the loan balances exceed the underlying property values.

At December 31, 2012 and December 31, 2011, commercial and construction loans evaluated for impairment in accordance with Financial Accounting Standards Board ("FASB") guidance amounted to $13.4 million and $14.6 million, respectively. Based on this evaluation, we established an ALL of $1.6 million for loans classified as impaired at December 31, 2012 compared to $4.4 million at December 31, 2011. Charge-offs related to these loans amounted to $873,000 in 2012 (none in 2011).

Although we believe that we have established and maintained the ALL at adequate levels, additions may be necessary if future economic and other conditions differ substantially from the current operating environment. Changes in our loss experience on non-performing loans, the loss factors used in our quantitative analysis of the

ALL and continued increases in overall loan delinquencies can have a significant impact on our need for increased levels of loan loss provisions in the future. Although we use the best information available, the level of the ALL remains an estimate that is subject to significant judgment and short-term change. See “Critical Accounting Policies.”

Non-Interest Income. Total non-interest income was $11.5 million for the year ended December 31, 2012 as compared to $113.9 million for the same period in 2011. Included in non-interest income for the year ended December 31, 2011 were net gains on securities transactions of $102.5 million which resulted from the sale of $9.04 billion of securities available-for-sale. Substantially all of the proceeds from the sale of securities were used to repay borrowings as part of the Restructuring Transaction. There were no security sales for the year ended December 31, 2012.

Non-Interest Expense. Total non-interest expense amounted to $356.6 million for the year ended December 31, 2012 as compared to $2.23 billion for the year ended December 31, 2011. Included in total non-interest expense for the year ended December 31, 2011 was a $1.90 billion loss on the extinguishment of debt related to the Transactions.

Compensation and employee benefit costs increased $16.5 million, or 14.6%, to $129.6 million for 2012 as compared to $113.1 million for 2011. The increase in compensation and employee benefit costs is primarily due to increases of $10.3 million in compensation costs, $3.2 million in health plan expense, and $2.5 million in pension expense. The increase in compensation costs is due primarily to a $5.0 million increase in incentive compensation plan expense during 2012 as compared to 2011 as well as to additional full time equivalent employees and normal salary increases. The increase in health plan expense was due primarily to additional full time equivalent employees. The increase in pension expense is due primarily to the discount rate and other actuarial assumptions used in determining pension expense. At December 31, 2012, we had 1,622 full-time equivalent employees as compared to 1,586 at December 31, 2011.

For the year ended December 31, 2012 Federal deposit insurance increased $2.7 million, or 2.24%, to $123.7 million from $121.0 million for the year ended December 31, 2011. This increase was due primarily to the new deposit assessment methodology adopted by the FDIC that became effective on April 1, 2011 and which redefined the assessment base as average consolidated total assets minus average tangible equity. Previously, deposit insurance assessments were based on the amount of deposits.

Included in other non-interest expense for the year ended December 31, 2012 were write-downs and net losses on the sale of foreclosed real estate of $1.9 million as compared to $7.5 million for the comparable period in 2011. We sold 191 properties during the year of 2012 as compared to 156 properties for 2011.

For the year ended December 31, 2012, our efficiency ratio was 40.50% compared with 32.68% for the year ended December 31, 2011. The calculation of the efficiency ratio is on page 65. Our ratio of non-interest expense to average total assets for the year ended December 31, 2012 was 0.83% compared with 4.20% for the corresponding period in 2011.

Income Taxes. Income tax expense amounted to $164.6 million for 2012 compared with income tax benefit $519.3 million for 2011. Our effective tax rate for 2012 was 39.79% compared with 41.37% for 2011. The income tax benefit for 2011 was due to the loss before income taxes of $1.26 billion.

Comparison of Operating Results for the Years Ended December 31, 2011 and 2010

General. Net loss was $736.0 million for 2011, a decrease of $1.27 billion, or 237.0%, compared with net income of $537.2 million for 2010. Basic and diluted loss per common share were both $(1.49) for 2011 as compared to basic and diluted earnings per share of $1.09 for 2010. For 2011, our return on average shareholders’ equity was (14.72)%, compared with 9.66% for 2010. Our return on average assets for 2011 was (1.38)% as compared to 0.88% for 2010. The decrease in our return on average equity and assets is a result of the net loss for 2011 due primarily to the Transactions.

Interest and Dividend Income. Total interest and dividend income for 2011 decreased $616.9 million, or 22.2%, to $2.17 billion from $2.78 billion for 2010. The decrease in total interest and dividend income was primarily due to a decrease in the average balance of total interest-earning assets of $7.47 billion, or 12.6%, to $51.80 billion for 2011 from $59.27 billion for 2010. The decrease in total interest and dividend income was also due to a decrease of 52 basis points in the weighted-average yield on total interest-earning assets to 4.18% for 2011 from 4.70% for 2010. The decrease in the average balance of total interest-earning assets was due primarily to the effects of the Transactions. The decrease in the average yield earned on our interest-earning assets reflects the elevated levels of repayments on mortgage-related assets and the calls on investment securities, and the reinvestment of those cash flows at current market interest rates.

For the year ended December 31, 2011, interest on first mortgage loans decreased $174.0 million, or 10.4%, to $1.49 billion from $1.67 billion for the year ended December 31, 2010. This was primarily due to a 29 basis point decrease in the weighted-average yield to 5.02% for 2011 from 5.31% for 2010. The decrease in interest income on mortgage loans was also due to a $1.68 billion decrease in the average balance of first mortgage loans to $29.72 billion for 2011 from $31.40 billion for 2010. Refinancing activity, which resulted in continued elevated levels of loan repayments, also had an impact on the average balance of our first mortgage loans during the year ended December 31, 2011. During the year ended December 31, 2011, existing mortgage customers, with accounts in good standing, refinanced or recast approximately $3.52 billion in mortgage loans with a weighted average rate of 5.33% to a new weighted average rate of 4.25%.

Interest on consumer and other loans decreased $2.7 million to $15.7 million for 2011 from $18.4 million for 2010. The average balance of consumer and other loans decreased $37.0 million to $309.2 million for 2011 as compared to $346.2 million for 2010 and the average yield earned decreased 23 basis points to 5.09% as compared to 5.32% for the same respective periods

Interest on mortgage-backed securities decreased $337.0 million to $514.6 million for the year ended December 31, 2011 from $851.6 million for the year ended December 31, 2010. This decrease was due primarily to a 98 basis point decrease in the weighted-average yield to 3.16% during 2011 from 4.14% for 2010. The decrease in interest income on mortgage-backed securities was also due to a $4.26 billion decrease in the average balance of mortgage-backed securities to $16.30 billion during 2011 from $20.56 billion for 2010 due primarily to the effects of the Restructuring Transaction as well as elevated levels of principal prepayments as market interest rates remained low.

The decrease in the weighted average yield on mortgage-backed securities is a result of lower yields on securities purchased during 2010 when market interest rates were lower than the yield earned on the existing portfolio. In addition, mortgage-backed securities purchased before 2010 which have higher yields, continue to repay, thus reducing the average yield on our mortgage-backed portfolio.

Interest on investment securities decreased $97.6 million to $101.1 million during 2011 as compared to $198.7 million for 2010. This decrease was due primarily to a $1.97 billion decrease in the average balance to $3.02 billion and a decrease of 63 basis points in the average yield to 3.35% for 2011 as compared to 3.98% for 2010. The decrease in the average balance was due to the calls of $3.4 billion of investment securities during 2011. The decrease in the average yield earned reflects current market interest rates.

Dividends on FHLB stock decreased $7.3 million, or 15.8%, to $38.8 million for the year ended December 31, 2011 as compared to $46.1 million for the comparable period in 2010. This decrease was due primarily to a $108.4 million decrease in the average balance of FHLB stock to $770.3 million for 2011 from $878.7 million for the same period in 2010. In addition, the average dividend yield earned decreased to 5.04% for 2011 from 5.25% for 2010. As part of the membership requirements of the FHLB, we are required to hold a certain dollar amount of FHLB common stock based on our mortgage-related assets and borrowings from the FHLB. The decrease in the average balance of FHLB stock was due primarily to mandatory redemptions of stock due to a decrease in the amount of borrowings outstanding with the FHLB.

Interest on Federal funds sold amounted to $4.4 million for 2011 as compared to $2.6 million for 2010. The average balance of Federal funds sold amounted to $1.67 billion for 2011 as compared to $1.10 billion for the same period in 2010. The yield earned on Federal funds sold was 0.26% for 2011 and 0.24% for 2010.

The increase in the average balance of Federal funds sold for 2011 is primarily due to the timing of the extinguishment of borrowings in the Transactions relative to the timing of the receipt of the proceeds from securities sales, calls of investment securities and payments received on mortgage-related assets that were used to fund the extinguishments.

Interest Expense. Total interest expense for 2011 decreased $407.0 million, or 25.5%, to $1.19 billion from $1.59 billion for 2010. This decrease was primarily due to a $7.06 billion, or 13.0%, decrease in the average balance of total interest-bearing liabilities to $47.34 billion for 2011 from $54.40 billion for 2010. The decrease in the average balance of total interest-bearing liabilities was primarily due to the reduction of total borrowings as part of the Transactions. The decrease in total interest expense was also due to a 42 basis point decrease in the weighted-average cost of total interest-bearing liabilities to 2.51% for 2011 compared with 2.93% for 2010.

Interest expense on our time deposit accounts decreased $59.3 million to $232.2 million for 2011 as compared to $291.5 million for 2010. This decrease was due to a $1.97 billion decrease in the average balance of time deposit accounts to $14.14 billion for 2011 from $16.11 billion for 2010 as a portion of our maturing time deposits transferred to our money market accounts. The shift to our money market accounts is due to the highly competitive rate offered on these accounts. The decrease in interest on time deposits was also due to a 17 basis point decrease in the weighted-average cost to 1.64% for 2011 compared with 1.81% for 2010 as maturing time deposits were renewed or replaced by new time deposits at lower rates.

Interest expense on money market accounts increased $20.6 million to $75.5 million for 2011 as compared to $54.9 million 2010. This increase was due to an increase in the average balance of money market accounts of $2.62 billion to $7.84 billion for 2011 as compared to $5.22 billion for 2010. This increase was partially offset by a decrease in the weighted-average cost of 9 basis points to 0.96% for 2011 compared with 1.05% for 2010. Interest expense on our interest-bearing transaction accounts decreased $8.3 million to $15.7 million for 2011 from $24.0 million for 2010. The decrease is due to a 25 basis point decrease in the weighted-average cost to 0.78%, and a $308.6 million decrease in the average balance to $2.02 billion for 2011 as compared to $2.32 billion for 2010.

The decrease in the average cost of deposits during 2011 reflected lower market interest rates and our decision in 2010 to lower deposit rates to slow deposit growth. At December 31, 2011, time deposits scheduled to mature within one year totaled $8.85 billion with an average cost of 1.24%. These time deposits are scheduled to mature as follows: $3.69 billion with an average cost of 1.15% in the first quarter of 2012, $2.10 billion with an average cost of 1.03% in the second quarter of 2012, $1.46 billion with an average cost of 1.39% in the third quarter of 2012 and $1.60 billion with an average cost of 1.55% in the fourth quarter of 2012. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of these time deposits will remain with us as renewed time deposits or as transfers to other deposit products at the prevailing rate.

Interest expense on borrowed funds decreased $359.1 million to $858.2 million for 2011 as compared to $1.22 billion for 2010. This decrease was primarily due to a $7.43 billion decrease in the average balance of borrowed funds to $22.48 billion for 2011 from $29.91 billion for 2010. This decrease was also due to a 25 basis point decrease in the weighted-average cost of borrowed funds to 3.82% for 2011 as compared to 4.07% for 2010. The decrease in the average balance and cost of our borrowings is due to the effects of the Transactions.

Borrowings amounted to $15.08 billion at December 31, 2011 with an average cost of 3.87%. Borrowings scheduled to mature over the next 12 months are as follows: $900.0 million with an average cost of 0.98% in the first quarter of 2012, $750.0 million with an average cost of 0.74% in the second quarter of 2012 and $750.0 million with an average cost of 0.85% in the third quarter of 2012 and $500.0 million with an average cost of 0.98% in the fourth quarter of 2012.

At December 31, 2011, we had $2.68 billion of borrowings with put dates within one year as compared to $22.83 billion at December 31, 2010. We believe, given current market conditions, that the likelihood that a significant portion of these borrowings would be put back will not increase substantially unless interest rates were to increase by at least 300 basis points. See "Liquidity and Capital Resources."

Net Interest Income. Net interest income decreased $209.9 million, or 17.6%, to $980.9 million for 2011 compared to $1.19 billion for 2010. During 2011, our net interest rate spread decreased 10 basis points to 1.67% for 2011 from 1.77% for 2010. Our net interest margin decreased 12 basis points to 1.89% during 2011 from 2.01% for 2010.

The decrease in our net interest margin and net interest rate spread was primarily due to the decrease in the weighted-average yield of our interest-earning assets and the decrease in the average balance of interest-earning assets. The yields on mortgage-related assets, which account for 88.9% of the average balance of interest-earning assets for the year ended December 31, 2011, remained at near-historic lows. The low market interest rates resulted in increased refinancing activity which caused a decrease in the yield we earned on mortgage-related assets as customers refinanced to lower mortgage rates and our new loan production and asset purchases were at the current low market interest rates.

Provision for Loan Losses. The provision for loan losses amounted to $120.0 million for 2011 as compared to $195.0 million for 2010. The ALL amounted to $273.8 million and $236.6 million at December 31, 2011 and 2010, respectively. The decrease in the provision for loan losses for the year ended December 31, 2011 was due primarily to the stabilization in early-stage delinquencies, represented by loans that are 30 to 89 days delinquent, the decrease in net charge-offs and a decrease in the size of the loan portfolio in each case relative to the year ended December 31, 2010. These factors were tempered by the continued decline in home prices, although at a slower rate than during the recent recessionary cycle, continued elevated levels of unemployment and an increase in the growth rate of non-performing loans during the second half of 2011 as compared to the first six months of 2011. We recorded our provision for loan losses during 2011 based on our ALL methodology that considers a number of quantitative and qualitative factors, including the amount of non-performing loans, the loss experience of our non-performing loans, recent collateral valuations, conditions in the real estate and housing markets, current economic conditions, particularly continued elevated levels of unemployment, and growth or shrinkage in the loan portfolio. See “Critical Accounting Policies – Allowance for Loan Losses.”

Our primary lending emphasis is the origination and purchase of one- to four-family first mortgage loans on residential properties and, to a lesser extent, second mortgage loans on one- to four-family residential properties. Our loan growth is primarily concentrated in one- to four-family mortgage loans with original LTV ratios of less than 80%. The average LTV ratio of our 2011 first mortgage loan originations and our total first mortgage loan portfolio were 61% and 60%, respectively using the appraised value at the time of origination. The value of the property used as collateral for our loans is dependent upon local market conditions. As part of our estimation of the ALL, we monitor changes in the values of homes in each market using indices published by various organizations. Based on our analysis of the data for 2011, we concluded that home values in our lending markets continued to decline from 2010 levels, as evidenced by reduced levels of sales, increasing inventories of houses on the market, declining house prices and an increase in the length of time houses remain on the market.

The national economy was in a recessionary cycle during 2009 and 2010 with the housing and real estate markets suffering significant losses in value. Economic conditions have improved but at a slower pace than anticipated during 2011. Home sale activity and real estate valuations remained at reduced levels during 2011 and unemployment, while improving, remained at elevated levels. We continue to closely monitor the local and national real estate markets and other factors related to risks inherent in our loan portfolio.

Non-performing loans amounted to $1.02 billion at December 31, 2011 as compared to $871.3 million at December 31, 2010. Non-performing loans at December 31, 2011 included $1.01 billion of one- to four-family first mortgage loans as compared to $858.3 million at December 31, 2010. The ratio of non-performing loans to total loans was 3.48% at December 31, 2011 compared to 2.82% at December 31, 2010. Loans delinquent 30 to 59 days amounted to $427.2 million at December 31, 2011 as compared to $418.9 million at December 31, 2010. Loans delinquent 60 to 89 days amounted to $187.4 million at December 31, 2011 as compared to $193.2 million at December 31, 2010. Foreclosed real estate amounted to $40.6 million at December 31, 2011 as compared to $45.7 million at December 31, 2010. Accordingly, total early stage delinquencies (loans 30 to

89 days past due) increased $2.5 million to $614.6 million at December 31, 2011 from $612.1 million at December 31, 2010. As a result of our underwriting policies, our borrowers typically have a significant amount of equity, at the time of origination, in the underlying real estate that we use as collateral for our loans. Due to the steady deterioration of real estate values in recent years, the LTV ratios based on appraisals obtained at time of origination do not necessarily indicate the extent to which we may incur a loss on any given loan that may go into foreclosure. However, our lower average LTV ratios at origination have helped to moderate our charge-offs.

At December 31, 2011, the ratio of the ALL to non-performing loans was 26.77% as compared to 27.15% at December 31, 2010. The ratio of the ALL to total loans was 0.93% at December 31, 2011 as compared to 0.77% at December 31, 2010. Changes in the ratio of the ALL to non-performing loans is not, absent other factors, an indication of the adequacy of the ALL since there is not necessarily a direct relationship between changes in various asset quality ratios and changes in the ALL, non-performing loans and losses we may incur on our loan portfolio. In the current economic environment, a loan generally becomes non-performing when the borrower experiences financial difficulty. In many cases, the borrower also has a second mortgage or home equity loan on the property. In substantially all of these cases, we do not hold the second mortgage or home equity loan as this is not a business we have actively pursued.

We generally obtain new collateral values by the time a loan becomes 180 days past due. If the estimated fair value of the collateral (less estimated selling costs) is less than the recorded investment in the loan, we charge-off an amount to reduce the loan to the fair value of the collateral less estimated selling costs. As a result, certain losses inherent in our non-performing loans are being recognized as charge-offs which may result in a lower ratio of the ALL to non-performing loans. Charge-offs amounted to $97.1 million for 2011 as compared to $110.8 million for 2010. Recoveries of amounts previously charged-off amounted to $14.3 million for 2011 as compared to $12.3 million for 2010. Write-downs and net losses on the sale of foreclosed real estate amounted to $7.5 million for 2011 as compared to $2.7 million for 2010. The results of our reappraisal process and our recent charge-off history are considered in the determination of the ALL.

As part of our estimation of the ALL, we monitor changes in the values of homes in each market using indices published by various organizations including the FHFA and Case Shiller. Our AQC uses these indices and a stratification of our loan portfolio by state as part of its quarterly determination of the ALL. We do not apply different loss factors based on geographic locations since, at December 31, 2011, 81.7% of our loan portfolio and 77.6% of our non-performing loans were located in the New York metropolitan area. We generally obtain updated collateral values by the time a loan becomes 180 days past due and annually thereafter, which we believe identifies potential charge-offs more accurately than a house price index that is based on a wide geographic area and includes many different types of houses. However, we use house price indices to identify geographic trends in housing markets to determine if an overall adjustment to the ALL is required based on loans we have in those geographic areas and to determine if changes in the loss factors used in the ALL quantitative analysis are necessary. Our quantitative analysis of the ALL accounts for increases in non-performing loans by applying progressively higher risk factors to loans as they become more delinquent.

Due to the nature of our loan portfolio, our evaluation of the adequacy of our ALL is performed primarily on a "pooled" basis. Each quarter we prepare an analysis which categorizes the entire loan portfolio by certain risk characteristics such as loan type (fixed and variable one- to four-family, multi-family, commercial, construction, etc.), loan source (originated or purchased) and payment status (i.e., current or number of days delinquent). Loans with known potential losses are categorized separately. We assign estimated loss factors to the payment status categories on the basis of our assessment of the potential risk inherent in each loan type. These factors are periodically reviewed for appropriateness giving consideration to our loss experience, delinquency trends, portfolio growth and environmental factors such as the status of the regional economy and housing market, in order to ascertain that the loss factors cover probable and estimable losses inherent in the portfolio. Based on our recent loss experience on non-performing loans, we increased certain loss factors used in our quantitative analysis of the ALL for our one- to four- family first mortgage loans during 2011. We define our loss experience on non-performing loans as the ratio of the excess of the loan balance (including selling

costs) over the updated collateral value to the principal balance of loans for which we have updated valuations. We generally obtain updated collateral values by the time a loan becomes 180 days past due and on an annual basis thereafter for as long as the loan remains non-performing. Based on our analysis, our estimated loss experience on our non-performing one- to four-family first mortgage loans was approximately 13.5% during 2011 as compared to 13.3% in 2010 and 11.0% in 2009. The recent adjustment in our loss factors did not have a material effect on the ultimate level of our ALL or on our provision for loan losses. If our future loss experience requires additional increases in our loss factors, this may result in increased levels of loan loss provisions.

In addition to our loss experience, we also use environmental factors and qualitative analyses to determine the adequacy of our ALL. This analysis includes further evaluation of economic factors, such as trends in the unemployment rate, as well as ratio analysis to evaluate the overall measurement of the ALL, a review of delinquency ratios, net charge-off ratios and the ratio of the ALL to both non-performing loans and total loans. The qualitative review is used to reassess the overall determination of the ALL and to ensure that directional changes in the ALL and the provision for loan losses are supported by relevant internal and external data.

We consider the average LTV ratio of our non-performing loans and our total portfolio in relation to the overall changes in house prices in our lending markets when determining the ALL. This provides us with a "macro" indication of the severity of potential losses that might be expected. Since substantially all our portfolio consists of first mortgage loans on residential properties, the LTV ratio is particularly important to us when a loan becomes non-performing. The weighted average LTV ratio in our one- to four-family mortgage loan portfolio at December 31, 2011 was approximately 60%, using appraised values at the time of origination. The average LTV ratio of our non-performing loans was approximately 74% at December 31, 2011. Based on the valuation indices, house prices have declined in the New York metropolitan area, where 77.6% of our non-performing loans were located at December 31, 2011, by approximately 24% from the peak of the market in 2006 through November 2011 and by 33% nationwide during that period. Changes in house values may affect our loss experience which may require that we change the loss factors used in our quantitative analysis of the ALL. There can be no assurance whether significant further declines in house values may occur and result in higher loss experience and increased levels of charge-offs and loan loss provisions.

Net charge-offs amounted to $82.8 million for 2011 as compared to net charge-offs of $98.5 million for 2010. Net charge-offs as a percentage of average loans was 0.28% for 2011 as compared to 0.31% for 2010. Our charge-offs on non-performing loans have historically been low due to the amount of underlying equity in the properties collateralizing our first mortgage loans. Until the recent recessionary cycle, it was our experience that as a non-performing loan approached foreclosure, the borrower sold the underlying property or, if there was a second mortgage or other subordinated lien, the subordinated lien holder would purchase the property to protect their interest thereby resulting in the full payment of principal and interest to Hudson City Savings. Due to the unprecedented level of foreclosures and the desire by most states to slow the foreclosure process, we continue to experience a time frame to repayment or foreclosure ranging from 30 to 36 months from the initial non-performing period. These delays have impacted our level of non-performing loans as these loans take longer to migrate to real estate owned and ultimate disposition. In addition, the highly publicized foreclosure issues that have recently affected the nation's largest mortgage loan servicers has resulted in greater court and state attorney general scrutiny, and our foreclosure process and timing to completion of foreclosures may be further delayed. If real estate prices do not improve or continue to decline, this extended time may result in further charge-offs. In addition, current conditions in the housing market have made it more difficult for borrowers to sell homes to satisfy the mortgage and second lien holders and are less likely to repay our loan if the value of the property is not enough to satisfy their loan. We continue to closely monitor the property values underlying our non-performing loans during this timeframe and take appropriate charge-offs when the loan balances exceed the underlying property values.

At December 31, 2011 and December 31, 2010, commercial and construction loans evaluated for impairment in accordance with FASB guidance amounted to $14.6 million and $16.7 million, respectively. Based on this evaluation, we established an ALL of $4.4 million for loans classified as impaired at December 31, 2011 compared to $5.1 million at December 31, 2010.

Although we believe that we have established and maintained the ALL at adequate levels, additions may be necessary if future economic and other conditions differ substantially from the current operating environment. Changes in our loss experience on non-performing loans, the loss factors used in our quantitative analysis of the ALL and continued increases in overall loan delinquencies can have a significant impact on our need for increased levels of loan loss provisions in the future. Although we use the best information available, the level of the ALL remains an estimate that is subject to significant judgment and short-term change. See "Critical Accounting Policies."

Non-Interest Income. Total non-interest income was $113.9 million for the year ended December 31, 2011 as compared to $163.0 million for the same period in 2010. Included in non-interest income for the year ended December 31, 2011 were net gains on securities transactions of $102.5 million which resulted from the sale of $9.04 billion of securities available-for-sale. Substantially all of the proceeds from the sale of securities were used to repay borrowings as part of the Restructuring Transaction. Included in non-interest income for the year ended December 31, 2010 were net gains on securities transactions of $152.6 million which resulted from the sale of $3.92 billion of mortgage-backed securities available-for-sale.

Non-Interest Expense. Total non-interest expense amounted to $2.23 billion for the year ended December 31, 2011 from $266.4 million for the year ended December 31, 2010. Included in total non-interest expense for 2011 was a $1.90 billion loss on the extinguishment of debt related to the Transactions.

Compensation and employee benefit costs decreased $20.7 million, or 15.5%, to $113.1 million for 2011 as compared to $133.8 million for 2010. This decrease is primarily due to a $21.5 million decrease in expense related to our stock benefit plans primarily as a result of the decrease in the market price of our common stock and a $929,000 decrease in compensation costs. These decreases were partially offset by a $984,000 increase in medical plan expense and an $872,000 increase in pension costs. The decrease in compensation costs is due primarily to a decrease in incentive compensation expense for 2011 partially offset by normal salary increases as well as an increase in the number of full-time equivalent employees. At December 31, 2011, we had 1,586 full-time equivalent employees as compared to 1,562 at December 31, 2010.

For the year ended December 31, 2011 Federal deposit insurance increased $65.0 million, or 116.2%, to $121.0 million from $56.0 million for the year ended December 31, 2010. This increase was due primarily to the new deposit assessment methodology adopted by the FDIC that became effective on April 1, 2011 and which redefined the assessment base as average consolidated total assets minus average tangible equity. Previously, deposit insurance assessments were based on the amount of deposits.

Included in other non-interest expense for the year ended December 31, 2011 were write-downs and net losses on the sale of foreclosed real estate of $7.5 million as compared to $2.7 million for the comparable period in 2010. We sold 156 properties during the year of 2011 as compared to 71 properties for the same period in 2010.

For the year ended December 31, 2011, our efficiency ratio was 32.68% compared with 19.68% for the year ended December 31, 2010. The calculation of the efficiency ratio is on page 3 of this Annual Report. Our ratio of non-interest expense to average total assets for the year ended December 31, 2011 was 4.20% compared with 0.44% for the corresponding period in 2010.

Income Taxes. Income tax benefit amounted to $519.3 million for 2011 compared with income tax expense $355.2 million for 2010. Our effective tax rate for 2011 was 41.37% compared with 39.80% for 2010. The income tax benefit for 2011 was due to the loss before income taxes of $1.26 billion.

Asset Quality

Credit Quality

Our primary lending emphasis is the origination and purchase of one- to four-family first mortgage loans on residential properties. Our lending market areas generally consist of those states that are east of the Mississippi River and as far south as South Carolina. Loans located outside of the New York metropolitan area were part of our loan purchases. Our loan purchase activity has declined significantly as sellers from whom we have historically purchased loans are either retaining these loans in their portfolios or selling them to the GSEs.

The following table presents the composition of our loan portfolio in dollar amounts and in percentages of the total portfolio at December 31:

	2012		2011	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			
First mortgage loans:				
One- to four-family:				
Amortizing	$ 21,633,889	79.85 %	$ 23,480,909	80.05 %
Interest-only	4,485,875	16.56	4,779,863	16.30
FHA/VA	687,172	2.54	734,781	2.51
Multi-family and commercial	32,259	0.12	39,634	0.14
Construction	4,669	0.02	4,929	0.02
Total first mortgage loans	26,843,864	99.09	29,040,116	99.02
Consumer and other loans				
Fixed-rate second mortgages	106,239	0.39	131,597	0.45
Home equity credit lines	119,872	0.44	134,502	0.46
Other	20,904	0.08	21,130	0.07
Total consumer and other loans	247,015	0.91	287,229	0.98
Total loans	27,090,879	100.00 %	29,327,345	100.00 %
Deferred loan costs	97,534		83,805	
Allowance for loan losses	(302,348)		(273,791)	
Net loans	$ 26,886,065		$ 29,137,359	

At December 31, 2012, first mortgage loans secured by one-to four-family properties accounted for 99.0% of total loans. Fixed-rate mortgage loans represent 61.1% of our first mortgage loans. Compared to adjustable-rate loans, fixed-rate loans possess less inherent credit risk since loan payments do not change in response to changes in interest rates. In addition, we do not originate or purchase loans with payment options, negative amortization loans or sub-prime loans. We believe our loans, when made, were amply collateralized and otherwise conformed to our prime lending standards.

Included in our loan portfolio at December 31, 2012 are interest-only one-to four-family residential loans of approximately $4.49 billion, or 16.6%, of total loans as compared to $4.78 billion, or 16.3%, of total loans at December 31, 2011. These loans are originated as adjustable-rate mortgage loans with initial terms of five, seven or ten years with the interest-only portion of the payment based upon the initial loan term, or offered on a 30-year fixed-rate loan, with interest-only payments for the first 10 years of the loan. At the end of the initial 5-, 7- or 10-year interest-only period, the loan payment will adjust to include both principal and interest and will amortize over the remaining term so the loan will be repaid at the end of its original life. These loans are underwritten using the fully-amortizing payment amount. Non-performing interest-only loans amounted to $182.2 million, or 15.7%, of non-performing loans at December 31, 2012 as compared to non-performing interest-only loans of $213.9 million, or 20.9%, of non-performing loans at December 31, 2011.

In addition to our full documentation loan program, we originate and purchase loans to certain eligible borrowers as reduced documentation loans. Generally the maximum loan amount for reduced documentation loans is $750,000 and these loans are subject to higher interest rates than our full documentation loan products. We require applicants for reduced documentation loans to complete a Freddie Mac/Fannie Mae loan application and request income, asset and credit history information from the borrower. Additionally, we verify asset holdings and obtain credit reports from outside vendors on all borrowers to ascertain the credit history of the borrower. Applicants with delinquent credit histories usually do not qualify for the reduced documentation processing, although delinquencies that are adequately explained will not prohibit processing as a reduced documentation loan. We reserve the right to verify income and do require asset verification but we may elect not to verify or corroborate certain income information where we believe circumstances warrant. We are able to provide data relating to reduced documentation loans that we originate. Originated loans overall represent 75.9% of our one- to four- family first mortgage loans. As part of our wholesale loan program, we allow sellers to include reduced documentation loans in each pool of purchased mortgage loans but limit the amount of these loans to be no more than 10% of the principal balance of the purchased pool. In addition, these loans must have a maximum LTV ratio of 60% and meet other characteristics such as maximum loan size. However, we have not tracked wholesale reduced documentation loans on our mortgage loan system. Included in our loan portfolio at December 31, 2012 are $3.98 billion of originated amortizing reduced documentation loans and $901.0 million of originated reduced documentation interest-only loans. Non-performing loans at December 31, 2012 include $153.5 million of originated amortizing reduced documentation loans and $63.8 million of originated interest-only reduced documentation loans. Included in our loan portfolio at December 31, 2011 are $3.85 billion of originated amortizing reduced documentation loans and $956.2 million of originated reduced documentation interest-only loans. Non-performing loans at December 31, 2011 include $126.9 million of originated amortizing reduced documentation loans and $71.0 million of originated interest-only reduced documentation loans.

The following table presents the geographic distribution of our total loan portfolio, as well as the geographic distribution of our non-performing loans at December 31:

	2012		2011	
	Total loans	Non-performing Loans	Total loans	Non-performing Loans
New Jersey	43.0 %	47.9 %	44.7 %	51.3 %
New York	24.7	22.0	22.4	19.5
Connecticut	14.7	7.1	14.6	6.8
Total New York metropolitan area	82.4	77.0	81.7	77.6
Pennsylvania	4.8	1.9	4.7	1.4
Virginia	2.4	2.6	2.6	2.9
Illinois	2.0	4.6	2.3	4.7
Maryland	2.0	4.2	2.0	3.2
All others	6.4	9.7	6.7	10.2
Total Outside New York metropolitan area	17.6	23.0	18.3	22.4
	100.0 %	100.0 %	100.0 %	100.0 %

Non-Performing Assets

The following table presents information regarding non-performing assets as of the dates indicated:

	At December 31,				
	2012	2011	2010	2009	2008
	(Dollars in thousands)				
Non-accrual loans:					
Residential first mortgage loans	$ 1,018,642	$ 914,291	$ 794,106	$ 581,786	$ 200,642
Multi-family and commercial mortgages	1,688	2,223	1,117	1,414	1,854
Construction loans	4,669	4,344	7,560	6,624	7,610
Consumer and other loans	7,975	4,353	4,320	1,916	626
Total non-accrual loans	1,032,974	925,211	807,103	591,740	210,732
Accruing loans delinquent 90 days or more	129,553	97,476	64,156	35,955	6,842
Total non-performing loans	1,162,527	1,022,687	871,259	627,695	217,574
Foreclosed real estate, net	47,322	40,619	45,693	16,736	15,532
Total non-performing assets	$ 1,209,849	$ 1,063,306	$ 916,952	$ 644,431	$ 233,106
Non-performing loans to total loans	4.29 %	3.48 %	2.82 %	1.98 %	0.74 %
Non-performing assets to total assets	2.98	2.34	1.50	1.07	0.43

Loans that are past due 90 days or more and still accruing interest are loans that are insured by the FHA.

Non-performing loans exclude loans which have been restructured and are accruing and performing in accordance with the terms of their restructure agreement. Restructured accruing loans totaled $107.8 million at December 31, 2012 and $55.1 million at December 31, 2011. Restructured loans included in non-performing loans totaled $107.3 million at December 31, 2012 and $11.4 million at December 31, 2011. In addition, there were no troubled debt restructurings at December 31, 2009 and 2008.

During 2011, we adopted a Loan Modification Policy that, among other things, expands the modified loan programs that were previously offered by the Bank. We began to modify loans pursuant to this policy during the first quarter of 2012, resulting in an increase in the amount of loans classified as troubled debt restructurings at December 31, 2012. We anticipate that as we continue to modify loans in the future, the amount of loans classified as troubled debt restructurings will increase. In addition, based on recent regulatory guidance, we have included in troubled debt restructurings at December 31, 2012 loans totaling $115.4 million with borrowers that have completed Chapter 7 bankruptcy.

The following table presents information regarding our non-performing residential first mortgage loans at December 31:

	2012	2011	2010	2009
	(Dollars in thousands)			
Non-accrual residential first mortgage loans:				
Amortizing residential first mortgage loans	$ 836,403	$ 700,429	$ 614,758	$ 499,550
Interest-only residential first mortgage loans	182,239	213,862	179,348	82,236

The following table is a comparison of our delinquent loans as of the dates indicated:

	30-59 Days		60-89 Days		90 Days or More	
At December 31, 2012	**Number of Loans**	**Principal Balance of Loans**	**Number of Loans**	**Principal Balance of Loans**	**Number of Loans**	**Principal Balance of Loans**
			(Dollars in thousands)			
One- to four- family first mortgages:						
Amortizing	805	$ 299,454	494	$ 189,205	2,521	$ 836,403
Interest-only	83	58,004	43	29,609	307	182,239
FHA/VA first mortgages	154	27,668	74	16,828	525	129,553
Multi-family and commercial mortgages	5	6,474	3	3,190	5	1,688
Construction loans	-	-	-	-	3	4,669
Consumer and other loans	35	2,241	9	447	71	7,975
Total	1,082	$ 393,841	623	$ 239,279	3,432	$ 1,162,527
Delinquent loans to total loans		1.45%		0.88%		4.29%
At December 31, 2011						
One- to four- family first mortgages:						
Amortizing	941	$ 326,284	430	$ 149,772	2,344	$ 700,429
Interest-only	76	63,360	27	27,833	209	213,862
FHA/VA first mortgages	147	30,815	40	8,774	377	97,476
Multi-family and commercial mortgages	3	1,521	1	393	4	2,223
Construction loans	-	-	-	-	4	4,344
Consumer and other loans	46	5,209	11	632	49	4,353
Total	1,213	$ 427,189	509	$ 187,404	2,987	$ 1,022,687
Delinquent loans to total loans		1.46%		0.64%		3.48%

Potential problem loans consist of early-stage delinquencies and troubled debt restructurings that are not included in non-accrual loans. Loans modified in a troubled debt restructuring totaled $215.1 million at December 31, 2012 of which $29.0 million were 30 to 59 days past due, $14.3 million were 60 to 89 days past due and $107.3 million were 90 days or more past due and were included in non-accrual loans. The remaining loans modified were current at the time of the restructuring and have complied with the terms of their restructure agreement. We discontinue accruing interest on troubled debt restructurings that are past due 90 days or more or if we believe we will not collect all amounts contractually due. Approximately $23.1 million of troubled debt restructurings that were previously accruing interest became 90 days or more past due during 2012 for which we ceased accruing interest. At December 31, 2011, loans modified in a troubled debt restructuring totaled $66.5 million. These loans were current at the time of their restructuring and were in compliance with the terms of their restructure agreement at December 31, 2011.

Loans that were modified in a troubled debt restructuring primarily represent loans that have been in a deferred principal payment plan for an extended period of time, generally in excess of six months, loans that have had past due amounts capitalized as part of the loan balance, loans that have a confirmed Chapter 13 bankruptcy status and other repayment plans. In addition, based on recent regulatory guidance, as of December 31, 2012 we classified $115.4 million of loans that have completed Chapter 7 bankruptcy as troubled debt restructurings. These loans are individually evaluated for impairment to determine if the carrying value of the loan is in excess of the fair value of the collateral or the present value of the loan's expected future cash flows.

The following table is a comparison of our troubled debt restructurings by class modified during the year ended December 31:

	2012			2011		
	Number of Contracts	Pre-restructuring Outstanding Recorded Investment	Post-restructuring Outstanding Recorded Investment	Number of Contracts	Pre-restructuring Outstanding Recorded Investment	Post-restructuring Outstanding Recorded Investment
	(In thousands)					
Troubled debt restructurings:						
One-to-four family first mortgages:						
Amortizing	633	$ 224,798	$ 197,392	146	$ 57,336	$ 53,831
Interest-only	15	8,593	8,652	9	4,970	4,799
Multi-family and commercial mortgages	2	7,038	7,038	2	7,911	7,911
Construction loans	16	2,011	2,009	-	-	-
Total	666	$ 242,440	$ 215,091	157	$ 70,217	$ 66,541

Foreclosed real estate amounted to $47.3 million at December 31, 2012 as compared to $40.6 million at December 31, 2011. During 2012, we sold 191 properties as compared to 156 properties during 2011. Writedowns and net losses on the sale of foreclosed real estate amounted to $1.9 million in 2012 as compared to $7.5 million in 2011.

Allowance for Loan Losses

The following table presents the activity in our ALL at or for the dates indicated:

	For the Year Ended December 31,		
	2012	2011	2010
	(Dollars in thousands)		
Balance at beginning of period	$ 273,791	$ 236,574	$ 140,074
Provision for loan losses	95,000	120,000	195,000
Charge-offs:			
First mortgage loans	(86,636)	(96,714)	(110,669)
Consumer and other loans	(464)	(382)	(102)
Total charge-offs	(87,100)	(97,096)	(110,771)
Recoveries	20,657	14,313	12,271
Net charge-offs	(66,443)	(82,783)	(98,500)
Balance at end of period	$ 302,348	$ 273,791	$ 236,574
Allowance for loan losses to total loans	1.12 %	0.93 %	0.77 %
Allowance for loan losses to non-performing loans	26.01	26.77	27.15
Net charge-offs as a percentage of average loans	0.24	0.28	0.31

The following table presents our allocation of the ALL by loan category and the percentage of loans in each category to total loans at the dates indicated:

	At December 31, 2012		At December 31, 2011	
	Amount	Percentage of Loans in Category to Total Loans	Amount	Percentage of Loans in Category to Total Loans
	(Dollars in thousands)			
First mortgage loans:				
One- to four-family	$ 295,096	98.95 %	$ 264,922	98.86 %
Other first mortgages	3,053	0.14	5,116	0.16
Total first mortgage loans	298,149	99.09	270,038	99.02
Consumer and other loans	4,199	0.91	3,753	0.98
Total allowance for loan losses	$ 302,348	100.00 %	$ 273,791	100.00 %

Investments

We invest primarily in mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac, as well as other securities issued by GSEs. These securities account for substantially all of our securities. We do not purchase unrated or private label mortgage-backed securities or other higher risk securities such as those backed by sub-prime loans. During 2012, we purchased $407.8 million of investment-grade corporate bonds.

There were no debt securities past due or securities for which the Company currently believes it is not probable that it will collect all amounts due according to the contractual terms of the security.

Liquidity and Capital Resources

The term "liquidity" refers to our ability to generate adequate amounts of cash to fund loan originations, loan and security purchases, deposit withdrawals, repayment of borrowings and operating expenses. Our primary sources of funds are deposits, borrowings, the proceeds from principal and interest payments on loans and mortgage-backed securities, the maturities and calls of investment securities and funds provided by our operations. Deposit flows, calls of investment securities and borrowed funds, and prepayments of loans and mortgage-backed securities are strongly influenced by interest rates, national and local economic conditions and competition in the marketplace. These factors reduce the predictability of the receipt of these sources of funds. Our membership in the FHLB provides us access to additional sources of borrowed funds. We also have the ability to access the capital markets, depending on market conditions.

Our primary investing activities are the origination and purchase of one-to four-family real estate loans and consumer and other loans, the purchase of mortgage-backed securities, and the purchase of investment securities. These activities are funded primarily by borrowings, deposit growth and the proceeds from principal and interest payments on loans, mortgage-backed securities and investment securities. We originated $5.04 billion and purchased $28.7 million of loans during 2012 as compared to originations of $4.93 billion and purchases of $344.8 million during 2011. Our loan purchase activity has significantly declined as the GSEs have been actively purchasing loans as part of their efforts to keep mortgage rates low to support the housing market during the recent economic recession. As a result, the sellers from whom we have historically purchased loans are originating loans at lower rates than we would accept, selling many of their loans to the GSEs or retaining these loans in their own portfolios. We expect that the amount of loan purchases will continue to be at reduced levels for the near-term. Principal repayments on loans amounted to $7.13 billion for 2012 as compared to $6.71 billion for 2011. Elevated levels of refinancing activity caused by low market interest rates have caused increased levels of repayments to continue during 2012. At December 31, 2012, commitments to

originate and purchase mortgage loans amounted to $433.1 million and $140,000, respectively, as compared to $437.9 million and $140,000, respectively, at December 31, 2011.

Purchases of mortgage-backed securities during 2012 were $1.47 billion as compared to $3.05 billion during 2011. Principal repayments on mortgage-backed securities amounted to $3.69 billion for 2012 as compared to $4.60 billion for 2011. The decrease in principal repayments was due primarily to a reduction in the size of our mortgage-backed securities portfolio as a result of the Restructuring Transaction. We sold $8.96 billion of mortgage-backed securities during 2011, resulting in a gain of $100.0 million. Substantially all of the proceeds from the sales of mortgage-backed securities were used to repay borrowings as part of the Restructuring Transaction. There were no sales of mortgage-backed securities during 2012.

During 2012, purchases of investment securities consisted of the purchase of corporate bonds in the amount of $407.8 million. We did not purchase any investment securities during 2011. There were $500.0 million of calls of investment securities during 2012 as compared to $3.40 billion for 2011. There were no sales of investment securities during 2012. We sold $80.0 million of investment securities during 2011 resulting in a gain of $2.5 million.

At December 31, 2012, we had mortgage-backed securities and investment securities with an amortized cost of $8.67 billion that were used as collateral for securities sold under agreements to repurchase and at that date we had $2.61 billion of unencumbered securities.

As part of the membership requirements of the FHLB, we are required to hold a certain dollar amount of FHLB common stock based on our mortgage-related assets and borrowings from the FHLB. During 2012, we had net redemptions of $154.1 million of FHLB common stock. During 2011, we had net redemptions of $361.4 million of FHLB common stock. The redemptions in 2012 and 2011 were due to a decrease in the amount of borrowings we had with the FHLB.

Our primary financing activities consist of gathering deposits, engaging in wholesale borrowings, repurchases of our common stock and the payment of dividends.

Total deposits decreased $2.02 billion during 2012 as compared to an increase of $334.6 million for 2011. Deposit flows are typically affected by the level of market interest rates, the interest rates and products offered by competitors, the volatility of equity markets, and other factors. We lowered our deposit rates during 2012 to continue our balance sheet reduction while profitable investment opportunities remain scarce in the current environment since the low yields that are available to us for mortgage-related assets and investment securities have made a growth strategy less prudent until market conditions improve. At December 31, 2012, time deposits scheduled to mature within one year totaled $7.64 billion with an average cost of 0.89%. These time deposits are scheduled to mature as follows: $3.12 billion with an average cost of 0.78% in the first quarter of 2013, $1.93 billion with an average cost of 0.90% in the second quarter of 2013, $1.17 billion with an average cost of 0.94% in the third quarter of 2013 and $1.42 billion with an average cost of 1.06% in the fourth quarter of 2013. We anticipate that we will have sufficient resources to meet this current funding commitment. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of these time deposits will remain with us as renewed time deposits or as transfers to other deposit products at the prevailing interest rate.

We have, in the past, primarily used wholesale borrowings to fund our investing activities. During 2011 we completed the Transactions which reduced our reliance on structured putable borrowings for funding purposes and as part of our overall interest rate risk strategy. The Transactions have improved our overall liquidity position by significantly reducing our reliance on structured putable borrowings. Structured putable borrowings with put dates within one year amounted to $4.0 billion at December 31, 2012 as compared to $2.68 billion at December 31, 2011. We anticipate that none of these borrowings will be put back assuming current market interest rates remain stable. We believe, given current market conditions, that the likelihood that a significant portion of these borrowings would be put back will not increase substantially unless interest rates were to

increase by at least 300 basis points. At December 31, 2012 we had a concentration of borrowings with a single counterparty with $6.03 billion of borrowings with the FHLB. We do not believe this concentration creates a material liquidity risk to us.

Our remaining borrowings are fixed-rate, fixed maturity borrowings of $4.25 billion with a weighted-average rate of 4.81%. There are no scheduled maturities within the next twelve months.

Our liquidity management process is structured to meet our daily funding needs and cover both expected and unexpected deviations from normal daily operations. The primary tools we use for measuring and managing liquidity risk include cash flow projections, diversified funding sources, stress testing, a cushion of liquid assets, and a formal, well developed contingency funding plan.

Cash dividends paid during 2012 were $158.8 million. We have not purchased any of our common shares during the year ended December 31, 2012 pursuant to our repurchase programs. At December 31, 2012, there remained 50,123,550 shares available for purchase under existing stock repurchase programs.

The primary source of liquidity for Hudson City Bancorp, the holding company of Hudson City Savings, is capital distributions from Hudson City Savings. At December 31, 2012, Hudson City Bancorp had total cash and due from banks of $136.0 million. The primary use of these funds is the payment of dividends to our shareholders and, when appropriate as part of our capital management strategy, the repurchase of our outstanding common stock. Hudson City Bancorp's ability to continue these activities is dependent upon capital distributions from Hudson City Savings. Applicable federal law, regulations and regulatory actions may limit the amount of capital distributions Hudson City Savings may make. Currently, Hudson City Savings must seek approval from the OCC and the FRB for future capital distributions.

In accordance with the Bank MOU, the Bank has adopted and has implemented enhanced operating policies and procedures that will enable us to continue to: (a) reduce our level of interest rate risk, (b) reduce our funding concentration, (c) diversify our funding sources, (d) enhance our liquidity position, (e) monitor and manage loan modifications and (f) maintain our capital position in accordance with our existing capital plan. In addition, we developed a written strategic plan for the Bank which establishes various objectives, including, but not limited to, objectives for the Bank's overall risk profile, earnings performance, growth and balance sheet mix and to enhance our enterprise risk management program. The implementation of the strategic plan has been suspended pending the completion of the Merger. To find out how to obtain updated information on the Merger, See "Important Additional Information."

In accordance with the Company MOU, the Company must, among other things support the Bank's compliance with the Bank MOU. The Company MOU also requires the Company to: (a) obtain approval from the FRB prior to receiving a capital distribution from the Bank or declaring a dividend to shareholders, (b) obtain approval from the FRB prior to repurchasing or redeeming any Company stock or incurring any debt with a maturity date of greater than one year and (c) submit a comprehensive Capital Plan and a comprehensive Earnings Plan to the FRB.

These agreements will remain in effect until modified or terminated by the OCC (with respect to the Bank MOU) and the FRB (with respect to the Company MOU).

At December 31, 2012, Hudson City Savings exceeded all regulatory capital requirements and is in compliance with our capital plan. Hudson City Savings' tangible capital ratio, leverage (core) capital ratio and total risk-based capital ratio were 10.09%, 10.09% and 21.59%, respectively. We have agreed in the Bank MOU not to materially deviate from our capital plan without regulatory approval.

The FRB recently issued notices of proposed rulemaking that will subject all savings and loan holding companies, including Hudson City Bancorp, to consolidated capital requirements. These proposed rules also revise the quantity and quality of required minimum risk-based and leverage capital requirements, consistent with the Reform Act and the Basel III capital standards, and revise the FRB's rules for calculating risk-weighted assets to enhance their risk sensitivity. The proposed rules provide for various phase-in periods over

the next several years. We are continuing to review the impact the Reform Act, Basel III and the related proposed rule-making will have on our business, financial condition and results of operations.

Off-Balance Sheet Arrangements and Contractual Obligations

Hudson City Bancorp is a party to certain off-balance sheet arrangements, which occur in the normal course of our business, to meet the credit needs of our customers and the growth initiatives of the Bank. These arrangements are primarily commitments to originate and purchase mortgage loans, and to purchase mortgage-backed securities. We are also obligated under a number of non-cancelable operating leases.

The following table summarizes contractual obligations of Hudson City by contractual payment period, as of December 31, 2012:

		Payments Due By Period			
Contractual Obligation	**Total**	**Less Than One Year**	**One Year to Three Years**	**Three Years to Five Years**	**More Than Five Years**
			(In thousands)		
Mortgage loan originations	$ 433,088	$ 433,088	$ -	$ -	$ -
Mortgage loan purchases	140	140	-	-	-
Repayment of borrowed funds	12,175,000	-	75,000	6,400,000	5,700,000
Operating leases	149,453	10,484	20,867	19,910	98,192
Total	$ 12,757,681	$ 443,712	$ 95,867	$ 6,419,910	$ 5,798,192

Commitments to extend credit are agreements to lend money to a customer as long as there is no violation of any condition established in the contract. Commitments to fund first mortgage loans generally have fixed expiration dates of approximately 90 days and other termination clauses. Since some commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Hudson City Savings evaluates each customer's credit-worthiness on a case-by-case basis. Additionally, we have available home equity, overdraft and commercial/construction lines of credit, which do not have fixed expiration dates, of approximately $159.0 million, $3.1 million, and $2.6 million. We are not obligated to advance further amounts on credit lines if the customer is delinquent, or otherwise in violation of the agreement. The commitments to purchase first mortgage loans and mortgage-backed securities had a normal period from trade date to settlement date of approximately 60 days.

Recent Accounting Pronouncements

In February 2013, FASB issued ASU No. 2013-2, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires that an entity report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. The amendment does not change the current requirements for reporting net income or other comprehensive income in financial statements. The amendment does require that an entity provide information about the amounts reclassified out of accumulated other comprehensive income by component. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. We do not expect this ASU will have a material impact on our financial condition, results of operations or financial statement disclosures.

In December 2011, FASB issued ASU No. 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05, which indefinitely defers the requirement that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements for all periods presented. Entities should continue to report reclassifications out of accumulated other comprehensive income consistent

with the presentation requirements in effect prior to ASU 2011-05. All other requirements in ASU 2011-05 are not affected by this update, including the requirement to report comprehensive income either in a single continuous statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011. We have reported the required information in the accompanying Consolidated Statements of Comprehensive Income.

In September 2011, FASB issued ASU No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. Under the amendments in this update, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit, as described in the accounting guidance. The guidance in ASU 2011-08 also provides entities with the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test and an entity may resume performing the qualitative assessment in any subsequent period. ASU 2011-08 does not change current accounting guidance for testing other indefinite-lived intangible assets for impairment. This guidance is effective for fiscal years beginning after December 15, 2011. Early adoption is permitted, including annual and interim goodwill impairment tests performed prior to September 15, 2011. This ASU did not have a material impact on our financial condition, results of operations or financial statement disclosures.

Impact of Inflation and Changing Prices

The Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements of Hudson City Bancorp have been prepared in accordance with GAAP. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than do the effects of inflation.

Critical Accounting Policies

We have identified the accounting policies below as critical to understanding our financial results. In addition, Note 2 to the Audited Consolidated Financial Statements contains a summary of our significant accounting policies. We believe our policies with respect to the methodology for our determination of the ALL, the measurement of stock-based compensation expense, the impairment of securities, the impairment of goodwill and the measurement of the funded status and cost of our pension and other post-retirement benefit plans involve a higher degree of complexity and require management to make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions or estimates could cause reported results to differ materially. These critical policies and their application are continually reviewed by management, and are periodically reviewed with the Audit Committee and our Board of Directors.

Allowance for Loan Losses

The ALL has been determined in accordance with U.S. generally accepted accounting principles, under which we are required to maintain an adequate ALL at December 31, 2012. We are responsible for the timely and periodic determination of the amount of the allowance required. We believe that our ALL is adequate to cover specifically identifiable loan losses, as well as estimated losses inherent in our portfolio for which certain losses are probable but not specifically identifiable.

Our primary lending emphasis is the origination and purchase of one- to four-family first mortgage loans on residential properties and, to a lesser extent, second mortgage loans on one- to four-family residential properties resulting in a loan concentration in residential first mortgage loans at December 31, 2012. As a result of our lending practices, we also have a concentration of loans secured by real property located primarily in New Jersey, New York and Connecticut. At December 31, 2012, approximately 82% of our total loans are in the New York metropolitan area. Additionally, the states of Pennsylvania, Virginia, Illinois and Maryland, accounted for 5%, 2%, 2%, and 2%, respectively of total loans. The remaining 7% of the loan portfolio is secured by real estate primarily in the remainder of our lending markets. Based on the composition of our loan portfolio and the growth in our loan portfolio, we believe the primary risks inherent in our portfolio are the continued weakened economic conditions due to the recent U.S. recession, continued high levels of unemployment, rising interest rates in the markets we lend and a continuing decline in real estate market values. Any one or a combination of these adverse trends may adversely affect our loan portfolio resulting in increased delinquencies, non-performing assets, loan losses and future levels of loan loss provisions. We consider these trends in market conditions in determining the ALL.

Due to the nature of our loan portfolio, our evaluation of the adequacy of our ALL is performed primarily on a "pooled" basis. Each month we prepare an analysis which categorizes the entire loan portfolio by certain risk characteristics such as loan type (fixed and variable one- to four-family, interest-only, reduced documentation, multi-family, commercial, construction, etc.), loan source (originated or purchased) and payment status (i.e., current or number of days delinquent). Loans with known potential losses are categorized separately. We assign potential loss factors to the payment status categories on the basis of our assessment of the potential risk inherent in each loan type. These factors are periodically reviewed for appropriateness giving consideration to charge-off history, delinquency trends, portfolio growth and the status of the regional economy and housing market, in order to ascertain that the loss factors cover probable and estimable losses inherent in the portfolio. Based on our recent loss experience on non-performing loans, we changed certain loss factors used in our quantitative analysis of the ALL for one- to four- family first mortgage loans during 2012. This adjustment in our loss factors did not have a material effect on the ultimate level of our ALL or on our provision for loan losses. We use this analysis, as a tool, together with principal balances and delinquency reports, to evaluate the adequacy of the ALL. Other key factors we consider in this process are current real estate market conditions in geographic areas where our loans are located, changes in the trend of non-performing loans, the results of our foreclosed property transactions, the current state of the local and national economy, changes in interest rates and loan portfolio growth. Any one or a combination of these adverse trends may adversely affect our loan portfolio resulting in increased delinquencies, loan losses and higher future levels of provisions.

We maintain the ALL through provisions for loan losses that we charge to income. We charge losses on loans against the ALL when we believe the collection of loan principal is unlikely. We establish the provision for loan losses after considering the results of our review as described above. We apply this process and methodology in a consistent manner and we reassess and modify the estimation methods and assumptions used in response to changing conditions. Such changes, if any, are approved by our AQC each quarter.

Hudson City Savings defines the population of potential impaired loans to be all non-accrual construction, commercial real estate and multi-family loans as well as loans classified as troubled debt restructurings. Impaired loans are individually assessed to determine that the loan's carrying value is not in excess of the fair value of the collateral or the present value of the loan's expected future cash flows. Smaller balance homogeneous loans that are collectively evaluated for impairment, such as residential mortgage loans and consumer loans, are specifically excluded from the impaired loan analysis.

We believe that we have established and maintained the ALL at adequate levels. Additions may be necessary if future economic and other conditions differ substantially from the current operating environment. Although management uses the best information available, the level of the ALL remains an estimate that is subject to significant judgment and short-term change.

Stock-Based Compensation

We recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of such awards in accordance with ASC 718-10. We have made annual grants of performance-based stock options and stock unit awards that vest if certain financial performance measures are met. In accordance with ASC 718-10-30-6, we assess the probability of achieving these financial performance measures and recognize the cost of these performance-based grants if it is probable that the financial performance measures will be met. This probability assessment is subjective in nature and may change over the assessment period for the performance measures. We made grants of stock units in 2012 for which the sizes of the awards depend in part on market conditions based on the performance of our common stock. In accordance with ASC 718-10-30-15, we include the impact of these market conditions when estimating the grant date fair value of the awards. In accordance with ASC 718-10-55-61, we recognize compensation cost for these awards if service conditions are satisfied, even if the market condition is not satisfied.

We estimate the per share fair value of option grants on the date of grant using the Black-Scholes option pricing model using assumptions for the expected dividend yield, expected stock price volatility, risk-free interest rate and expected option term. These assumptions are based on our analysis of our historical option exercise experience and our judgments regarding future option exercise experience and market conditions. These assumptions are subjective in nature, involve uncertainties and, therefore, cannot be determined with precision. The Black-Scholes option pricing model also contains certain inherent limitations when applied to options that are not traded on public markets.

The per share fair value of options is highly sensitive to changes in assumptions. In general, the per share fair value of options will move in the same direction as changes in the expected stock price volatility, risk-free interest rate and expected option term, and in the opposite direction of changes in the expected dividend yield. For example, the per share fair value of options will generally increase as expected stock price volatility increases, risk-free interest rate increases, expected option term increases and expected dividend yield decreases. The use of different assumptions or different option pricing models could result in materially different per share fair values of options.

Pension and Other Post-retirement Benefit Assumptions

Non-contributory retirement and post-retirement defined benefit plans are maintained for certain employees, including retired employees hired on or before July 31, 2005 who have met other eligibility requirements of the plans. In accordance with ASC 715, *Retirement Benefits*, we: (a) recognize in the statement of financial condition an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure plan assets and obligations that determine the plan's funded status as of the end of our fiscal year; and (c) recognize, in comprehensive income, changes in the funded status of our defined benefit post-retirement plan in the year in which the changes occur.

We provide our actuary with certain rate assumptions used in measuring our benefit obligation. We monitor these rates in relation to the current market interest rate environment and update our actuarial analysis accordingly. The most significant of these is the discount rate used to calculate the period-end present value of the benefit obligations, and the expense to be included in the following year's financial statements. A lower discount rate will result in a higher benefit obligation and expense, while a higher discount rate will result in a lower benefit obligation and expense. The discount rate assumption was determined based on a cash flow/yield curve model specific to our pension and post-retirement plans. We compare this rate to certain market indices, such as long-term treasury bonds, or the Moody's bond indices, for reasonableness. For our pension plan, a discount rate of 4.15% was selected for the December 31, 2012 measurement date and the 2013 expense calculation.

For our pension plan, we also assumed an annual rate of salary increase of 4.00% for future periods. This rate is corresponding to actual salary increases experienced over prior years. We assumed a return on plan assets of 8.25% for future periods. We actuarially determine the return on plan assets based on actual plan experience

over the previous ten years. The actual return on plan assets was 11.4% for 2012 and 0.21% for 2011. There can be no assurances with respect to actual return on plan assets in the future. We continually review and evaluate all actuarial assumptions affecting the pension plan, including assumed return on assets.

For our post-retirement benefit plan, a discount rate of 4.00% was used for the December 31, 2012 measurement date and 4.55% was used for the 2012 expense calculation. The assumed health care cost trend rate used to measure the expected cost of other benefits for 2012 was 8.0%. The rate was assumed to decrease gradually to 4.75% for 2021 and remain at that level thereafter. Changes to the assumed health care cost trend rate are expected to have an immaterial impact as we capped our obligations to contribute to the premium cost of coverage to the post-retirement health benefit plan at the 2007 premium level.

Securities Impairment

Our available-for-sale securities portfolio is carried at estimated fair value with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income/loss in shareholders' equity. Debt securities which we have the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. The fair values for our securities are obtained from an independent nationally recognized pricing service. On a monthly basis, we assess the reasonableness of the fair values obtained by reference to a second independent nationally recognized pricing service.

Substantially all of our securities portfolio is comprised of mortgage-backed securities and debt securities issued by GSEs. The fair value of these securities is primarily impacted by changes in interest rates and prepayment speeds. At December 31, 2012, we had $407.8 million of corporate bonds which were purchased during 2012. We generally view changes in fair value caused by changes in interest rates as temporary, which is consistent with our experience.

Accounting guidance requires an entity to assess whether an other-than-temporary impairment exists for debt securities and the amount of the impairment to be recognized in earnings. As part of that assessment, the entity must determine its intent and ability to hold the security. If the entity intends to sell the debt security, an other-than-temporary impairment shall be considered to have occurred. In addition, an other-than-temporary impairment shall be considered to have occurred if it is more likely than not that it will be required to sell the security before recovery of its amortized cost.

We conduct a periodic review and evaluation of the securities portfolio to determine if a decline in the fair value of any security below its cost basis is other-than-temporary. Our evaluation of other-than-temporary impairment considers the duration and severity of the impairment, our intent and ability to hold the securities, whether it is more likely than not that we will be required to sell the security before recovery of the amortized cost and our assessments of the reason for the decline in value and the likelihood of a near-term recovery. The unrealized losses on securities in our portfolio were due primarily to changes in market interest rates subsequent to purchase. As a result, the unrealized losses on our securities were not considered to be other-than-temporary and, accordingly, no impairment loss was recognized during 2012.

Impairment of Goodwill

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually using a fair-value based two-step approach. Goodwill and other intangible assets amounted to $154.1 million and were recorded as a result of Hudson City Bancorp's acquisition of Sound Federal Bancorp, Inc. in 2006.

The first step ("Step 1") used to identify potential impairment involves comparing each reporting unit's estimated fair value to its carrying amount, including goodwill. As a community-oriented bank, substantially all of the Company's operations involve the delivery of loan and deposit products to customers and these operations constitute the Company's only segment for financial reporting purposes. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount exceeds the estimated fair value, there is an indication of potential impairment and the second step

(“Step 2”) is performed to measure the amount. Step 2 involves calculating an implied fair value of goodwill for each reporting unit for which impairment was indicated in Step 1. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination by measuring the excess of the estimated fair value of the reporting unit, as determined in Step 1, over the aggregate estimated fair values of the individual assets, liabilities, and identifiable intangibles, as if the reporting unit was being acquired at the impairment test date. Subsequent reversal of goodwill impairment losses is not permitted.

Quoted market prices in active markets are the best evidence of fair value and are used as the basis for measurement, when available. With the assistance of a third-party valuation firm, we utilized multiple approaches in estimating the fair value of the Company as of our impairment test dates including (i) a comparable transactions approach based on acquisition pricing multiples or ratios recently paid in the sale or merger of relatively comparable banking franchises; (ii) a control premium approach based on the Company’s trading price adjusted by a premium for acquiring control based on control premium data for recent banking sales or mergers; (iii) a public market peers control premium approach based on the trading prices of similar publicly-traded companies as measured by standard valuation multiples or ratios adjusted by a premium for acquiring control based on control premium data for recent banking sales or mergers; and, (iv) the discounted cash flow approach whereby value is determined based on the present value of the sum of the projected dividends and a terminal value in the future.

We performed our annual goodwill impairment analysis as of June 30, 2012. We also perform interim impairment reviews if an event or circumstances occur which may indicate that the fair value of the Company is less than the Company’s book value. The Company announced the Merger in the third quarter of 2012. The merger price based on the closing price of M&T’s Common Stock on August 24, 2012, the last trading day before the announcement of the Merger and based on the average of M&T’s Common Stock from the announcement date to September 30, 2012, was $7.22 and $8.00, respectively or a fair value of $3.81 billion for the Company based on the merger price and shares outstanding on August 27, 2012. Since this amount is less than the reported amount of shareholders’ equity, we re-assessed goodwill for impairment at September 30, 2012 by performing Step 2 of the goodwill impairment test.

For Step 2 of the goodwill impairment test, we compared the fair value of the Company as determined by the merger price with the fair value of the assets and liabilities of the Company to calculate an implied goodwill. Based on our Step 2 analysis, the implied goodwill of the Company exceeded the carrying value of goodwill. The results of the Step 2 analysis are highly sensitive to the measurement of the fair value of the Company’s assets and liabilities.

Based on the results of the goodwill impairment analyses we completed in 2012, we concluded that goodwill was not impaired. Therefore, we did not recognize any impairment of goodwill or other intangible assets during 2012. The estimation of the fair value of the Company requires the use of estimates and assumptions that results in a greater degree of uncertainty. In addition, the estimated fair value of the Company is based on, among other things, the market price of our common stock as calculated per the terms of the merger. As a result of the current volatility in market and economic conditions, these estimates and assumptions are subject to change in the near-term and may result in the impairment in future periods of some or all of the goodwill on our balance sheet.

Management of Market Risk

General

As a financial institution, our primary component of market risk is interest rate volatility. Our net income is primarily based on net interest income, and fluctuations in interest rates will ultimately impact the level of both income and expense recorded on a large portion of our assets and liabilities. Fluctuations in interest rates will also affect the market value of our interest-earning assets and interest-bearing liabilities, other than those that possess a short term to maturity. Due to the nature of our operations, we are not subject to foreign currency

exchange or commodity price risk. We do not own any trading assets. We did not engage in any hedging transactions that use derivative instruments (such as interest rate swaps and caps) during 2012 and did not have any such hedging transactions in place at December 31, 2012. Our loan and mortgage-backed securities portfolios, which comprise 93.4% of our balance sheet, are subject to risks associated with the economy in the New York metropolitan area, the general economy of the United States and the recent pressure on housing prices. We continually analyze our asset quality and believe our ALL is adequate to cover known or potential losses.

Management of Interest Rate Risk

The primary objectives of our interest rate risk management strategy are to:

- evaluate the interest rate risk inherent in our balance sheet;
- determine the appropriate level of interest rate risk given our business plan, the current economic environment and our capital and liquidity requirements; and
- manage interest rate risk in a manner consistent with the approved guidelines and policies set by our Board of Directors.

We seek to manage our asset/liability mix to help minimize the impact that interest rate fluctuations may have on our earnings and capital. To achieve the objectives of managing interest rate risk, our Asset/Liability Committee meets regularly to discuss and monitor the market interest rate environment compared to interest rates that are offered on our products. This committee consists of the Chief Executive Officer, the President and Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer and other senior officers of the Company. The Asset/Liability Committee presents reports to the Enterprise Risk Management Committee at its regular meetings.

Historically, our lending activities have emphasized one- to four-family fixed-rate first mortgage loans, while purchasing variable-rate or hybrid mortgage-backed securities to diversify our predominantly fixed-rate loan portfolio. The current prevailing interest rate environment and the desires of our customers have resulted in a demand for longer-term hybrid and fixed-rate mortgage loans. These fixed-rate interest earning assets may have an adverse impact on our earnings in a rising rate environment as the interest rate on these interest-earning assets would not reprice to current market interest rates as fast as the interest rates on our interest-bearing deposits and our remaining putable borrowed funds. In the past several years, we have attempted to originate and purchase a larger percentage of variable-rate mortgage-related assets in order to better manage our interest rate risk. Variable-rate mortgage-related assets include those loans or securities with a contractual annual rate adjustment after an initial fixed-rate period of one to ten years. These variable-rate instruments are more rate-sensitive, given the potential interest rate adjustment, than the long-term fixed-rate loans that we have traditionally held in our portfolio. Growth in variable-rate mortgage-related assets would help reduce our exposure to interest rate fluctuations and is expected to benefit our long-term profitability, as the rate earned on the mortgage loan will increase as prevailing market rates increase. However, this strategy to originate a higher percentage of variable-rate instruments may have an initial adverse impact on our net interest income and net interest margin in the short-term, as variable-rate interest-earning assets generally have initial interest rates lower than alternative fixed-rate investments.

Variable-rate/hybrid products constituted 39% of originated- and purchased- loans and 86% of mortgage-backed securities made during 2012. In the aggregate, 52.8% of our mortgage-related assets were variable-rate or hybrid instruments. Our percentage of fixed-rate mortgage-related assets to total mortgage-related assets was 47.2% as of December 31, 2012 compared with 50.7% as of December 31, 2011. The decrease in this ratio was primarily due to increased variable-rate loan origination and principal pay-down on purchased and originated fixed rate loans. However, included in the variable-rate/hybrid total are mortgage-related assets whose contractual next rate change date is over five years. If these instruments were classified as fixed-rate, the percentage of fixed-rate mortgage-related assets to total mortgage-related assets would be 61% as of

December 31, 2012. Overall, our percentage of fixed-rate interest-earning assets to total interest-earning assets was 44.2% at December 31, 2012 compared with 48.5% as of December 31, 2011.

Our primary sources of funds have traditionally been deposits, consisting primarily of time deposits and interest-bearing demand accounts, and borrowings. Our deposits have substantially shorter terms to maturity than our mortgage loan portfolio and borrowed funds. The Bank currently has $9.88 billion of non-maturity deposits and $7.64 billion of time deposits scheduled to mature within the next 12 months. Of the $9.88 billion in non-maturity deposits, $6.63 billion are in money market demand accounts, which is a decrease of $1.82 billion from December 31, 2011.

The borrowings have generally had longer-terms to maturity, in an effort to offset our short-term deposit liabilities and assist in managing our interest rate risk. The amount and mix of borrowings on our balance sheet as of the year ended December 31, 2012 is contrasted with that of the year ended December 31, 2011 in the table below.

	2012	2011
	(In thousands)	
Structured borrowings:		
Quarterly put option	$ 3,325,000	$ 3,325,000
One-time put option	4,600,000	4,600,000
	7,925,000	7,925,000
Fixed-rate/fixed-maturity borrowings	4,250,000	7,150,000
Total borrowed funds	$ 12,175,000	$ 15,075,000

As the above table indicates, a majority of our borrowed funds are putable at the discretion of the issuer after an initial no-put period. As a result, if interest rates were to decrease, or stay at current levels, these borrowings would probably not be put back to us and our average cost of existing borrowings would not decrease even as market interest rates decrease. Conversely, if interest rates increase above the market interest rate for similar borrowings, these borrowings would likely be put back to us at their next put date and our cost to replace these borrowings would increase.

Since market interest rates have remained very low for an extended period of time, we have not had any lenders put borrowings back to us. As a result, many of our quarterly putable borrowings have become putable within three months. Of the $12.18 billion reported, $2.68 billion, with a weighted average rate of 4.40%, could be put back to the Company during any three-month period. We believe, given current market conditions, that the likelihood that a significant portion of these borrowings would be put back to us will not increase substantially unless interest rates were to increase by at least 300 basis points.

The $4.60 billion of one-time putable borrowings, with a weighted average rate of 4.52%, were placed on the balance sheet as a result of modifying previously existing quarterly putable borrowings into one-time putable borrowings. The next put option for any of this type of borrowing will be September 2013.

There are $4.25 billion of fixed-rate/fixed-maturity borrowings with a weighted average rate of 4.81%. None of these borrowings are schedule to mature before 2015.

The difference between rates on the yield curve, or the shape of the yield curve, impacts our net interest income. The FOMC noted that economic activity and employment have continued to expand at a moderate pace in recent months, apart from weather-related disruptions, although the unemployment rate remains elevated. The FOMC noted that while the housing sector and household spending continue to show signs of improvement, growth in business fixed investment has slowed. The national unemployment rate was 7.8% in December 2012, a decline from an 8.5% unemployment rate in December 2011. The FOMC decided to maintain the overnight lending rate at zero to 0.25% during the fourth quarter of 2012 and stated that

exceptionally low levels for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6.5%. Previously, the FOMC stated that these levels for the federal funds rate are likely to be warranted at least through mid-2015. As a result, market interest rates have remained at low levels, and consequently, the yields on our mortgage-related assets have continued to decrease during 2012.

The FOMC decided to expand its accommodative monetary policy by purchasing an additional $40.0 billion of agency mortgage-backed securities per month to ensure that inflation is at the rate most consistent with its dual mandate regarding both inflation and unemployment. In addition, during 2013 the Federal Reserve will purchase longer-term Treasury securities initially at a pace of $45.0 billion per month. This follows the completion of "Operation Twist" at the end of 2012. These programs will continue to put downward pressure on longer-term interest rates.

As a result, both short-term and long-term market interest rates have remained at low levels or decreased during 2012, with the long-term rates decreasing more than short-term rates thus flattening the market yield curve. The current interest rate environment has allowed us to continue to re-price lower our short-term time and non-maturity deposits, thereby reducing our cost of funds, and has also allowed us to price medium-term time deposits (2-5 year maturities) at lower rates and extend the weighted-average remaining maturity on this portfolio. However, the overall lower longer-term market interest rates resulted in lower rates on our primary investments of mortgage loans and mortgage-backed securities. In addition, the low market interest rates resulted in accelerated prepayment speeds on these assets as customers sought to refinance their current debt to the lower market rates.

Due to our investment and financing decisions, the more positive the slope of the yield curve the more favorable the environment is for our ability to generate net interest income. Our interest-bearing liabilities generally reflect movements in short- and intermediate-term rates, while our interest-earning assets, a majority of which have initial terms to maturity or repricing greater than one year, generally reflect movements in intermediate- and long-term interest rates. A positive slope of the yield curve allows us to invest in interest-earning assets at a wider spread to the cost of interest-bearing liabilities. During 2012 a more stable short-term rate environment as compared to a declining long-term rate environment, resulted in a flatter market yield curve.

Also impacting our net interest income and net interest rate spread is the level of prepayment activity on our interest-sensitive assets. The actual amount of time before mortgage loans and mortgage-backed securities are repaid can be significantly impacted by changes in market interest rates and mortgage prepayment rates. Mortgage prepayment rates will vary due to a number of factors, including the regional economy in the area where the underlying mortgages were originated, availability of credit, seasonal factors and demographic variables. However, the major factors affecting prepayment rates are prevailing interest rates, related mortgage refinancing opportunities and competition. Generally, the level of prepayment activity directly affects the yield earned on those assets, as the payments received on the interest-earning assets will be reinvested at the prevailing lower market interest rate. Prepayment rates are generally inversely related to the prevailing market interest rate, thus, as market interest rates increase, prepayment rates tend to decrease. Prepayment rates on our mortgage-related assets have remained at elevated levels during 2012. Accordingly, we have used relatively high levels of prepayment activity in our interest rate risk modeling presented below.

The low levels of interest rates that prevailed during 2012 also spurred the call of a single U.S. Agency callable security, par value of $500.0 million.

On the liability-side, our borrowings have traditionally consisted of structured putable borrowings with ten year final maturities and initial non-put periods of one to five years. The likelihood of a borrowing being put back is directly related to the current market interest rates, meaning the higher that interest rates move, the more likely the borrowing would be put back. The level of put activity generally affects the cost of our borrowed funds, as the put of a borrowing would generally necessitate the re-borrowing of the funds or deposit growth at the higher current market interest rates. During 2012 we experienced no put activity on our borrowed funds due to the continued low levels of market interest rates. We do not believe a significant amount of these borrowings will be put back to us unless rates increase in excess of 300 basis points.

In 2012, the Bank choose to not to replace the short-term borrowings as they matured. The Company used cash flows from mortgage-related assets which reduced the size of the balance sheet.

Interest Rate Risk Modeling

Simulation Model. We use our internal simulation models as our primary means to calculate and monitor the interest rate risk inherent in our portfolio. These models report changes to net interest income and the net present value of equity in different interest rate environments, assuming either an incremental or instantaneous and permanent parallel interest rate shock, as applicable, to all interest rate-sensitive assets and liabilities. We assume maturing or called instruments are reinvested into like product, with the rate earned or paid reset to our currently offered rate for loans and deposits, or the current market rate for securities and borrowed funds. We have not reported the minus 200 or minus 300 basis point interest rate shock scenarios in either of our simulation model analyses, as we believe, given the current interest rate environment and historical interest rate levels, the resulting information would not be meaningful.

Net Interest Income. As a primary means of managing interest rate risk, we monitor the impact of interest rate changes on our net interest income over the next twelve-month period. This model does not purport to provide estimates of net interest income over the next twelve-month period, but attempts to assess the impact of interest rate changes on our net interest income. The following table reports the changes to our net interest income over the next 12 months ending December 31, 2012 assuming either incremental or instantaneous changes in interest rates for the given rate shock scenarios. The incremental interest rate changes occur over a 12 month period.

Change in Interest Rates	Percent Change in Net Interest Income	
	Incremental Change	Instantaneous Change
(Basis points)		
300	(1.32) %	(13.10) %
200	(0.69)	(6.40)
100	(0.32)	(1.76)
50	(0.17)	(0.27)
(50)	(1.14)	(2.16)
(100)	(2.01)	(8.16)

Of note in the positive shock scenarios:

- the longer-term putable borrowings do not affect net interest income due to the lack of puts on the putable borrowings in this low current market interest rates and the fixed-rate/fixed-maturity borrowings do not significantly affect net interest income since a majority of these borrowings do not mature over the next 12 months, and
- the increase in income from total interest-earning assets is in effect offset by the increase in deposit and short-term borrowing expense.

Of note in the negative shock scenarios:

- the decrease in net interest income in the instantaneous shock analysis is due to the accelerated prepayment speeds on our mortgage-related assets and the re-investment of the proceeds into lower yielding instruments, and
- the decrease is also due to the lack of change in the cost of the $7.93 billion of putable borrowed funds, as they will not be put back in the lower interest rate environment and will persist to maturity.

Net Present Value of Equity. We also monitor our interest rate risk by monitoring changes in the net present value of equity in the different rate environments. The net present value of equity is the difference between the estimated fair value of interest rate-sensitive assets and liabilities. The changes in the fair value of assets and liabilities due to changes in interest rates reflect the interest sensitivity of those assets and liabilities. Their values are derived from the characteristics of the asset or liability (i.e., fixed-rate, adjustable-rate, caps, and

floors) relative to the current interest rate environment. For example, in a rising interest rate environment, the fair market value of a fixed-rate asset will decline, whereas the fair market value of an adjustable-rate asset, depending on its repricing characteristics, may not decline. Increases in the fair value of assets will increase the present value of equity whereas decreases in the market value of assets will decrease the present value of equity. Conversely, increases in the fair value of liabilities will decrease the present value of equity whereas decreases in the fair value of liabilities will increase the present value of equity.

The following table presents the estimated net present value of equity over a range of parallel interest rate change scenarios, as applicable, at December 31, 2012. The present value ratio shown in the table is the net present value of equity as a percent of the present value of total assets in each of the different rate environments. Our current policy sets a minimum ratio of the net present value of equity to the fair value of assets in the current interest rate environment (no rate shock) of 7.0% and a minimum present value ratio of 5.50% in the plus 200 basis point interest rate shock scenario.

Change in Interest Rates	Present Value Ratio	Basis Point Change
(Basis points)		
300	6.53 %	(227)
200	8.24	(56)
100	8.98	18
50	9.00	20
0	8.80	-
(50)	8.37	(43)
(100)	7.79	(101)

Of note in the positive shock scenarios:

- the relative stability of our net present value ratios reflects the current low interest rate environment and the fact that (1) our putable borrowings will not be put back to us until a rate change in excess of 300 basis points and (2) we have a larger percent of the borrowings in fixed-rate/fixed-maturity instruments, which allows the price of the borrowings to move in a similar manner as the price moves of our interest-earning assets, and
- our deposits, as they are relatively short-term in nature, do not have significant price changes in the shock scenarios.

Of note in the negative shock scenarios:

- the decrease in the present value ratio in the negative basis point changes was primarily due to higher pricing of our putable borrowed funds as the structures will increase in duration, and
- the value of our mortgage-related assets will remain closer to par than the borrowings as the prepayment speeds increase thus shortening the duration of these portfolios.

The methods we use in simulation modeling are inherently imprecise. This type of modeling requires that we make assumptions that may not reflect the manner in which actual yields and costs respond to changes in market interest rates. For example, we assume the composition of the interest rate-sensitive assets and liabilities will remain constant over the period being measured and that all interest rate shocks will be uniformly reflected across the yield curve, regardless of the duration to maturity or repricing. The analyses assume that we will take no action in response to the changes in interest rates. In addition, prepayment estimates and other assumptions within the model are subjective in nature, involve uncertainties, and, therefore, cannot be determined with precision. Accordingly, although the previous two tables may provide an estimate of our interest rate risk at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in interest rates on our net interest income or present value of equity.

Gap Analysis. The matching of the repricing characteristics of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate-sensitive" and by monitoring a financial institution's interest rate sensitivity "gap." An asset or liability is said to be "interest rate-sensitive" within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined

as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that same time period.

A gap is considered negative when the amount of interest-bearing liabilities maturing or repricing within a specific time period exceeds the amount of interest-earning assets maturing or repricing within that same period. A gap is considered positive when the amount of interest-earning assets maturing or repricing within a specific time period exceeds the amount of interest-bearing liabilities maturing or repricing within that same time period. During a period of rising interest rates, a financial institution with a negative gap position would be expected, absent the effects of other factors, to experience a greater increase in the costs of its interest-bearing liabilities relative to the yields of its interest-earning assets and thus a decrease in the institution's net interest income. An institution with a positive gap position would be expected, absent the effect of other factors, to experience the opposite result. Conversely, during a period of falling interest rates, a negative gap would tend to result in an increase in net interest income while a positive gap would tend to reduce net interest income.

The following table presents the amounts of our interest-earning assets and interest-bearing liabilities outstanding at December 31, 2012, which we anticipate to reprice or mature in each of the future time periods shown. Except for prepayment or call activity and non-maturity deposit decay rates, we determined the amounts of assets and liabilities that reprice or mature during a particular period in accordance with the earlier of the term to rate reset or the contractual maturity of the asset or liability. Assumptions used for decay rates are based on the Bank's experience with the particular deposit type. Prepayment speeds on our mortgage-related assets are based on recent experience. Callable investment securities and borrowed funds are reported at the anticipated call or put date, for those that are callable or putable within one year, or at their contractual maturity date or next interest rate step-up date, as applicable. We reported $39.0 million of investment securities at their anticipated call date. We have reported no borrowings at their anticipated put date due to the low interest rate environment. We have excluded non-accrual mortgage loans of $1.02 billion and non-accrual other loans of $8.0 million from the table.

	At December 31, 2012						
	Six months or less	More than six months to one year	More than one year to two years	More than two years to three years	More than three years to five years	More than five years	Total
	(Dollars in thousands)						
Interest-earning assets:							
First mortgage loans	$ 3,381,465	$ 3,389,083	$ 4,619,439	$ 3,769,968	$ 4,356,226	$ 6,302,622	$ 25,818,803
Consumer and other loans	102,528	2,846	9,967	22,531	7,704	93,526	239,102
Federal funds sold	656,926	-	-	-	-	-	656,926
Mortgage-backed securities	3,427,303	1,381,142	1,699,209	2,547,683	1,311,721	650,441	11,017,499
FHLB stock	356,467	-	-	-	-	-	356,467
Investment securities	7,467	-	-	-	459,601	-	467,068
Total interest-earning assets	7,932,156	4,773,071	6,328,615	6,340,182	6,135,252	7,046,589	38,555,865
Interest-bearing liabilities:							
Savings accounts	56,892	56,892	100,509	88,182	146,022	499,697	948,194
Interest-bearing demand accounts	220,635	220,636	322,311	265,556	399,668	871,339	2,300,145
Money market accounts	899,507	899,507	1,297,560	938,892	1,178,199	1,420,643	6,634,308
Time deposits	5,048,444	2,587,025	2,691,255	1,483,036	1,141,585	-	12,951,345
Borrowed funds	-	-	-	75,000	6,400,000	5,700,000	12,175,000
Total interest-bearing liabilities	6,225,478	3,764,060	4,411,635	2,850,666	9,265,474	8,491,679	35,008,992
Interest rate sensitivity gap	$ 1,706,678	$ 1,009,011	$ 1,916,980	$ 3,489,516	$ (3,130,222)	$ (1,445,090)	$ 3,546,873
Cumulative interest rate sensitivity gap	$ 1,706,678	$ 2,715,689	$ 4,632,669	$ 8,122,185	$ 4,991,963	$ 3,546,873	
Cumulative interest rate sensitivity gap as a percent of total assets	4.20 %	6.69 %	11.41 %	20.01 %	12.30 %	8.74 %	
Cumulative interest-earning assets as a percent of interest-bearing liabilities	127.41 %	127.19 %	132.17 %	147.08 %	118.83 %	110.13 %	

Of note regarding the GAP analysis:

- we have no borrowings maturing within the next 24 months; and
- we have experienced elevated levels of prepayment activity on our mortgage-related assets as interest rates have continued to decrease over the year.

Of note in comparison to December 31, 2011:

- the cumulative one-year gap as a percent of total assets was positive 6.69% at December 31, 2012 vs. 7.33% at December 31, 2011;
- during 2012, $2.9 billion of borrowings matured and were not replaced; and
- deposits also declined during 2012, by $2.1 billion.

The methods used in the gap table are also inherently imprecise. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Certain assets, such as adjustable-rate loans and mortgage-backed securities, have features that limit changes in interest rates on a short-term basis and over the life of the loan. If interest rates change, prepayment and early withdrawal levels would likely deviate from those assumed in calculating the table. Finally, the ability of borrowers to make payments on their adjustable-rate loans may decrease if interest rates increase.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Hudson City Bancorp, Inc.:

We have audited the accompanying consolidated statements of financial condition of Hudson City Bancorp, Inc. and subsidiary (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in shareholders' equity, comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hudson City Bancorp, Inc. and subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

New York, New York
February 28, 2013

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Hudson City Bancorp, Inc.:

We have audited the internal control over financial reporting of Hudson City Bancorp, Inc. and subsidiary (the "Company") as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hudson City Bancorp, Inc. and subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of the Company as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated February 28, 2013 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

New York, New York
February 28, 2013

Hudson City Bancorp, Inc. and Subsidiary
Consolidated Statements of Financial Condition

	December 31, 2012	December 31, 2011
	(In thousands, except share and per share amounts)	
Assets:		
Cash and due from banks	$ 171,042	$ 194,029
Federal funds sold	656,926	560,051
Total cash and cash equivalents	827,968	754,080
Securities available for sale:		
Mortgage-backed securities	8,040,742	9,170,390
Investment securities	428,057	7,368
Securities held to maturity:		
Mortgage-backed securities (fair value of $3,172,492 and $4,368,423 at December 31, 2012 and 2011, respectively)	2,976,757	4,115,523
Investment securities (fair value of $45,592 and $545,761 at December 31, 2012 and 2011, respectively)	39,011	539,011
Total securities	11,484,567	13,832,292
Loans	27,090,879	29,327,345
Deferred loan costs	97,534	83,805
Allowance for loan losses	(302,348)	(273,791)
Net loans	26,886,065	29,137,359
Federal Home Loan Bank of New York stock	356,467	510,564
Foreclosed real estate, net	47,322	40,619
Accrued interest receivable	87,075	129,088
Banking premises and equipment, net	74,912	70,610
Goodwill	152,109	152,109
Other assets	679,856	729,164
Total Assets	$ 40,596,341	$ 45,355,885
Liabilities and Shareholders' Equity:		
Deposits:		
Interest-bearing	$ 22,833,992	$ 24,903,311
Noninterest-bearing	649,925	604,449
Total deposits	23,483,917	25,507,760
Repurchase agreements	6,950,000	6,950,000
Federal Home Loan Bank of New York advances	5,225,000	8,125,000
Total borrowed funds	12,175,000	15,075,000
Accrued expenses and other liabilities	237,616	212,685
Total liabilities	35,896,533	40,795,445
Commitments and Contingencies (Notes 1, 7, 10 and 15)		
Common stock, $0.01 par value, 3,200,000,000 shares authorized; 741,466,555 shares issued; 528,211,462 and 527,571,496 shares outstanding at December 31, 2012 and 2011, respectively	7,415	7,415
Additional paid-in capital	4,730,105	4,720,890
Retained earnings	1,798,430	1,709,821
Treasury stock, at cost; 213,255,093 and 213,895,059 shares at December 31, 2012 and 2011, respectively	(1,713,895)	(1,719,114)
Unallocated common stock held by the employee stock ownership plan	(192,217)	(198,223)
Accumulated other comprehensive income, net of tax	69,970	39,651
Total shareholders' equity	4,699,808	4,560,440
Total Liabilities and Shareholders' Equity	$ 40,596,341	$ 45,355,885

See accompanying notes to consolidated financial statements.

Hudson City Bancorp, Inc. and Subsidiary
Consolidated Statements of Operations

	Year Ended December 31,		
	2012	2011	2010
	(In thousands, except per share data)		
Interest and Dividend Income:			
First mortgage loans	$ 1,309,568	$ 1,492,989	$ 1,667,027
Consumer and other loans	12,887	15,740	18,409
Mortgage-backed securities held to maturity	127,861	213,211	356,023
Mortgage-backed securities available for sale	186,174	301,349	495,572
Investment securities held to maturity	3,488	100,196	179,632
Investment securities available for sale	8,148	940	19,112
Dividends on Federal Home Loan Bank of New York stock	23,470	38,820	46,107
Federal funds sold	1,443	4,392	2,614
Total interest and dividend income	1,673,039	2,167,637	2,784,496
Interest Expense:			
Deposits	238,684	328,514	376,347
Borrowed funds	580,432	858,189	1,217,322
Total interest expense	819,116	1,186,703	1,593,669
Net interest income	853,923	980,934	1,190,827
Provision for Loan Losses	95,000	120,000	195,000
Net interest income after provision for loan losses	758,923	860,934	995,827
Non-Interest Income:			
Service charges and other income	11,461	11,449	10,369
Gains on securities transactions	-	102,468	152,625
Total non-interest income	11,461	113,917	162,994
Non-Interest Expense:			
Compensation and employee benefits	129,644	113,129	133,803
Net occupancy expense	34,270	33,830	32,689
Federal deposit insurance assessment	123,695	120,981	55,957
Loss on extinguishment of debt	-	1,900,591	-
Other expense	68,993	61,629	43,939
Total non-interest expense	356,602	2,230,160	266,388
Income (loss) before income tax expense (benefit)	413,782	(1,255,309)	892,433
Income Tax Expense (Benefit)	164,639	(519,320)	355,227
Net income (loss)	$ 249,143	$ (735,989)	$ 537,206
Basic Earnings (Loss) Per Share	$ 0.50	$ (1.49)	$ 1.09
Diluted Earnings (Loss) Per Share	$ 0.50	$ (1.49)	$ 1.09

See accompanying notes to consolidated financial statements.

Hudson City Bancorp, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Net income (loss)	$ 249,143	$ (735,989)	$ 537,206
Other comprehensive income (loss), net of tax:			
Net unrealized gains (losses) on securities:			
Net unrealized gains on securities available for sale arising during the year, net of tax expense of $21,863 for 2012, $23,628 for 2011 and $1,236 for 2010	33,290	33,913	1,790
Reclassification adjustment for gains included in net income (loss), net of tax expense of $0 for 2012, $41,858 for 2011 and $62,347 for 2010	-	(61,942)	(90,278)
Postretirement benefit pension plans:			
Amortization of net loss arising during period, net of tax benefit of $1,559 for 2012, $11,807 for 2011 and $6,847 for 2010	(2,257)	(17,005)	(9,914)
Amortization of prior service cost included in net periodic pension cost, net of tax benefit of $494 for 2012, $498 in 2011 and $501 for 2010	(714)	(721)	(725)
Other comprehensive income (loss)	30,319	(45,755)	(99,127)
Total comprehensive income (loss)	$ 279,462	$ (781,744)	$ 438,079

See accompanying notes to the consolidated financial statements.

Hudson City Bancorp, Inc. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity

	Year Ended December 31,		
	2012	2011	2010
	(In thousands, except per share amounts)		
Common Stock	$ 7,415	$ 7,415	$ 7,415
Additional paid-in capital:			
Balance at beginning of year	4,720,890	4,705,255	4,683,414
Stock option plan expense	7,924	8,251	11,138
Tax benefit from stock plans	436	2,029	810
Allocation of ESOP stock	835	1,877	6,239
RRP stock granted	-	-	(145)
Vesting of RRP stock	20	3,478	3,799
Balance at end of year	4,730,105	4,720,890	4,705,255
Retained Earnings:			
Balance at beginning of year	1,709,821	2,642,338	2,401,606
Net income (loss)	249,143	(735,989)	537,206
Dividends paid on common stock ($0.32, $0.39, and $0.60 per share, respectively)	(158,793)	(192,698)	(295,757)
Exercise of stock options	(1,741)	(3,830)	(717)
Balance at end of year	1,798,430	1,709,821	2,642,338
Treasury Stock:			
Balance at beginning of year	(1,719,114)	(1,725,946)	(1,727,579)
Purchase of common stock	(427)	(163)	(464)
Exercise of stock options	5,646	6,995	1,952
RRP stock granted	-	-	145
Balance at end of year	(1,713,895)	(1,719,114)	(1,725,946)
Unallocated common stock held by the ESOP:			
Balance at beginning of year	(198,223)	(204,230)	(210,237)
Allocation of ESOP stock	6,006	6,007	6,007
Balance at end of year	(192,217)	(198,223)	(204,230)
Accumulated other comprehensive income (loss):			
Balance at beginning of year	39,651	85,406	184,533
Other comprehensive income (loss), net of tax	30,319	(45,755)	(99,127)
Balance at end of year	69,970	39,651	85,406
Total Shareholders' Equity	$ 4,699,808	$ 4,560,440	$ 5,510,238

See accompanying notes to the consolidated financial statements.

Hudson City Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2012	2011	2010
		(In thousands)	
Cash Flows from Operating Activities:			
Net income (loss)	$ 249,143	$ (735,989)	$ 537,206
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, accretion and amortization expense	125,020	116,148	116,696
Provision for loan losses	95,000	120,000	195,000
Gains on securities transactions, net	-	(102,468)	(152,625)
Loss on extinguishment of debt	-	1,900,591	-
Share-based compensation, including committed ESOP shares	14,785	19,613	27,183
Deferred tax benefit (expense)	55,582	(172,002)	(55,803)
Decrease in accrued interest receivable	42,013	116,458	58,545
(Increase) decrease in other assets	(33,222)	(268,781)	34,507
Increase (decrease) in accrued expenses and other liabilities	24,931	(56,785)	(5,627)
Net Cash Provided by Operating Activities	573,252	936,785	755,082
Cash Flows from Investing Activities:			
Originations of loans	(5,035,170)	(4,926,325)	(5,826,008)
Purchases of loans	(28,742)	(344,766)	(764,335)
Payments received on loans	7,131,786	6,708,554	7,261,911
Principal collection of mortgage-backed securities held to maturity	1,133,484	1,808,661	4,198,619
Purchases of mortgage-backed securities held to maturity	-	-	(172,434)
Principal collection of mortgage-backed securities available for sale	2,560,457	2,791,747	4,167,652
Proceeds from sales of mortgage-backed securities available for sale	-	9,064,378	4,070,045
Purchases of mortgage-backed securities available for sale	(1,473,244)	(3,591,346)	(14,776,371)
Proceeds from maturities and calls of investment securities held to maturity	500,000	3,400,000	6,049,235
Purchases of investment securities held to maturity	-	-	(5,902,176)
Proceeds from maturities and calls of investment securities available for sale	-	-	1,025,000
Proceeds from sales of investment securities available for sale	-	82,475	-
Purchases of investment securities available for sale	(407,832)	-	-
Purchases of Federal Home Loan Bank of New York stock	(24,750)	(16,624)	(8,422)
Redemption of Federal Home Loan Bank of New York stock	178,847	378,000	11,250
Purchases of premises and equipment, net	(12,529)	(9,608)	(8,031)
Net proceeds from sale of foreclosed real estate	57,051	56,376	26,277
Net Cash Provided by (Used in) Investing Activities	4,579,358	15,401,522	(647,788)
Cash Flows from Financing Activities:			
Net (decrease) increase in deposits	(2,023,843)	334,634	595,078
Proceeds from borrowed funds	550,000	6,500,000	-
Principal payments on borrowed funds	(3,450,000)	(22,900,591)	(300,000)
Dividends paid	(158,793)	(192,698)	(295,757)
Purchases of treasury stock	(427)	(163)	(464)
Exercise of stock options	3,905	3,165	1,235
Tax benefit from stock plans	436	2,029	810
Net Cash (Used in) Provided by Financing Activities	(5,078,722)	(16,253,624)	902
Net Increase in Cash and Cash Equivalents	73,888	84,683	108,196
Cash and Cash Equivalents at Beginning of Year	754,080	669,397	561,201
Cash and Cash Equivalents at End of Year	$ 827,968	$ 754,080	$ 669,397
Supplemental Disclosures of cash flow information:			
Interest paid	$ 822,493	$ 1,272,778	$ 1,586,485
Loans transferred to foreclosed real estate	$ 87,787	$ 75,422	$ 73,132
Income taxes paid	$ 126,755	$ 20,762	$ 448,983
Supplemental Disclosures of non-cash investing and financing activities:			
Adjustment for Net Claim related to Lehman Brothers, Inc.			
Reduction of mortgage-backed securities	$ -	$ 114,005	$ -
Reduction of borrowed funds	$ -	$ 100,000	$ -

See accompanying notes to the consolidated financial statements

1. Organization

Hudson City Bancorp, Inc. ("Hudson City Bancorp" or the "Company") is a Delaware corporation and is the savings and loan holding company for Hudson City Savings Bank and its subsidiaries ("Hudson City Savings" or the "Bank"). As a savings and loan holding company, Hudson City Bancorp is subject to the supervision and examination of the Board of Governors of the Federal Reserve System (the "FRB"). Hudson City Savings is a federally chartered stock savings bank subject to supervision and examination by the Office of the Comptroller of the Currency (the "OCC").

On August 27, 2012, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with M&T and WTC. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Hudson City will merge with and into WTC, with WTC continuing as the surviving entity (the "Merger").

Subject to the terms and conditions of the Merger Agreement, upon completion of the Merger, Hudson City shareholders will have the right to receive with respect to each of their shares of common stock of the Company, at their election (but subject to proration and adjustment procedures), 0.08403 of a share of common stock, par value $0.50 per share, of M&T (the "M&T Common Stock"), or cash having a value equal to the product of 0.08403 multiplied by the average closing price of the M&T Common Stock for the ten trading days immediately prior to the completion of the Merger. The Merger Agreement provides that at the closing of the Merger, 40% of the outstanding shares of Hudson City common stock will be converted into the right to receive cash and the remainder of the outstanding shares of Hudson City common stock will be converted into the right to receive shares of M&T Common Stock.

Completion of the Merger is subject to various conditions, including, among others, (a) approval by Hudson City shareholders of the Merger Agreement, (b) approval by M&T shareholders of the issuance in the Merger of shares of M&T Common Stock, (c) effectiveness of the registration statement on Form S-4 for the M&T Common Stock to be issued in the Merger, (d) approval of the listing on the New York Stock Exchange of the shares of M&T Common Stock to be issued in the Merger, (e) the absence of any law or order prohibiting the closing of the Merger and (f) receipt of required regulatory approvals without the imposition of a condition or conditions that would reasonably be likely to have a material adverse effect on M&T and its subsidiaries, taken as a whole, giving effect to the Merger (measured on a scale relative to Hudson City and its subsidiaries taken as a whole) (as defined in the Merger Agreement). Each party's obligation to consummate the Merger is also subject to certain additional customary conditions, including (i) subject to certain exceptions, the accuracy of the representations and warranties of the other party, (ii) performance in all material respects by the other party of its obligations and (iii) the receipt by such party of an opinion from its counsel to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

On March 30, 2012, the Bank entered into a Memorandum of Understanding with the OCC (the "Bank MOU"), which is substantially similar to the MOU the Bank entered into with our former regulator, the Office of Thrift Supervision (the "OTS"), on June 24, 2011. The Bank MOU replaces the June 24th memorandum of understanding. In accordance with the Bank MOU, the Bank has adopted and has implemented enhanced operating policies and procedures, that are intended to enable us to continue to: (a) reduce our level of interest rate risk, (b) reduce our funding concentration, (c) diversify our funding sources, (d) enhance our liquidity position, (e) monitor and manage loan modifications and (f) maintain our capital position in accordance with our existing capital plan. In addition, we developed a written strategic plan for the Bank which establishes various objectives, including, but not limited to, objectives for the Bank's overall risk profile, earnings performance, growth and balance sheet mix and to enhance our enterprise risk management program. The implementation of the strategic plan has been suspended pending the completion of the Merger.

The Company entered into a separate Memorandum of Understanding with the FRB (the "Company MOU") on April 24, 2012, which is substantially similar to the MOU the Company entered into with our former regulator,

the OTS, on June 24, 2011. The Company MOU replaces the June 24th memorandum of understanding. In accordance with the Company MOU, the Company must, among other things support the Bank's compliance with the Bank MOU. The Company MOU also requires the Company to: (a) obtain approval from the FRB prior to receiving a capital distribution from the Bank or declaring a dividend to shareholders, (b) obtain approval from the FRB prior to repurchasing or redeeming any Company stock or incurring any debt with a maturity of greater than one year and (c) submit a comprehensive Capital Plan and a comprehensive Earnings Plan to the FRB. These agreements will remain in effect until modified or terminated by the OCC (with respect to the Bank MOU) and the FRB (with respect to the Company MOU).

2. Summary of Significant Accounting Policies

Basis of Presentation

The following are the significant accounting and reporting policies applied by Hudson City Bancorp and its wholly-owned subsidiary, Hudson City Savings, in the preparation of the accompanying consolidated financial statements. The consolidated financial statements have been prepared in conformity with GAAP. All significant intercompany transactions and balances have been eliminated in consolidation. As used in these consolidated financial statements, "Hudson City" refers to Hudson City Bancorp, Inc. or Hudson City Bancorp, Inc. and its consolidated subsidiary, depending on the context. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition and revenues and expenses for the period. Actual results could differ from these estimates. The ALL is a material estimate that is particularly susceptible to near-term change. The current economic environment has increased the degree of uncertainty inherent in this material estimate. In addition, bank regulators, as an integral part of their supervisory function, periodically review our allowance for loan losses. These regulatory agencies have the ability to require us, as they can require all banks, to increase our provision for loan losses or to recognize further charge-offs based upon their judgments, which may be different from ours. Any increase in the allowance required by these regulatory agencies could adversely affect our financial condition and results of operations.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are sold for one-day periods. Cash reserves are required to be maintained on deposit with the Federal Reserve Bank of New York based on deposits. The amount of the required reserves for the years ended December 31, 2012 and 2011 was $22.1 million and $17.8 million, respectively.

Mortgage-Backed Securities

Mortgage-backed securities include GSEs and U.S. Government agency pass-through certificates, which represent participating interests in pools of long-term first mortgage loans originated and serviced by third-party issuers of the securities, and real estate mortgage investment conduits ("REMICs"), which are securities derived by reallocating cash flows from mortgage pass-through securities or from pools of mortgage loans held by a trust. REMICs are a form of, and are often referred to as, collateralized mortgage obligations.

Mortgage-backed securities are classified as either held to maturity or available for sale. For the years ended December 31, 2012, 2011 and 2010, we did not maintain a trading portfolio. Mortgage-backed securities classified as held to maturity are stated at cost, adjusted for amortization of premiums and accretion of discounts. Amortization and accretion is reflected as an adjustment to interest income over the life of the security, adjusted for estimated prepayments, using the effective interest method. Hudson City has both the ability and the positive intent to hold these investment securities to maturity. Mortgage-backed securities available for sale are carried at fair value, with unrealized gains and losses, net of tax, reported as a component

of other comprehensive income or loss, which is included in shareholders' equity. Amortization and accretion of premiums and discounts are reflected as an adjustment to interest income over the life of the security, adjusted for estimated prepayments, using the effective interest method. Realized gains and losses are recognized when securities are sold using the specific identification method. The estimated fair value of substantially all of these securities is determined by the use of market prices obtained from independent third-party pricing services. We assess the reasonableness of the fair values obtained by reference to a second independent nationally recognized pricing service. We conduct a periodic review and evaluation of the securities portfolio to determine if a decline in the fair value of any security below its cost basis is other-than-temporary. Our evaluation of other-than-temporary impairment considers the duration and severity of the unrealized loss, our intent to sell the security and whether it is more likely than not that we will be required to sell before full recovery of our investment or maturity. For mortgage-backed securities deemed to be other-than-temporarily impaired, the security is written down to a new cost basis with the estimated credit loss charged to income as a component of non-interest expense and the non-credit related impairment loss charged to other comprehensive income. See "Critical Accounting Policies – Securities Impairment".

Investment Securities

Investment securities are classified as either held to maturity or available for sale. For the years ended December 31, 2012, 2011 and 2010, we did not maintain a trading portfolio. Investment securities classified as held to maturity are stated at cost, adjusted for amortization of premiums and accretion of discounts. Amortization and accretion is reflected as an adjustment to interest income over the life of the security using the effective interest method. Hudson City has both the ability and the positive intent to hold these investment securities to maturity. Securities available for sale are carried at fair value, with unrealized gains and losses, net of tax, reported as a component of accumulated other comprehensive income or loss, which is included in shareholders' equity. Amortization and accretion of premiums and discounts are reflected as an adjustment to interest income over the life of the security using the effective interest method. Realized gains and losses are recognized when securities are sold or called using the specific identification method. The estimated fair value of substantially all of these securities is determined by the use of quoted market prices obtained from independent third-party pricing services. We assess the reasonableness of the fair values obtained by reference to a second independent nationally recognized pricing service. We conduct a periodic review and evaluation of the securities portfolio to determine if a decline in the fair value of any security below its cost basis is other-than-temporary. Our evaluation of other-than-temporary impairment considers the duration and severity of the unrealized loss, our intent to sell the security and whether it is more likely than not that we will be required to sell before full recovery of our investment or maturity. For debt securities deemed to be other-than-temporarily impaired, the security is written down to a new cost basis with the estimated credit loss charged to income as a component of non-interest expense and the non-credit related impairment loss charged to other comprehensive income. For equity securities that are deemed to be other-than-temporarily impaired, the security is written down to a new cost basis and the resulting loss is charged to income as a component of non-interest expense. See "Critical Accounting Policies – Securities Impairment".

Loans

Loans are stated at their principal amounts outstanding. Interest income on loans is accrued and credited to income as earned. Net loan origination fees and broker costs are deferred and amortized to interest income over the life of the loan using the effective interest method. Amortization and accretion of premiums and discounts is reflected as an adjustment to interest income over the life of the purchased loan using the effective interest method.

Prior to December 31, 2011, existing customers in good credit standing were permitted to modify the terms of their mortgage loan, for a fee, to the terms of the currently offered fixed-rate product with a similar or reduced period to maturity than the current remaining period of their existing loan. The modified terms of these loans were at least as favorable to us as the terms of mortgage loans offered to new customers. The fee assessed for

modifying the mortgage loan was deferred and accreted over the life of the modified loan using the effective interest method. Such accretion is reflected as an adjustment to interest income. We determined that the modification of the terms of the loan (i.e. the change in rate and period to maturity), represented a more than minor change to the loan. Accordingly, pre-modification deferred fees or costs associated with the mortgage loan were recognized in interest income at the time of the modification. Effective December 31, 2011, we discontinued this product offering.

A loan is considered delinquent when we have not received a payment within 30 days of its contractual due date. The accrual of income on loans that are not guaranteed by a U.S. Government agency is generally discontinued when interest or principal payments are 90 days in arrears or when the timely collection of such income is doubtful. Loans on which the accrual of income has been discontinued are designated as non-accrual loans and outstanding interest previously credited to income is reversed. Interest income on non-accrual loans and impaired loans is recognized in the period collected unless the ultimate collection of principal is considered doubtful. A non-accrual loan is returned to accrual status when factors indicating doubtful collection no longer exist.

We will, in certain circumstances, modify loans for borrowers who are experiencing financial difficulty. If the terms of the modification include a concession, as defined by accounting guidance, the loan as modified is considered a trouble debt restructuring (“TDR”). Loans that were modified in a troubled debt restructuring primarily represent loans that have had capitalized arrears, loans that have completed a Chapter 7 bankruptcy, loans that have been in a deferred payment plan for an extended period of time, generally in excess of six months, loans that have had past due amounts capitalized as part of the loan balance, loans that have a confirmed Chapter 13 bankruptcy status and loans with other types of repayment plans. These loans are individually evaluated for impairment to determine if the carrying value of the loan is in excess of the fair value of the collateral or the present value of the loans expected future cash flows.

Hudson City Savings defines the population of potential impaired loans to be all non-accrual construction, commercial real estate and multi-family loans as well as loans classified as troubled debt restructurings. Impaired loans are individually assessed to determine that the loan’s carrying value is not in excess of the fair value of the collateral or the present value of the loan’s expected future cash flows. Smaller balance homogeneous loans that are collectively evaluated for impairment, such as residential mortgage loans and consumer loans, are specifically excluded from the impaired loan analysis unless they have been modified as a troubled debt restructuring.

Allowance for Loan Losses

The allowance for loan losses has been determined in accordance with GAAP, under which we are required to maintain adequate allowances for loan losses. We are responsible for the timely and periodic determination of the amount of the allowance required. We believe that our ALL is adequate to cover specifically identifiable loan losses, as well as estimated losses inherent in our portfolio for which certain losses are probable but not specifically identifiable.

Our primary lending emphasis is the origination and purchase of one- to four-family first mortgage loans on residential properties and, to a lesser extent, second mortgage loans on one- to four-family residential properties resulting in a loan concentration in residential first mortgage loans at December 31, 2012. As a result of our lending practices, we also have a concentration of loans secured by real property located primarily in New Jersey, New York and Connecticut. As of December 31, 2012, approximately 82% of our total loans are in the New York metropolitan area. Additionally, the states of Pennsylvania, Virginia, Illinois and Maryland, accounted for 5%, 2%, 2%, and 2%, respectively of total loans. The remaining 7% of the loan portfolio is secured by real estate primarily in the remainder of our lending markets. Based on the composition of our loan portfolio, we believe the primary risks inherent in our portfolio are the continued weakened economic conditions due to the recent U.S. recession, continued high levels of unemployment, rising interest rates in the

markets we lend and a continuing decline in real estate market values in our market areas. Any one or a combination of these adverse trends may adversely affect our loan portfolio resulting in increased delinquencies, non-performing assets, charge-offs and future levels of loan loss provisions. We consider these trends in market conditions in determining the ALL.

Due to the nature of our loan portfolio, our evaluation of the adequacy of our ALL is performed primarily on a "pooled" basis. Each month we prepare an analysis which categorizes the entire loan portfolio by certain risk characteristics such as loan type (fixed-rate and adjustable-rate one- to four-family mortgages, interest-only loans, reduced documentation loans, home equity, multi-family, commercial, construction, etc.), loan source (originated or purchased) and payment status (i.e., current or number of days delinquent). Loans with known potential losses are categorized separately. We assign potential loss factors to the payment status categories on the basis of our assessment of the potential risk inherent in each loan type. These factors are periodically reviewed for appropriateness giving consideration to charge-off history, delinquency trends, portfolio growth and the status of the regional economy and housing market, in order to ascertain that the loss factors cover probable and estimable losses inherent in the portfolio. Based on our recent loss experience on non-performing loans, and to a lesser extent, Hurricane Sandy, we increased certain loss factors used in our quantitative analysis of the ALL for one- to four- family first mortgage loans during 2012. This update in our loss factors did not have a material effect on the ultimate level of our ALL or on our provision for loan losses. We use this analysis, as a tool, together with principal balances and delinquency reports, to evaluate the adequacy of the ALL. Other key factors we consider in this process are current real estate market conditions in geographic areas where our loans are located, changes in the trend of non-performing loans, the results of our foreclosed property transactions, the current state of the local and national economy, changes in interest rates and loan portfolio growth. Any one or a combination of these adverse trends may adversely affect our loan portfolio resulting in increased delinquencies, loan losses and higher future levels of provisions.

We maintain the ALL through provisions for loan losses that we charge to income. We charge losses on loans against the ALL when we believe the collection of loan principal is unlikely. This is generally by the time a loan is 180 days delinquent and an updated appraisal reflects a shortfall in the collateral value as compared to the outstanding principal balance of a mortgage loan. We establish the provision for loan losses after considering the results of our review as described above. We apply this process and methodology in a consistent manner and we reassess and modify the estimation methods and assumptions used in response to changing conditions. Such changes, if any, are approved by our Asset Quality Committee (the "AQC") each quarter.

Federal Home Loan Bank of New York Stock

As a member of the Federal Home Loan Bank of New York (the "FHLB"), we are required to acquire and hold shares of FHLB Class B stock. Our holding requirement varies based on our activities, primarily our outstanding borrowings, with the FHLB. Our investment in FHLB stock is carried at cost. We conduct a periodic review and evaluation of our FHLB stock to determine if any impairment exists.

Foreclosed Real Estate

Foreclosed real estate is property acquired through foreclosure or deed in lieu of foreclosure. Write-downs to fair value (net of estimated cost to sell) at the time of acquisition are charged to the ALL. After acquisition, foreclosed properties are held for sale and carried at the lower of fair value less estimated selling costs. Fair value is estimated through current appraisals, where practical, or an inspection and a comparison of the property securing the loan with similar properties in the area by either a licensed appraiser or real estate broker. Subsequent provisions for losses, which may result from the ongoing periodic valuations of these properties, are charged to income in the period in which they are identified. Carrying costs, such as maintenance and taxes, are charged to operating expenses as incurred.

Banking Premises and Equipment

Land is carried at cost. Buildings, leasehold improvements and furniture, fixtures and equipment are carried at cost, less accumulated depreciation and leasehold amortization. Buildings are depreciated over their estimated useful lives using the straight-line method. Furniture, fixtures and equipment are depreciated over their estimated useful lives using the double-declining balance method. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the respective leases. The costs for major improvements and renovations are capitalized, while maintenance, repairs and minor improvements are charged to operating expenses as incurred. Gains and losses on dispositions are reflected currently as other non-interest income or expense.

Goodwill and Other Intangible Assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually using a fair-value based two-step approach.

The first step ("Step 1") used to identify potential impairment involves comparing each reporting unit's estimated fair value to its carrying amount, including goodwill. As a community-oriented bank, substantially all of the Company's operations involve the delivery of loan and deposit products to customers and these operations constitute the Company's only segment for financial reporting purposes. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount exceeds the estimated fair value, there is an indication of potential impairment and the second step ("Step 2") is performed to measure the amount. Step 2 involves calculating an implied fair value of goodwill for each reporting unit for which impairment was indicated in Step 1. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination by measuring the excess of the estimated fair value of the reporting unit, as determined in Step 1, over the aggregate estimated fair values of the individual assets, liabilities, and identifiable intangibles, as if the reporting unit was being acquired at the impairment test date. Subsequent reversal of goodwill impairment losses is not permitted.

Income Taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Certain tax benefits attributable to stock options and restricted stock are credited to additional paid-in capital. A valuation allowance is established when management is unable to conclude that it is more likely than not that it will realize deferred tax assets based on the nature and timing of these items. Tax positions taken, or expected to be taken, in a tax return and which meet recognition thresholds, are recognized in our financial statements based on measurement attributes prescribed in accounting guidance. Accruals of interest and penalties related to unrecognized tax benefits are recognized in income tax expense.

Employee Benefit Plans

Hudson City maintains certain noncontributory retirement and postretirement benefit plans, which cover employees hired prior to August 1, 2005 who have met the eligibility requirements of the plans. Certain health care and life insurance benefits are provided for retired employees. The expected cost of benefits provided for retired employees is actuarially determined and accrued ratably from the date of hire to the date the employee is fully eligible to receive the benefits.

The accounting guidance related to retirement benefits requires an employer to: (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year; and (c) recognize, in comprehensive income, changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

The Employee Stock Ownership Plan (the "ESOP") is accounted for in accordance with FASB guidance related to employee stock ownership plans. The funds borrowed by the ESOP from Hudson City Bancorp to purchase Hudson City Bancorp common stock are being repaid from Hudson City Savings' contributions and dividends paid on unallocated ESOP shares over a period of up to 40 years. Hudson City common stock not allocated to participants is recorded as a reduction of stockholders' equity at cost. Compensation expense for the ESOP is based on the average market price of our stock during each quarter.

Stock-Based Compensation

Stock-based compensation expense is recognized over the period of requisite service based upon the grant-date fair value of those awards.

Bank-Owned Life Insurance

Bank-owned life insurance ("BOLI") is accounted for in accordance with FASB guidance related to Split-Dollar Life Insurance Agreements. The cash surrender value of BOLI is recorded on our consolidated statement of financial condition as an asset and the change in the cash surrender value is recorded as non-interest income. The amount by which any death benefits received exceeds a policy's cash surrender value is recorded in non-interest income at the time of receipt. A liability is also recorded on our consolidated statement of financial condition for postretirement death benefits provided by the split-dollar endorsement policy. A corresponding expense is recorded in non-interest expense for the accrual of benefits over the period during which employees provide services to earn the benefits.

Borrowed Funds

Hudson City enters into sales of securities under agreements to repurchase with selected brokers and the FHLB. These agreements are recorded as financing transactions as Hudson City maintains effective control over the transferred securities. The dollar amount of the securities underlying the agreements continues to be carried in Hudson City's securities portfolio. The obligations to repurchase the securities are reported as a liability in the consolidated statements of financial condition. The securities underlying the agreements are delivered to the party with whom each transaction is executed. They agree to resell to Hudson City the same securities at the maturity or call of the agreement. Hudson City retains the right of substitution of the underlying securities throughout the terms of the agreements.

Hudson City has also obtained advances from the FHLB, which are generally secured by a blanket lien against our mortgage portfolio. Total borrowings with the FHLB are generally limited by approximately 20 times the amount of FHLB stock owned or a percentage of the fair value of our mortgage portfolio, whichever is greater.

The loss on the early extinguishment of debt is based on the fair value of the borrowing and is included in non-interest expense.

The Bank has modified certain structured borrowings to eliminate or reduce the put option held by the lender. Management evaluates each modification to determine if the modification results in a substantially different borrowing and therefore should be recognized as an extinguishment. The evaluation of the modifications includes a comparison of the borrowing's cash flows before and after the modification, the terms of any collateral agreements and option agreements, and the amount of any fees exchanged. None of the debt modifications entered into during 2011 and 2010 resulted in a debt extinguishment. There were no debt modifications completed during 2012.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) includes items such as changes in unrealized gains and losses on securities available for sale, net of tax and changes in the unrecognized prior service costs or credits of defined benefit pension and other postretirement plans, net of tax. Comprehensive income (loss) is presented in the consolidated statements of changes in shareholders' equity.

Segment Information

FASB guidance requires public companies to report certain financial information about significant revenue-producing segments of the business for which such information is available and utilized by the chief operating decision maker. As a community-oriented financial institution, substantially all of our operations involve the delivery of loan and deposit products to customers. Management makes operating decisions and assesses performance based on an ongoing review of these community banking operations, which constitute our only operating segment for financial reporting purposes.

Earnings per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock (such as stock options) were exercised or resulted in the issuance of common stock. These potentially dilutive shares would then be included in the weighted average number of shares outstanding for the period using the treasury stock method. The Company reported a net loss for 2011 and therefore potentially dilutive shares are not included in the weighted average number of shares outstanding for 2011. Shares issued and shares reacquired during any period are weighted for the portion of the period that they were outstanding.

In computing both basic and diluted earnings per share, the weighted average number of common shares outstanding includes the ESOP shares previously allocated to participants and shares committed to be released for allocation to participants and the recognition and retention plans ("RRP") shares which have vested or have been allocated to participants. ESOP and RRP shares that have been purchased but have not been committed to be released or have not vested are excluded from the computation of basic and diluted earnings per share.

3. Stock Repurchase Programs

We have previously announced several stock repurchase programs. Under our stock repurchase programs, shares of Hudson City Bancorp common stock may be purchased in the open market or through other privately negotiated transactions, depending on market conditions. The repurchased shares are held as treasury stock for general corporate use. In accordance with the terms of the Company MOU, future share repurchases must be approved by the FRB. In addition, pursuant to the terms of the Merger Agreement, we may not repurchase shares of Hudson City Bancorp common stock without the consent of M&T. We did not purchase any of our common shares pursuant to the repurchase programs during the years ended December 31, 2012, 2011 and 2010. Included in treasury stock are vested shares related to stock awards that were surrendered for withholding taxes. These shares are included in treasury stock purchases in the consolidated statements of cash flows and amounted to 62,579, 17,145, and 34,923 shares for 2012, 2011 and 2010, respectively. As of December 31, 2012, there remained 50,123,550 shares that may be purchased under the existing stock repurchase programs.

4. Mortgage-Backed Securities

The amortized cost and estimated fair market value of mortgage-backed securities at December 31 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
		(In thousands)		
2012				
Held to Maturity:				
GNMA pass-through certificates	$ 73,546	$ 2,832	$ -	$ 76,378
FNMA pass-through certificates	856,840	61,414	(2)	918,252
FHLMC pass-through certificates	1,619,119	102,891	-	1,722,010
FHLMC and FNMA - REMICs	427,252	28,600	-	455,852
Total held to maturity	$ 2,976,757	$ 195,737	$ (2)	$ 3,172,492
Available for Sale:				
GNMA pass-through certificates	$ 995,510	$ 38,131	$ -	$ 1,033,641
FNMA pass-through certificates	4,053,485	82,150	-	4,135,635
FHLMC pass-through certificates	2,741,921	69,929	-	2,811,850
FHLMC and FNMA - REMICs	57,484	2,132	-	59,616
Total available for sale	$ 7,848,400	$ 192,342	$ -	$ 8,040,742
2011				
Held to Maturity:				
GNMA pass-through certificates	$ 83,587	$ 2,602	$ -	$ 86,189
FNMA pass-through certificates	1,154,638	78,603	(4)	1,233,237
FHLMC pass-through certificates	2,132,408	125,364	-	2,257,772
FHLMC and FNMA - REMICs	744,890	46,335	-	791,225
Total held to maturity	$ 4,115,523	$ 252,904	$ (4)	$ 4,368,423
Available for Sale:				
GNMA pass-through certificates	$ 1,139,894	$ 26,353	$ (19)	$ 1,166,228
FNMA pass-through certificates	4,407,970	60,059	-	4,468,029
FHLMC pass-through certificates	3,390,467	61,689	-	3,452,156
FHLMC and FNMA - REMICs	81,768	2,209	-	83,977
Total available for sale	$ 9,020,099	$ 150,310	$ (19)	$ 9,170,390

The following tables summarize the fair values and unrealized losses of mortgage-backed securities with an unrealized loss at December 31, 2012 and 2011, segregated between securities that had been in a continuous unrealized loss position for less than twelve months or longer than twelve months at the respective dates.

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In thousands)			
2012						
Held to Maturity:						
FNMA pass-through certificates	$ -	$ -	$ 203	$ (2)	$ 203	$ (2)
Total	$ -	$ -	$ 203	$ (2)	$ 203	$ (2)
2011						
Held to Maturity:						
FNMA pass-through certificates	$ 210	$ (4)	$ -	$ -	$ 210	$ (4)
Total held to maturity	210	(4)	-	-	210	(4)
Available for Sale:						
GNMA pass-through certificates	12,891	(19)	-	-	12,891	(19)
Total available for sale	12,891	(19)	-	-	12,891	(19)
Total	$ 13,101	$ (23)	$ -	$ -	$ 13,101	$ (23)

The unrealized losses were primarily due to the changes in market interest rates subsequent to purchase. At December 31, 2012, a total of 5 securities were in an unrealized loss position (4 at December 31, 2011). We did not consider these investments to be other-than-temporarily impaired at December 31, 2012 and December 31, 2011 since the decline in market value was attributable to changes in interest rates and not credit quality. In addition, the Company does not intend to sell and does not believe that it is more likely than not that we will be required to sell these investments until there is a full recovery of the unrealized loss, which may be at maturity. As a result no impairment loss was recognized during the years ended December 31, 2012, 2011 and 2010.

The amortized cost and estimated fair market value of mortgage-backed securities held to maturity and available for sale at December 31, 2012, by contractual maturity, are shown below. The table does not include the effect of prepayments and scheduled principal amortization which totaled $3.69 billion in 2012.

	Amortized Cost	Estimated Fair Market Value
	(In thousands)	
Held to Maturity:		
Due in one year or less	$ 3	$ 3
Due after one year through five years	2,326	2,442
Due after five years through ten years	49,029	52,475
Due after ten years	2,925,399	3,117,572
Total held to maturity	$ 2,976,757	$ 3,172,492
Available for Sale:		
Due after ten years	$ 7,848,400	$ 8,040,742
Total available for sale	$ 7,848,400	$ 8,040,742

There were no sales of mortgage-backed securities during 2012. Sales of mortgage-backed securities available-for-sale amounted to $8.96 billion and $3.92 billion during 2011 and 2010, respectively. Realized gains on the sales of mortgage-backed securities amounted to $100.0 million and $152.6 million during 2011 and 2010, respectively. The sales in 2011 were part of the Transactions described in Note 10.

As of December 31, 2012, mortgage-backed securities with an amortized cost of $8.67 billion were pledged as collateral for securities sold under agreements to repurchase.

5. Investment Securities

The amortized cost and estimated fair market value of investment securities at December 31 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
		(In thousands)		
2012				
Held to Maturity:				
United States government-sponsored enterprises debt	$ 39,011	$ 6,581	$ -	$ 45,592
Total held to maturity	$ 39,011	$ 6,581	$ -	$ 45,592
Available for Sale:				
Corporate Securities	$ 406,410	$ 14,180	$ -	$ 420,590
Equity securities	6,813	654	-	7,467
Total available for sale	$ 413,223	$ 14,834	$ -	$ 428,057
2011				
Held to Maturity:				
United States government-sponsored enterprises debt	$ 539,011	$ 6,750	$ -	$ 545,761
Total held to maturity	$ 539,011	$ 6,750	$ -	$ 545,761
Available for Sale:				
Equity securities	$ 6,767	$ 601	$ -	$ 7,368
Total available for sale	$ 6,767	$ 601	$ -	$ 7,368

During the years ended December 31, 2012 and 2011, there were no unrealized losses on our available for sale and held-to-maturity investment securities. Therefore, there were no other-than-temporary impairment (the “OTTI”) concerns related to these securities at December 31, 2012. Additionally, there were no OTTI charges in 2012, 2011 or 2010.

The amortized cost and estimated fair market value of investment securities held to maturity and available for sale at December 31, 2012, by contractual maturity, are shown below. The expected maturity may differ from the contractual maturity because issuers may have the right to call or prepay obligations. Equity securities have been excluded from this table.

	Amortized Cost	Estimated Fair Market Value
	(In thousands)	
Held to Maturity:		
Due after ten years	$ 39,011	$ 45,592
Total held to maturity	$ 39,011	$ 45,592
Available for Sale:		
Due after one year through five years	$ 406,410	$ 420,590
Total available for sale	$ 406,410	$ 420,590

There were sales of $80.0 million of investment securities available-for-sale during 2011. There were no sales of investment securities during 2012 and 2010. Gross realized gains on sales and calls of investment securities available for sale were $2.5 million during 2011. The carrying value of securities pledged as required security for deposits and for other purposes required by law amounted to $17.5 million and $17.4 million at December 31, 2012 and 2011, respectively.

As of December 31, 2012, no investment securities were pledged as collateral for securities under agreements to repurchase.

6. Loans and Allowance for Loan Losses

Loans at December 31 are summarized as follows:

	2012	2011
	(In thousands)	
First mortgage loans:		
One- to four-family		
Amortizing	$ 21,633,889	$ 23,480,909
Interest-only	4,485,875	4,779,863
FHA/VA	687,172	734,781
Multi-family and commercial	32,259	39,634
Construction	4,669	4,929
Total first mortgage loans	26,843,864	29,040,116
Consumer and other loans:		
Fixed–rate second mortgages	106,239	131,597
Home equity credit lines	119,872	134,502
Other	20,904	21,130
Total consumer and other loans	247,015	287,229
Total loans	$ 27,090,879	$ 29,327,345

There were no loans held for sale at December 31, 2012 and 2011.

The following tables present the composition of our loan portfolio by credit quality indicator at December 31:

Credit Risk Profile based on Payment Activity

(In thousands)

	One-to four- family first mortgage loans		Other first Mortgages		Consumer and Other			Total Loans
2012	**Amortizing**	**Interest-only**	**Multi-family and Commercial**	**Construction**	**Fixed-rate second mortgages**	**Home Equity credit lines**	**Other**	
Performing	$ 21,355,105	$ 4,303,636	$ 30,571	$ -	$ 104,574	$ 115,876	$ 18,590	$ 25,928,352
Non-performing	965,956	182,239	1,688	4,669	1,665	3,996	2,314	1,162,527
Total	$ 22,321,061	$ 4,485,875	$ 32,259	$ 4,669	$ 106,239	$ 119,872	$ 20,904	$ 27,090,879
2011	**Amortizing**	**Interest-only**	**Commercial**	**Construction**	**mortgages**	**credit lines**	**Other**	
Performing	$ 23,417,785	$ 4,566,001	$ 37,411	$ 585	$ 130,869	$ 130,897	$ 21,110	$ 28,304,658
Non-performing	797,905	213,862	2,223	4,344	728	3,605	20	1,022,687
Total	$ 24,215,690	$ 4,779,863	$ 39,634	$ 4,929	$ 131,597	$ 134,502	$ 21,130	$ 29,327,345

Credit Risk Profile by Internally Assigned Grade

(In thousands)

	One-to four- family first mortgage loans		Other first Mortgages		Consumer and Other			Total Loans
2012	**Amortizing**	**Interest-only**	**Multi-family and Commercial**	**Construction**	**Fixed-rate second mortgages**	**Home Equity credit lines**	**Other**	
Pass	$ 21,209,628	$ 4,268,034	$ 20,215	$ -	$ 104,216	$ 114,741	$ 17,794	$ 25,734,628
Special mention	175,361	29,609	2,445	-	68	89	-	207,572
Substandard	936,072	188,232	9,599	4,669	1,955	5,042	3,110	1,148,679
Total	$ 22,321,061	$ 4,485,875	$ 32,259	$ 4,669	$ 106,239	$ 119,872	$ 20,904	$ 27,090,879
2011								
Pass	$ 23,325,078	$ 4,536,090	$ 23,997	$ -	$ 130,649	$ 130,487	$ 19,231	$ 28,165,532
Special mention	146,391	26,428	2,989	-	220	410	593	177,031
Substandard	744,221	217,345	12,648	4,929	728	3,605	1,306	984,782
Total	$ 24,215,690	$ 4,779,863	$ 39,634	$ 4,929	$ 131,597	$ 134,502	$ 21,130	$ 29,327,345

Loan classifications are defined as follows:

- Pass – These loans are protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner.
- Special Mention – These loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects.
- Substandard – These loans are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.
- Doubtful – These loans have all the weaknesses inherent in a loan classified substandard with the added characteristic that the weaknesses make the full recovery of our principal balance highly questionable and improbable on the basis of currently known facts, conditions, and values. The likelihood of a loss

on an asset or portion of an asset classified Doubtful is high. Its classification as Loss is not appropriate, however, because pending events are expected to materially affect the amount of loss.

- Loss – These loans are considered uncollectible and of such little value that a charge-off is warranted. This classification does not necessarily mean that an asset has no recovery or salvage value; but rather, there is much doubt about whether, how much, or when the recovery will occur.

We evaluate the classification of our one-to four- family mortgage loans, consumer loans and other loans primarily on a pooled basis by delinquency. Loans that are past due 60 to 89 days are classified as special mention and loans that are past due 90 days or more are classified as substandard. We obtain updated valuations for one- to four- family mortgage loans by the time a loan becomes 180 days past due. If necessary, we charge-off an amount to reduce the carrying value of the loan to the value of the underlying property, less estimated selling costs. This process is repeated on an annual basis for each loan that remains past due 180 days or more in order to mitigate the risk of falling real estate values. Since we record the charge-off when we receive the updated valuation, we typically do not have any residential first mortgages classified as doubtful or loss. We evaluate multi-family, commercial and construction loans individually and base our classification on the debt service capability of the underlying property as well as secondary sources of repayment such as the borrower's and any guarantor's ability and willingness to provide debt service.

Originating loans secured by residential real estate is our primary business. Our financial results may be adversely affected by changes in prevailing economic conditions, either nationally or in our local New Jersey and metropolitan New York market areas, including decreases in real estate values, adverse employment conditions, the monetary and fiscal policies of the federal and state government and other significant external events. As a result of our lending practices, we have a concentration of loans secured by real property located primarily in New Jersey, New York and Connecticut (the "New York metropolitan area"). At December 31, 2012 approximately 82% of our total loans are in the New York metropolitan area.

Included in our loan portfolio at December 31, 2012 and December 31, 2011 are $4.49 billion and $4.78 billion, respectively, of interest-only one-to four-family residential mortgage loans. These loans are originated as adjustable-rate mortgage ("ARM") loans with initial terms of five, seven or ten years with the interest-only portion of the payment based upon the initial loan term, or offered on a 30-year fixed-rate loan with interest-only payments for the first 10 years of the obligation. At the end of the initial 5-, 7- or 10-year interest-only period, the loan payment will adjust to include both principal and interest and will amortize over the remaining term so the loan will be repaid at the end of its original life. We had $182.2 million and $213.9 million of non-performing interest-only one-to four-family residential mortgage loans at December 31, 2012 and December 31, 2011, respectively.

In addition to our full documentation loan program, we originate loans to certain eligible borrowers as reduced documentation loans. We have originated these types of loans for over 15 years. Loans eligible for reduced documentation processing are ARM loans, interest-only first mortgage loans and 10-, 15-, 20- and 30-year fixed-rate loans to owner-occupied primary and second home applicants. These loans are available in amounts up to 70% of the lower of the appraised value or purchase price of the property. Generally the maximum loan amount for reduced documentation loans is $750,000 and these loans are subject to higher interest rates than our full documentation loan products. Reduced documentation loans have an inherently higher level of risk compared to loans with full documentation. Included in our loan portfolio at December 31, 2012 are $3.98 billion of originated amortizing reduced documentation loans and $901.0 million of originated reduced documentation interest-only loans. Non-performing loans at December 31, 2012 include $153.5 million of originated amortizing reduced documentation loans and $63.8 million of originated interest-only reduced documentation loans. Included in our loan portfolio at December 31, 2011 are $3.85 billion of originated amortizing reduced documentation loans and $956.2 million of originated reduced documentation interest-only loans. Non-performing loans at December 31, 2011 included $126.9 million of originated amortizing reduced documentation loans and $71.0 million of originated interest-only reduced documentation loans.

The following table is a comparison of our delinquent loans by class at December 31:

	30-59 Days	60-89 Days	90 Days or more	Total Past Due	Current Loans	Total Loans	90 Days or more and accruing (1)
				(In thousands)			
2012							
One- to four-family first mortgages:							
Amortizing	$ 327,122	$ 206,033	$ 965,956	$ 1,499,111	$ 20,821,950	$ 22,321,061	$ 129,553
Interest-only	58,004	29,609	182,239	269,852	4,216,023	4,485,875	-
Multi-family and commercial mortgages	6,474	3,190	1,688	11,352	20,907	32,259	-
Construction loans	-	-	4,669	4,669	-	4,669	-
Consumer and other loans:							
Fixed-rate second mortgages	587	68	1,665	2,320	103,919	106,239	-
Home equity lines of credit	1,592	379	3,996	5,967	113,905	119,872	-
Other	62	-	2,314	2,376	18,528	20,904	-
Total	$ 393,841	$ 239,279	$ 1,162,527	$ 1,795,647	$ 25,295,232	$ 27,090,879	$ 129,553
2011							
One- to four-family first mortgages:							
Amortizing	$ 357,099	$ 158,546	$ 797,905	$ 1,313,550	$ 22,902,140	$ 24,215,690	$ 97,476
Interest-only	63,360	27,833	213,862	305,055	4,474,808	4,779,863	-
Multi-family and commercial mortgages	1,521	393	2,223	4,137	35,497	39,634	-
Construction loans	-	-	4,344	4,344	585	4,929	-
Consumer and other loans:							
Fixed-rate second mortgages	1,202	220	728	2,150	129,447	131,597	-
Home equity lines of credit	2,471	410	3,605	6,486	128,016	134,502	-
Other	1,536	2	20	1,558	19,572	21,130	-
Total	$ 427,189	$ 187,404	$ 1,022,687	$ 1,637,280	$ 27,690,065	$ 29,327,345	$ 97,476

(1) Loans that are past due 90 days or more and still accruing interest are loans that are guaranteed by the FHA.

The following table presents the geographic distribution of our loan portfolio as a percentage of total loans and of our non-performing loans as a percentage of total non-performing loans at December 31:

	2012		2011	
	Total loans	Non-performing Loans	Total loans	Non-performing Loans
New Jersey	43.0 %	47.9 %	44.7 %	51.3 %
New York	24.7	22.0	22.4	19.5
Connecticut	14.7	7.1	14.6	6.8
Total New York metropolitan area	82.4	77.0	81.7	77.6
Pennsylvania	4.8	1.9	4.7	1.4
Virginia	2.4	2.6	2.6	2.9
Illinois	2.0	4.6	2.3	4.7
Maryland	2.0	4.2	2.0	3.2
All others	6.4	9.7	6.7	10.2
Total outside New York metropolitan area	17.6	23.0	18.3	22.4
	100.0 %	100.0 %	100.0 %	100.0 %

The following is a summary of loans, by class, on which the accrual of income has been discontinued and loans that are contractually past due 90 days or more but have not been classified as non-accrual at December 31:

	2012	2011
	(In thousands)	
Non-accrual loans:		
One-to four-family amortizing loans	$ 836,403	$ 700,429
One-to four-family interest-only loans	182,239	213,862
Multi-family and commercial mortgages	1,688	2,223
Construction loans	4,669	4,344
Fixed-rate second mortgages	1,665	728
Home equity lines of credit	3,996	3,605
Other loans	2,314	20
Total non-accrual loans	1,032,974	925,211
Accruing loans delinquent 90 days or more (1)	129,553	97,476
Total non-performing loans	$ 1,162,527	$ 1,022,687

(1) Loans that are past due 90 days or more and still accruing interest are loans that are insured by the FHA.

The total amount of interest income on non-accrual loans that would have been recognized if interest on all such loans had been recorded based upon original contract terms amounted to approximately $64.0 million for 2012 as compared to $56.2 million for 2011. The total amount of interest income received during the year on non-accrual loans amounted to approximately $1.9 million during 2012 as compared to $2.6 million during 2011. Hudson City is not committed to lend additional funds to borrowers on non-accrual status.

Loans modified in a troubled debt restructuring totaled $215.1 million at December 31, 2012 of which $29.0 million are 30 to 59 days past due, $14.3 million are 60 to 89 days past due and $107.3 million are 90 days or more past due and are included in non-accrual loans. The remaining troubled debt restructurings were current at December 31, 2012 and have complied with the terms of their restructure agreement. Based on recent regulatory guidance, we have classified $115.4 million of loans that have completed Chapter 7 bankruptcy as troubled debt restructurings at December 31, 2012. We discontinue accruing interest on troubled debt restructurings that are past due 90 days or more or if we believe we will not collect all amounts contractually due. Approximately $23.1 million of troubled debt restructurings that were previously accruing interest became 90 days or more past due during 2012 for which we ceased accruing interest. At December 31, 2011, loans modified in a troubled debt restructuring totaled $66.5 million of which $7.4 million were 30 to 59 days past due, $4.8 million were 60 to 89 days past due and $11.4 million were 90 days or more past due and are included in non-accrual loans at that date.

The following table is a comparison of our troubled debt restructurings by class modified during the year ended December 31:

	2012			2011		
	Number of Contracts	Pre-restructuring Outstanding Recorded Investment	Post-restructuring Outstanding Recorded Investment	Number of Contracts	Pre-restructuring Outstanding Recorded Investment	Post-restructuring Outstanding Recorded Investment
			(In thousands)			
Troubled debt restructurings:						
One-to-four family first mortgages:						
Amortizing	633	$ 224,798	$ 197,392	146	$ 57,336	$ 53,831
Interest-only	15	8,593	8,652	9	4,970	4,799
Multi-family and commercial mortgages	2	7,038	7,038	2	7,911	7,911
Construction loans	16	2,011	2,009	-	-	-
Total	666	$ 242,440	$ 215,091	157	$ 70,217	$ 66,541

Loans evaluated for impairment include loans classified as troubled debt restructurings and non-performing multi-family, commercial and construction loans. The following table presents our loans evaluated for impairment by class at December 31:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(In thousands)		
2012					
One-to four-family amortizing loans	$ 197,392	$ 225,722	$ -	$ 211,953	$ 5,036
One-to four-family interest-only loans	8,652	8,937	-	8,634	288
Multi-family and commercial mortgages	8,329	9,720	518	9,291	484
Construction loans	3,476	4,592	1,116	4,428	-
Consumer and other loans	1,941	2,009	68	2,014	79
Total	$ 219,790	$ 250,980	$ 1,702	$ 236,320	$ 5,887
2011					
One-to four-family amortizing loans	$ 53,831	$ 56,876	$ -	$ 55,595	$ 2,411
One-to four-family interest-only loans	4,799	4,974	-	4,891	159
Multi-family and commercial mortgages	6,548	10,266	3,718	10,294	485
Construction loans	3,622	4,344	722	4,752	-
Total	$ 68,800	$ 76,460	$ 4,440	$ 75,532	$ 3,055

An analysis of the ALL at December 31 follows:

	2012	2011	2010
		(In thousands)	
Balance at beginning of year	$ 273,791	$ 236,574	$ 140,074
Charge-offs	(87,100)	(97,096)	(110,771)
Recoveries	20,657	14,313	12,271
Net charge-offs	(66,443)	(82,783)	(98,500)
Provision for loan losses	95,000	120,000	195,000
Balance at end of year	$ 302,348	$ 273,791	$ 236,574

The following table presents the activity in our ALL by portfolio segment at the year indicated.

	One-to four-Family Mortgages	Multi-family and Commercial Mortgages	Construction	Consumer and Other Loans	Total
			(In thousands)		
Balance at December 31, 2010	$ 227,224	$ 4,419	$ 1,728	$ 3,203	$ 236,574
Provision for loan losses	120,126	(37)	(994)	905	120,000
Charge-offs	(96,714)	-	-	(382)	(97,096)
Recoveries	14,286	-	-	27	14,313
Net (charge-offs) recoveries	(82,428)	-	-	(355)	(82,783)
Balance at December 31, 2011	$ 264,922	$ 4,382	$ 734	$ 3,753	$ 273,791
Provision for loan losses	95,282	(1,572)	382	908	95,000
Charge-offs	(85,763)	(873)	-	(464)	(87,100)
Recoveries	20,655	-	-	2	20,657
Net (charge-offs) recoveries	(65,108)	(873)	-	(462)	(66,443)
Balance at December 31, 2012	$ 295,096	$ 1,937	$ 1,116	$ 4,199	$ 302,348
Loan portfolio:					
Balance at end of year					
Individually evaluated for impairment	$ 206,044	$ 8,847	$ 4,592	$ 2,009	$ 221,492
Collectively evaluated for impairment	26,600,892	23,412	77	245,006	26,869,387
Allowance					
Individually evaluated for impairment	$ 19,662	$ 518	$ 1,116	$ 68	$ 21,364
Collectively evaluated for impairment	275,434	1,419	-	4,131	280,984

The ultimate ability to collect the loan portfolio is subject to changes in the real estate market and future economic conditions. Since 2008, there has been a decline in house prices, both nationally and locally. Housing market conditions in our lending market areas weakened during this period as evidenced by reduced levels of sales, increasing inventories of houses on the market, declining house prices and an increase in the length of time houses remain on the market.

During the fourth quarter of 2012, we assessed the impact of Hurricane Sandy on our ALL. We identified approximately 5,400 loans that were in the areas most affected by the storm. We completed physical inspections on these properties and evaluated the potential damage to the houses. Based on this assessment, we believe that for 143 of these loans, the value of the underlying collateral and the estimated proceeds from flood insurance may be less than the principal balance of these loans. We estimate that our exposure to these loans is less than $6.0 million.

Although we believe that we have established and maintained the ALL at adequate levels, additions may be necessary if future economic and other conditions differ substantially from the current operating environment. While we continue to adhere to prudent underwriting standards, we are geographically concentrated in the New York metropolitan area of the United States and, therefore, are not immune to negative consequences arising from overall economic weakness and, in particular, a sharp downturn in the housing industry. Continued decreases in real estate values could adversely affect the value of property used as collateral for our loans. No assurance can be given in any particular case that our loan-to-value ratios will provide full protection in the event of borrower default. Adverse changes in the economy and increases in the unemployment rate may have a negative effect on the ability of our borrowers to make timely loan payments, which would have an adverse impact on our earnings. A further increase in loan delinquencies would decrease our net interest income and may adversely impact our loss experience on non-performing loans which may result in an increase in the loss factors used in our quantitative analysis of the ALL, causing increases in our provision and ALL. Although we use the best information available, the level of the ALL remains an estimate that is subject to significant judgment and short-term change.

We obtain new collateral values by the time a loan becomes 180 days delinquent and then annually thereafter. If the estimated fair value of the collateral (less estimated selling costs) is less than the recorded investment in the loan, we charge-off an amount to reduce the loan to the fair value of the collateral less estimated selling costs. As a result, certain losses inherent in our non-performing loans are being recognized as charge-offs which may result in a lower ratio of the ALL to non-performing loans. Net charge-offs amounted to $66.4 million for 2012 as compared to $82.8 million for 2011.

7. Banking Premises and Equipment, net

A summary of the net carrying value of banking premises and equipment at December 31 is as follows:

	2012	2011
	(In thousands)	
Land	$ 5,806	$ 5,806
Buildings	56,574	56,659
Leasehold improvements	46,817	46,202
Furniture, fixtures and equipment	102,984	91,424
Total acquisition cost	212,181	200,091
Accumulated depreciation and amortization	(137,269)	(129,481)
Total banking premises and equipment, net	$ 74,912	$ 70,610

Amounts charged to net occupancy expense for depreciation and amortization of banking premises and equipment amounted to $8.2 million, $8.4 million and $8.7 million in 2012, 2011 and 2010, respectively.

Hudson City has entered into non-cancelable operating lease agreements with respect to banking premises and equipment. It is expected that many agreements will be renewed at expiration in the normal course of business. Future minimum rental commitments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

Year	Amount
	(In thousands)
2013	$ 10,484
2014	10,567
2015	10,300
2016	10,110
2017	9,800
Thereafter	98,192
Total	$ 149,453

Net occupancy expense included gross rental expense for bank premises of $12.5 million, $11.8 million, and $11.2 million in 2012, 2011, and 2010, respectively, and rental income of $342,000, $340,000, and $334,000 for the respective years.

8. Goodwill and Other Intangible Assets

Goodwill and other intangible assets amounted to $154.2 million and were recorded as a result of Hudson City Bancorp's acquisition of Sound Federal Bancorp, Inc. in 2006.

We performed our annual goodwill impairment analysis as of June 30, 2012, with the assistance of an independent third-party valuation firm. We also perform interim impairment reviews if an event or circumstances occur which may indicate that the fair value of the Company is less than the Company's book value. The Company announced the Merger in the third quarter of 2012. The merger price based on the closing price of M&T's common stock on August 24, 2012, the last trading day before the announcement of the Merger and based on the average of M&T's Common Stock from the announcement date to September 30, 2012, was $7.22 and $8.00, respectively or a fair value of $3.81 billion for the Company based on the merger price and shares outstanding on August 27, 2012. Since this amount is less than the reported amount of shareholders' equity, we re-assessed goodwill for impairment at September 30, 2012.

For Step 2 of the goodwill impairment test at September 30, 2012, we compared the fair value of the Company based on the merger price with the fair value of the assets and liabilities of the Company to calculate an implied goodwill. Based on our Step 2 analysis, the implied goodwill of the Company exceeded the carrying value of goodwill. The results of the Step 2 analysis are highly sensitive to the measurement of the fair value of the Company's assets and liabilities.

Based on the results of the goodwill impairment analyses we performed during 2012, we concluded that goodwill was not impaired. Therefore, we did not recognize any impairment of goodwill or other intangible assets during 2012. The estimation of the fair value of the Company requires the use of estimates and assumptions and results in a greater degree of uncertainty. In addition, the estimated fair value of the Company is based on, among other things, the market price of our common stock as calculated based on the terms of the Merger. As a result of the current volatility in market and economic conditions, these estimates and assumptions are subject to change in the near-term and may result in the impairment in future periods of some or all of the goodwill on our balance sheet.

9. Deposits

Deposits at December 31 are summarized as follows:

	2012			2011		
	Balance	Percent	Weighted Average Rate	Balance	Percent	Weighted Average Rate
	(Dollars in thousands)					
Savings	$ 948,194	4.04 %	0.25 %	$ 870,887	3.41 %	0.49 %
Noninterest-bearing demand	649,925	2.77	-	604,449	2.37	-
Interest-bearing demand	2,300,145	9.79	0.33	1,984,962	7.78	0.68
Money market	6,634,308	28.25	0.35	8,456,020	33.15	0.87
Time deposits	12,951,345	55.15	1.29	13,591,442	53.29	1.56
Total deposits	$ 23,483,917	100.00 %	0.85 %	$ 25,507,760	100.00 %	1.19 %

Time deposits of $100,000 or more amounted to $5.17 billion and $5.25 billion at December 31, 2012 and 2011, respectively. Interest expense on time deposits of $100,000 or more for the years ended December 31, 2012, 2011 and 2010 was $72.5 million, $86.4 million, and $100.8 million, respectively. Included in noninterest-bearing demand accounts are mortgage escrow deposits of $93.1 million and $98.5 million at December 31, 2012 and 2011, respectively.

Scheduled maturities of time deposits at December 31, 2012 are as follows:

Year	Amount
	(In thousands)
2013	$ 7,635,469
2014	2,691,255
2015	1,483,036
2016	693,824
2017 and thereafter	447,761
Total	$ 12,951,345

10. Borrowed Funds

Borrowed funds at December 31 are summarized as follows:

	2012		2011	
	Principal	Weighted Average Rate	Principal	Weighted Average Rate
	(Dollars in thousands)			
Securities sold under agreements to repurchase:				
FHLB	$ 800,000	4.53 %	$ 800,000	4.53 %
Other brokers	6,150,000	4.44	6,150,000	4.44
Total securities sold under agreements to repurchase	6,950,000	4.45	6,950,000	4.45
Advances from the FHLB	5,225,000	4.77	8,125,000	3.39
Total borrowed funds	$ 12,175,000	4.59 %	$ 15,075,000	3.87 %
Accrued interest payable	$ 64,061		$ 66,252	

The average balances of borrowings and the maximum amount outstanding at any month-end are as follows:

	At or for the Year Ended December 31,		
	2012	2011	2010
	(Dollars in thousands)		
Repurchase Agreements:			
Average balance outstanding during the year	$ 6,950,000	$ 9,127,800	$15,034,110
Maximum balance outstanding at any month-end during the year	$ 6,950,000	$14,750,000	$15,100,000
Weighted average rate during the period	4.52 %	4.37 %	4.10 %
FHLB Advances:			
Average balance outstanding during the year	$ 6,623,094	$13,349,342	$14,875,000
Maximum balance outstanding at any month-end during the year	$ 7,875,000	$14,875,000	$14,875,000
Weighted average rate during the period	4.02 %	3.44 %	4.04 %

At December 31, 2012, approximately $7.93 billion of our borrowed funds may be put back to us at the discretion of the issuer after an initial no-put period. At that date, borrowed funds had scheduled maturities and potential put dates as follows:

	Borrowings by Scheduled Maturity Date		**Borrowings by Earlier of Scheduled Maturity or Next Potential Put Date**	
Year	**Principal**	**Weighted Average Rate**	**Principal**	**Weighted Average Rate**
		(Dollars in thousands)		
2013	$ -	- %	$ 4,000,000	4.49 %
2014	-	-	3,725,000	4.47
2015	75,000	4.62	275,000	4.10
2016	3,925,000	4.92	3,925,000	4.92
2017	2,475,000	4.37	-	
2018	700,000	3.65	250,000	3.10
2019	1,725,000	4.62	-	-
2020	3,275,000	4.53	-	-
Total	$ 12,175,000	4.59 %	$ 12,175,000	4.59 %

The amortized cost and fair value of the underlying securities used as collateral for securities sold under agreements to repurchase, at or for the years ended December 31 are as follows:

	At December 31,		
	2012	**2011**	**2010**
		(In thousands)	
Amortized cost of collateral:			
United States government-sponsored enterprise securities	$ -	$ 500,000	$ 2,529,995
Mortgage-backed securities	8,672,162	8,467,397	14,653,221
Total amortized cost of collateral	$ 8,672,162	$ 8,967,397	$ 17,183,216
Fair value of collateral:			
United States government-sponsored enterprise securities	$ -	$ 500,464	$ 2,475,720
Mortgage-backed securities	8,991,053	8,747,418	15,125,185
Total fair value of collateral	$ 8,991,053	$ 9,247,882	$ 17,600,905

The Company had two collateralized borrowings in the form of repurchase agreements totaling $100.0 million with Lehman Brothers, Inc. Lehman Brothers, Inc. is currently in liquidation under the Securities Industry Protection Act ("SIPA"). Mortgage-backed securities with an amortized cost of approximately $114.1 million were pledged as collateral for these borrowings and we demanded the return of this collateral. The trustee for the SIPA liquidation of Lehman Brothers, Inc. (the "Trustee") notified the Company in the fourth quarter of 2011 that it no longer holds these securities and considers our claim to be approximately $13.9 million representing the excess of the market value of the collateral over the $100 million repurchase price. While we dispute the Trustee's calculation of the claim, as a result of the Trustee's position, we removed the mortgage-backed securities and the borrowings from our balance sheet at December 31, 2011 and recorded the net amount as a receivable included in other assets (the "Net Claim"). While we intend to pursue full recovery of our Net Claim, we have a reserve of $3.9 million against the receivable balance at December 31, 2012. There can be no assurances as to the amount of the final settlement of this transaction.

At December 31, 2012, we had unused lines of credit available from the FHLB, other than repurchase agreements, of up to $500.0 million. These lines of credit are renewed on an annual basis by the FHLB. Our advances from the FHLB are secured by our investment in FHLB stock and by a blanket security agreement. This agreement requires us to maintain as collateral certain qualifying assets (such as one- to-four family residential mortgage loans) with a fair value, as defined, at least equal to 110% of any outstanding advances.

11. Employee Benefit Plans

a) Retirement and Other Postretirement Benefits

Non-contributory retirement and postretirement plans are maintained to cover employees hired prior to August 1, 2005, including retired employees, who have met the eligibility requirements of the plans. Benefits under the qualified and non-qualified defined benefit retirement plans are based primarily on years of service and compensation. In 2005, participation in the non-contributory retirement plan was restricted to those employees hired on or before July 31, 2005. Employees hired on or after August 1, 2005 will not participate in the plan. Also in 2005, the plan for postretirement benefits, other than pensions, was changed to restrict participation to those employees hired on or before July 31, 2005, and placed a cap on the premium value of the non-contributory coverage provided at the 2007 premium rate, beginning in 2008, for those eligible employees who retire after December 31, 2005.

Funding of the qualified retirement plan is actuarially determined on an annual basis. It is our policy to fund the qualified retirement plan sufficiently to meet the minimum requirements set forth in the Employee Retirement Income Security Act of 1974. The non-qualified retirement plan, for certain executive officers, is unfunded and had a projected benefit obligation of $25.7 million at December 31, 2012 and $23.3 million at December 31, 2011. Certain health care and life insurance benefits are provided to eligible retired employees ("other benefits"). Participants generally become eligible for retiree health care and life insurance benefits after 10 years of service. The measurement date for year-end disclosure information is December 31 and the measurement date for net periodic benefit cost is January 1.

The following table shows the change in benefit obligation, the change in plan assets, and the funded status for the retirement plans and other benefits at December 31:

	Retirement Plans		Other Benefits	
	2012	2011	2012	2011
	(In thousands)			
Change in Benefit Obligation:				
Benefit obligation at beginning of year	$ 185,415	$ 156,015	$ 51,721	$ 48,355
Service cost	4,875	4,160	1,113	970
Interest cost	8,697	8,926	2,276	2,584
Participant contributions	-	-	178	155
Actuarial loss (gain)	14,451	20,444	1,109	1,743
Benefits paid	(5,602)	(4,130)	(2,438)	(2,086)
Benefit obligation at end of year	207,836	185,415	53,959	51,721
Change in Plan Assets:				
Fair value of plan assets at beginning of year	148,397	151,876	-	-
Actual return on plan assets	16,849	319	-	-
Employer contributions	601	332	2,260	1,931
Participant contributions	-	-	178	155
Benefits paid	(5,602)	(4,130)	(2,438)	(2,086)
Fair value of plan assets at end of year	160,245	148,397	-	-
Funded status	$ (47,591)	$ (37,018)	$ (53,959)	$ (51,721)

Funded status amounts recognized in the consolidated statements of financial condition at December 31 consist of:

	Retirement Plans		Other Benefits	
	2012	2011	2012	2011
	(In thousands)			
Accrued expenses and other liabilities	$ 47,591	$ 37,018	$ 53,959	$ 51,721

Pre-tax amounts recognized as components of total accumulated other comprehensive income at December 31 consist of:

	Retirement Plans		Other Benefits	
	2012	2011	2012	2011
	(In thousands)			
Net actuarial loss	$ 82,799	$ 78,939	$ 22,808	$ 22,851
Prior service cost (credit)	1,196	1,554	(17,775)	(19,340)
Total	$ 83,995	$ 80,493	$ 5,033	$ 3,511

The accumulated benefit obligation for all defined benefit retirement plans was $180.2 million and $154.3 million at December 31, 2012 and 2011, respectively.

Net periodic benefit cost for the years ended December 31 included the following components:

	Retirement Plans			Other Benefits		
	2012	2011	2010	2012	2011	2010
	(In thousands)					
Net periodic benefit cost:						
Service cost	$ 4,875	$ 4,160	$ 4,043	$ 1,113	$ 970	$ 489
Interest cost	8,697	8,926	8,339	2,275	2,584	1,668
Expected return on assets	(12,017)	(12,312)	(11,659)	-	-	-
Amortization of:						
Net actuarial loss	5,759	4,062	3,106	1,153	1,305	23
Prior service cost (credit)	358	346	339	(1,565)	(1,565)	(1,565)
Net periodic benefit cost	7,672	5,182	4,168	2,976	3,294	615
Other changes in plan assets and benefit obligations recognized in other comprehensive income:						
Net actuarial loss (gain)	9,619	32,436	5,690	1,110	1,743	14,135
Amortization of net actuarial loss	(5,759)	(4,062)	(3,106)	(1,153)	(1,305)	(23)
Amortization of prior service cost	(358)	(346)	(339)	1,565	1,565	1,565
Total recognized in other comprehensive income	3,502	28,028	2,245	1,522	2,003	15,677
Total recognized in net periodic benefit cost and other comprehensive income	$ 11,174	$ 33,210	$ 6,413	$ 4,498	$ 5,297	$ 16,292

The estimated net actuarial loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2013 are $6.0 million and $358,000 respectively. The estimated net actuarial loss and prior service credit for other defined

benefit post-retirement plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2013 are $1.2 million and $(1.6) million, respectively.

The following are the weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

	Retirement Plans			Other Benefits		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**
Discount rate	4.63 %	5.75 %	6.00 %	4.55 %	5.50 %	5.75 %
Expected return on assets	8.25	8.25	8.25	-	-	-
Rate of compensation increase	4.00	4.00	4.00	-	-	-

The following are the weighted-average assumptions used to determine benefit obligations at December 31:

	Retirement Plans		Other Benefits	
	2012	**2011**	**2012**	**2011**
Discount rate	4.15 %	4.75 %	4.00 %	4.55 %
Rate of compensation increase	3.50	4.00	-	-

The overall expected return on assets assumption is based on the historical performance of the pension fund. The average return over the past ten years was determined for the market value of assets, which is the value used in the calculation of annual net periodic benefit cost.

The assumed health care cost trend rate used to measure the expected cost of other benefits for 2012 was 8.50%. The rate was assumed to decrease gradually to 4.50% for 2021 and remain at that level thereafter.

A 1% change in the assumed health care cost trend rate would have the following effects on other benefits:

	1% Increase	**1% Decrease**
	(In thousands)	
Effect on total service cost and interest cost	$ (42)	$ 73
Effect on other benefit obligations	(403)	782

Funds in Hudson City's qualified retirement plan are invested in a commingled asset allocation fund (the "Fund") of a well-established asset management company and in Hudson City Bancorp, Inc. common stock. The purpose of the Fund is to provide a diversified portfolio of equities, fixed income instruments and cash. The plan trustee, in its absolute discretion, manages the Fund. The Fund is maintained with the objective of providing investment results that outperform a static mix of 55% equity, 35% bond and 10% cash, as well as the median manager of balanced funds. In order to achieve the Fund's return objective, the Fund will combine fundamental analysis and a quantitative proprietary model to allocate and reallocate assets among the three broad investment categories of equities, money market instruments and other fixed income obligations. As market and economic conditions change, these ratios will be adjusted in moderate increments of about five percentage points. It is intended that the equity portion will represent approximately 40% to 70%, the bond portion approximately 25% to 55% and the money market portion 0% to 25%. Performance results are reviewed at least annually with the asset management company of the Fund.

Equity securities held by the Fund include Hudson City Bancorp common stock in the amount of $5.7 million (3.6% of total plan assets) as of December 31, 2012, and $4.4 million (3.0% of total plan assets) as of December 31, 2011. This stock was purchased at an aggregate cost of $6.0 million using a cash contribution made by Hudson City Savings in July 2003. Our plan may not purchase our common stock if, after the

purchase, the fair value of our common stock held by the plan equals or exceeds 10% of the fair value of plan assets. We review with the plan administrator the rebalancing of plan assets if the fair value of our common stock held by the plan exceeds 20% of the fair value of the total plan assets.

The following table presents the fair value of the retirement plan's assets at December 31, 2012 and 2011 by asset class:

		Fair Value Measurements at December 31, 2012		
Asset Class	**Carrying Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
Cash	8,000	8,000	-	-
Guaranteed deposit fund (a)	11,819	-	-	11,819
Equity Securities (b)	83,279	83,279	-	-
Fixed income securities (c)	57,147	-	57,147	-
	$ 160,245	$ 91,279	$ 57,147	$ 11,819

		Fair Value Measurements at December 31, 2011		
Asset Class	**Carrying Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
Cash	4,316	4,316	-	-
Guaranteed deposit fund (a)	11,912	-	-	11,912
Equity Securities (b)	76,298	76,298	-	-
Fixed income securities (c)	55,871	-	55,871	-
	$ 148,397	$ 80,614	$ 55,871	$ 11,912

(a) The Guaranteed Deposit Fund (the "Fund") is an investment in the general account of the Prudential Retirement Insurance and Annuity Company and represents an insurance claim supported by all general account assets. The Fund's assets are intermediate-term, high-grade fixed income securities consisting of commercial mortgages, private placement bonds, publicly-traded debt securities and asset-backed securities.

(b) This class includes a mutual fund that invests primarily in stocks representative of the whole U.S. stock market. The objectives of this mutual fund is to outperform the U.S. stock markets. This class also includes $5.7 million and $4.4 million of Hudson City Bancorp, Inc. common stock at December 31, 2012 and 2011, respectively.

(c) This class includes investments in U.S. Treasuries, MBSs issued by GSEs, investment-grade corporate bonds and sovereign debt.

The following table presents a reconciliation of Level 3 assets measured at fair value at December 31:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (In thousands) Guaranteed Deposit Fund	
	2012	**2011**
Beginning balance	$ 11,912	$ 11,977
Purchases, sales, issuances and settlements (net)	(93)	(65)
Ending balance	$ 11,819	$ 11,912

We made contributions of $601,000 to our retirement plans during 2012. We do not expect to make a contribution during 2013.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid under the current provisions of the plans.

Year	Retirement Plans	Other Benefits
	(In thousands)	
2013	$ 6,986	$ 2,608
2014	7,605	2,758
2015	8,140	2,909
2016	8,810	3,075
2017	9,379	3,157
2018 through 2022	57,539	16,935

b) Employee Stock Ownership Plan

The ESOP is a tax-qualified plan designed to invest primarily in Hudson City common stock that provides employees with the opportunity to receive an employer-funded retirement benefit based primarily on the value of Hudson City common stock. Employees are generally eligible to participate in the ESOP after one year of service providing they worked at least 1,000 hours during the plan year and attained age 21. Participants who do not have at least 1,000 hours of service during the plan year or are not employed on the last working day of a plan year are generally not eligible for an allocation of stock for such year. The ESOP was authorized to purchase 27,879,385 shares following our initial public offering and an additional 15,719,223 shares following our second-step conversion for a total of 43,598,608 shares of Hudson City common stock which were purchased at an average price of $5.69 per share with loans from Hudson City Bancorp.

The combined outstanding loan principal at December 31, 2012 was $223.8 million. Those shares purchased were pledged as collateral for the loan and are released from the pledge for allocation to participants as loan payments are made. The loan will be repaid and the shares purchased will be allocated to employees in equal installments of 962,185 shares per year over a forty-year period. The annual allocation of shares is based on the ratio of a participant's eligible compensation, as defined in the ESOP document, as a percentage of total eligible compensation of all participants in the ESOP. Dividends on allocated and unallocated shares, to the extent that they exceed the scheduled principal and interest payments on the ESOP loan, are paid to participants in cash.

Through December 31, 2012, a total of 12,808,699 shares have been allocated or committed to be allocated to participants. Unallocated ESOP shares held in suspense totaled 30,789,909 at December 31, 2012 and had a fair market value of $250.3 million. ESOP compensation expense for the years ended December 31, 2012, 2011 and 2010 was $6.8 million, $7.9 million, and $21.2 million, respectively. The decrease in the expense for the ESOP plan from 2010 was due primarily to a decline in the market price of our common stock during 2012.

The ESOP restoration plan is a non-qualified plan that provides supplemental benefits to certain executives who are prevented from receiving the full benefits contemplated by the employee stock ownership plan's benefit formula. The supplemental cash payments consist of payments representing shares that cannot be allocated to participants under the ESOP due to the legal limitations imposed on tax-qualified plans and, in the case of participants who retire before the repayment in full of the ESOP's loan, payments representing the shares that would have been allocated if employment had continued through the full term of the loan. We accrue for these benefits over the period during which employees provide services to earn these benefits. At December 31, 2012 and 2011, we had accrued $21.7 million and $24.2 million, respectively for the ESOP restoration plan. Compensation expense related to this plan amounted to $(2.3) million, $(8.7) million and $539,000 in 2012, 2011 and 2010, respectively. The decrease in the accrual at December 31, 2012 and the expense for the ESOP restoration plan for 2012 and 2011 were due primarily to a decline in the market price of our common stock during those periods.

c) Stock Option Plans

Compensation expense for stock option grants is recognized based upon the grant-date fair value of those awards over the period of requisite service. The purpose of our stock-based compensation plans is to promote the growth and profitability of Hudson City Bancorp by providing directors, officers and employees with an equity interest in Hudson City Bancorp as an incentive to achieve corporate goals.

Each stock option granted entitles the holder to purchase one share of Hudson City's common stock at an exercise price not less than the fair market value of a share of common stock at the date of grant. Options granted generally vest over a five year period from the date of grant and will expire no later than 10 years following the grant date. Under the Hudson City stock option plans existing prior to 2006, 36,323,960 shares of Hudson City Bancorp, Inc. common stock have been reserved for issuance. Directors and employees have been granted 36,503,507 stock options, including 240,819 shares previously issued, but forfeited by plan participants prior to exercise.

In June 2006, our shareholders approved the Hudson City Bancorp, Inc. 2006 Stock Incentive Plan (the "SIP") authorizing us to grant up to 30,000,000 shares of common stock. In July 2006, the Compensation Committee of the Board of Directors of Hudson City Bancorp (the "Committee"), authorized grants to each non-employee director, executive officers and other employees to purchase shares of the Company's common stock, pursuant to the 2006 SIP. Grants of stock options made through December 31, 2010 pursuant to the 2006 SIP amounted to 23,120,000 options at an exercise price equal to the fair value of our common stock on the grant date, based on quoted market prices. Of these options, 6,067,500 have vesting periods ranging from one to five years and an expiration period of ten years. The remaining 17,052,500 shares have vesting periods ranging from two to three years if certain financial performance measures are met. The financial performance measures for each of these awards, other than the performance stock options granted in 2010 ("2010 grants"), have either been met, or are considered, subject to review and verification of the Committee, probable to be met, so we have recorded compensation expenses for these awards accordingly. One of the two performance measures related to the 2010 option grants was not met so the Company recorded expense for only half of the 2010 option grants.

In April 2011, our shareholders approved the Hudson City Bancorp, Inc. Amended and Restated 2011 Stock Incentive Plan (the "2011 SIP") authorizing us to grant up to 28,750,000 shares of common stock including 2,070,000 shares remaining under the 2006 SIP. During 2011, the Committee authorized stock option grants (the "2011 option grants") pursuant to the 2011 SIP for 1,618,932 options at an exercise price equal to the fair value of our common stock on the grant date, based on quoted market prices. Of these options, 1,308,513 will vest between April 2014 and July 2014 if certain financial performance measures are met and employment continues through the vesting date (the "2011 Performance Options"). The remaining 310,419 options vested in April 2012. The 2011 option grants have an expiration period of ten years. We have determined that it is probable these performance measures for the 2011 Performance Options will be met and have recorded compensation expense for the those grants accordingly.

The fair values of the option grants were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2011		2010	
	Retention Options	**Performance Options**	**Retention Options**	**Performance Options**
Expected dividend yield	3.37 %	3.37 %	4.57 %	4.57 %
Expected volatility	43.54	36.93	41.30	34.58
Risk-free interest rate	1.06	2.01	1.65	2.55
Expected option life	3 years	5 years	3.6 years	5.6 years
Fair value of options granted	$ 2.32	$ 2.39	$ 3.00	$ 2.87

The dividend yield assumptions were based on our current declared dividend as a percentage of the stock price on the grant date. The expected volatility assumptions were calculated based on the weighting of our historical and rolling volatility for the expected term of the option grants. The risk-free interest rate was determined by reference to the continuously compounded yield on Treasury obligations for the expected term. The expected option life was based on historic optionee behavior for prior option grant awards. As a result of low employee turnover, the assumption regarding the forfeiture rate of option grants had no effect on the fair value estimate.

Compensation expense related to our outstanding stock options amounted to $1.7 million, $5.6 million and $11.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

A summary of the status of the granted, but unexercised stock options as of December 31, and changes during those years, is presented below:

	2012		2011		2010	
	Number of Stock Options	**Weighted Average Exercise Price**	**Number of Stock Options**	**Weighted Average Exercise Price**	**Number of Stock Options**	**Weighted Average Exercise Price**
Outstanding at beginning of year	28,825,986	$ 12.77	28,129,885	$ 12.68	24,262,692	$ 12.51
Granted	-	-	1,618,932	9.22	4,232,500	13.13
Exercised	(702,545)	5.56	(870,331)	3.64	(242,807)	5.08
Forfeited	(347,584)	12.05	(52,500)	12.13	(122,500)	14.06
Outstanding at end of year	27,775,857	$ 12.97	28,825,986	$ 12.77	28,129,885	$ 12.68

Shares issued upon the exercise of stock options are issued from treasury stock. Hudson City has an adequate number of treasury shares available for sale for future stock option exercises. The total intrinsic value of the options exercised during 2012, 2011 and 2010 was $1.1 million, $3.9 million, and $1.9 million, respectively.

The following table summarizes information about our stock options outstanding at December 31, 2012:

Options Outstanding			Options Exercisable	
Number Of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Of Options Exercisable	Weighted Average Exercise Price
32,472	1 month	5.96	32,472	5.96
206,480	3 months	6.35	206,480	6.35
448,840	1 year	10.33	448,840	10.33
415,784	2 years	11.17	415,784	11.17
304,308	1 year	11.91	304,308	11.91
2,299,341	1 year	12.22	2,299,341	12.22
7,862,500	3.5 years	12.76	7,802,500	12.76
350,000	4.5 years	13.35	350,000	13.35
3,110,000	4 years	13.78	3,110,000	13.78
3,625,000	5 years	15.69	3,625,000	15.69
350,000	5 years	18.84	350,000	18.84
350,000	6 years	12.81	350,000	12.81
2,905,000	6 years	12.03	2,905,000	12.03
3,650,000	7 years	13.10	150,000	13.10
300,000	7 years	13.62	300,000	13.62
37,500	7 years	12.10	37,500	12.10
1,316,400	8 years	9.50	150,000	9.50
160,419	8 years	9.77	160,419	9.77
51,813	8 years	8.33	-	-
27,775,857		$ 12.97	23,057,644	$ 13.13

The total intrinsic value of the options outstanding and options exercisable were $438,000 as of December 31, 2012. At December 31, 2012, unearned compensation costs related to all nonvested awards of options not yet recognized totaled $1.1 million, and will be recognized over a weighted-average period of approximately 2.7 years.

d) Restricted Stock Plans

Hudson City Bancorp granted stock awards pursuant to the RRP established in January 2000 and the SIP established in January 2006. Expense for stock awards is recognized ratably over the vesting period based on the fair value of the common stock on the grant date. No stock awards have been granted pursuant to the 2011 SIP.

The RRP were authorized, in the aggregate, to purchase not more than 14,901,480 shares of common stock, and have purchased 14,887,855 shares on the open market at an average price of $2.91 per share. Generally, restricted stock grants are held in escrow for the benefit of the award recipient until vested. Awards outstanding generally vest in five annual installments commencing one year from the date of the award. As of December 31, 2012, common stock that had not been awarded totaled 13,625 shares.

During 2009, the Committee granted performance-based stock awards (the “2009 stock awards”) pursuant to the 2006 SIP for 847,750 shares of our common stock. These shares were issued from treasury stock and were scheduled to vest in annual installments over a three-year period if certain performance measures were met and employment continued through the vesting date. These performance measures were met and we recorded compensation expense for the 2009 stock awards over the vesting period based on the fair value of the shares

on the grant date which was $12.03. In addition to the 2009 stock awards, grants were made in 2010 (the "2010 stock awards") pursuant to the 2006 SIP for 18,000 shares of our common stock. Expense for the 2010 stock awards is recognized over the vesting period of three years and is based on the fair value of the shares on the grant date which was $13.12 Total compensation expense for the restricted stock plans amounted to $79,000, $3.5 million and $3.8 million for the years ended December 31, 2012, 2011 and 2010, respectively.

A summary of the status of the granted, but unvested shares under the RRP and SIP Plan as of December 31, and changes during those years, is presented below:

	Restricted Stock Awards					
	2012		2011		2010	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	294,584	$ 12.07	583,167	$ 12.06	959,956	$ 12.00
Granted	-	-	-	-	18,000	13.12
Vested	(288,584)	12.05	(288,583)	12.05	(394,789)	11.94
Forfeited	(6,000)	13.12	-	-	-	-
Outstanding at end of period	-	$ -	294,584	$ 12.07	583,167	$ 12.06

The per share weighted-average vesting date fair value of the shares vested during 2012, 2011, and 2010 was $6.83, $9.50, and $13.16, respectively.

e) Stock Unit Awards

Hudson City Bancorp granted stock unit awards to a newly appointed member of the Board of Directors in July 2010. These awards were for a value of $250,000 which was converted to common stock equivalents (stock units) of 20,661 shares. These units vest annually over a three-year period if service continues through the vesting dates. Vested units will be settled in shares of our common stock following the director's departure from the Board of Directors. Stock unit awards were also made in 2011 (the "2011 stock unit awards") pursuant to the 2011 SIP for a total value of $9.7 million, or stock units of 1,004,230 shares. 2011 stock unit awards to employees vest if service continues through the third anniversary of the awards, and will be settled, if vested, in shares of our common stock on the third and fifth anniversaries of the awards. 2011 stock unit awards to directors vest if service continues through the first anniversary of the award, and are settled in shares of our common stock following the director's departure from the Board of Directors.

Stock unit awards were made in 2012 (the "2012 stock unit awards") pursuant to the 2011 SIP for a total of $12.7 million, or stock units of 1,768,681 shares. 2012 stock unit awards to employees vest if service continues through the third anniversary of the awards and certain financial performance measures are met. The 2012 stock unit awards include stock units of 974,528 shares that will be settled, if vested, in shares of our common stock on the third and sixth anniversaries of the awards. The 2012 stock unit awards also included variable performance stock units ("VPUs") of 718,826 shares which will be settled, if vested, in shares of our common stock on the third anniversary of the awards. The percentage of VPUs that will vest will be determined by ranking the total shareholder return of the Company's common stock over the performance period against the total shareholder return of a peer group of 50 companies and also on return on tangible equity measures. Based on the level of performance, between 0% and 150% of the VPUs may vest. The market condition requirements are reflected in the grant date fair value of the award, and the compensation expense for the award will be recognized regardless of whether the market conditions are met. Based on performance through December 31, 2012, the Company has determined that 60.25% of the VPUs may vest upon service through their vesting dates.

The fair value of the VPUs was estimated as of the date of grant using a Monte Carlo simulation model, which utilized multiple input variables that determine the probability of satisfying the market condition requirements applicable to each award as follows:

	2012 VPUs
HCBK closing price	$ 7.10
Expected volatility	35.28%
Risk-free interest rate	0.39%
Remaining term (in years)	2.68
Fair value of VPUs granted	$ 7.44

The expected volatility assumption was calculated based on the weighting of our historical and rolling volatility for the expected term of the grants. The risk-free interest rate was determined by reference to the continuously compounded yield on Treasury obligations for the expected term.

The remaining 75,327 2012 stock unit awards, which were granted to outside directors, will vest on continued service through April 2013 and will be settled upon resignation from the Board of Directors. Expense for the stock unit awards is recognized over their vesting period and is based on the fair value of our common stock on each stock unit grant date, based on quoted market prices. Expense attributable to the stock unit awards amounted to $6.1 million, $2.6 million and $42,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

A summary of the status of the granted, but unvested shares under the SIP Plan as of December 31, and changes during those years, is presented below:

	Stock Unit Awards					
	2012		2011		2010	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	1,024,891	$ 9.75	20,661	$ 12.10	-	$ -
Granted	1,768,681	7.13	1,004,230	9.70	20,661	12.10
Forfeited	(29,200)	9.71	-	-	-	-
Outstanding at end of period	2,764,372	$ 8.07	1,024,891	$ 9.75	20,661	$ 12.10

f) Incentive Plans

A tax-qualified profit sharing and savings plan is maintained based on Hudson City's profitability. All employees are eligible after one year of employment and the attainment of age 21. Expense related to this plan was $2.3 million, $2.3 million, and $2.5 million in 2012, 2011 and 2010, respectively.

Certain incentive plans are maintained to recognize key executives who are able to make substantial contributions to the long-term success and financial strength of Hudson City. At the end of each performance period, the value of the award is determined in accordance with established criteria. Participants can elect cash payment or elect to defer the award until retirement. The expense related to these plans was $10.2 million, $3.6 million, and $6.8 million in 2012, 2011 and 2010, respectively.

12. Income Taxes

Income tax expense (benefit) is summarized as follows for the years ended December 31:

	2012	2011	2010
		(In thousands)	
Federal:			
Current	$ 108,900	$ (361,196)	$ 334,736
Deferred	27,619	(35,605)	(44,256)
Total federal	136,519	(396,801)	290,480
State:			
Current	157	13,878	76,294
Deferred	27,963	(136,397)	(11,547)
Total state	28,120	(122,519)	64,747
Total income tax expense (benefit)	$ 164,639	$ (519,320)	$ 355,227

Not included in the above table are deferred income tax expense amounts of $20.9 million, $(76.8) million, and $68.5 million for 2012, 2011 and 2010, respectively, which represent the deferred income taxes relating to the changes in accumulated other comprehensive income (loss).

The amounts reported as income tax expense vary from the amounts that would be reported by applying the statutory federal income tax rate to income before income taxes due to the following:

	2012	2011	2010
		(Dollars in thousands)	
Net income (loss) before income tax expense (benefit)	$ 413,782	$ (1,255,309)	$ 892,433
Statutory income tax rate	35 %	35 %	35 %
Computed expected income tax expense (benefit)	144,824	(439,358)	312,352
State income taxes, net of federal income tax expense (benefit)	18,278	(79,638)	42,086
ESOP fair market value adjustment	292	657	2,183
Merger-related expenses	2,125	-	-
Other, net	(880)	(981)	(1,394)
Income tax expense (benefit)	$ 164,639	$ (519,320)	$ 355,227

The net deferred tax asset consists of the following at December 31:

	2012	2011
	(In thousands)	
Deferred tax asset:		
Allowance for loan losses	$ 122,514	$ 110,783
Loss on debt extinguishment	-	69,239
State operating loss carryforward	63,765	75,751
Postretirement benefits	57,098	55,046
Non-qualified benefit plans	48,030	49,306
ESOP expense	12,755	12,709
Interest on non-accrual loans	45,659	35,394
Other	13,847	12,345
Total deferred tax assets	363,668	420,573
Deferred tax liabilities:		
Postretirement benefits	21,630	23,527
Net unrealized gain on securities available for sale	84,631	62,768
Other	1,790	1,463
Total deferred tax liabilities	108,051	87,758
Net deferred tax asset (included in other assets)	$ 255,617	$ 332,815

The net deferred tax asset represents the anticipated federal and state tax benefits expected to be realized in future years upon the utilization of the underlying tax attributes comprising this balance. Federal deferred tax assets are recoverable due to the two year loss carryback period for federal purposes. State deferred tax assets, including the state net operating loss are dependent upon the Company's taxable income in future periods. In management's opinion, in view of Hudson City's previous, current and projected future earnings trends, such net deferred tax asset will more likely than not be fully realized. Accordingly, no valuation allowance was deemed to be required at December 31, 2012 and 2011.

In July 2006, FASB issued guidance which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. Accrued estimated penalties and interest on unrecognized tax benefits were approximately $2.7 million and $2.5 million at December 31, 2012 and 2011, respectively. Estimated penalties and interest of $234,000, $1.2 million and $626,000 are included in income tax (benefit) expense at December 31, 2012, 2011, and 2010, respectively. The Company's tax returns are subject to examination in the normal course by federal tax authorities for the years 2008 through 2012 and by state authorities for the years 2008 through 2012.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31 is as follows:

	2012	2011
	(In thousands)	
Balance at January 1	$ 7,062	$ 5,357
Additions based on tax positions related to the current year	281	2,366
Reductions for tax positions of prior years	(463)	(661)
Balance at December 31	$ 6,880	$ 7,062

Retained earnings at December 31, 2012 included approximately $58.0 million for which no deferred income taxes have been provided. This amount represents the base year allocation of income to bad debt deduction for tax purposes. Under FASB guidance, this amount is treated as a permanent difference and deferred taxes are not recognized unless it appears that the amount will be reduced and result in taxable income in the foreseeable future. Events that would result in taxation of these reserves include failure to qualify as a bank for tax purposes or distributions in excess of Hudson City Savings' current and accumulated earnings and profits, distributions in redemption of stock and distributions in partial or complete liquidation. The unrecognized deferred tax liability with respect to our base-year deduction amounted to $23.5 million at December 31, 2012 and 2011.

13. Fair Value Measurements and Disclosures

a) Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. We did not have any liabilities that were measured at fair value at December 31, 2012 and 2011, respectively. Our securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets or liabilities on a non-recurring basis, such as foreclosed real estate owned, certain impaired loans and goodwill. These non-recurring fair value adjustments generally involve the write-down of individual assets due to impairment losses.

In accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, we group our assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

• Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

• Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

• Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques. The results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability.

We base our fair values on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. ASC Topic 820 requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets that we measure on a recurring basis are limited to our available-for-sale securities portfolio. Our available-for-sale portfolio is carried at estimated fair value with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income or loss in shareholders' equity. Substantially all of our available-for-sale portfolio consists of mortgage-backed securities and investment securities issued by GSEs. The fair values for substantially all of these securities are obtained monthly from an independent nationally recognized pricing service. On a monthly basis, we assess the reasonableness of the fair values obtained by reference to a second independent nationally recognized pricing service. Based on the nature of our securities, our independent pricing service provides us with prices which are categorized as Level 2 since quoted prices in active markets for identical assets are generally not available for the majority of securities in our portfolio. Various modeling techniques are used to determine pricing for our mortgage-backed securities, including option pricing and discounted cash flow models. The inputs to these models include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference

data. On an annual basis, we obtain the models, inputs and assumptions utilized by our pricing service and review them for reasonableness. We also own equity securities with a carrying value of $7.5 million and $7.4 million at December 31, 2012 and 2011, respectively, for which fair values are obtained from quoted market prices in active markets and, as such, are classified as Level 1.

The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a recurring basis at December 31, 2012 and 2011.

		Fair Value at December 31, 2012 using		
Description	**Carrying Value**	**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 debt securities:				
Mortgage-backed securities	$ 8,040,742	$ -	$ 8,040,742	$ -
Corporate debt	420,590	-	420,590	-
Total available for sale debt securities	$ 8,461,332	$ -	$ 8,461,332	$ -
Available for sale equity securities:				
Financial services industry	$ 7,467	$ 7,467	$ -	$ -
Total available for sale equity securities	7,467	7,467	-	-
Total available for sale securities	$ 8,468,799	$ 7,467	$ 8,461,332	$ -

		Fair Value at December 31, 2011 using		
Description	**Carrying Value**	**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 debt securities:				
Mortgage-backed securities	$ 9,170,390	$ -	$ 9,170,390	$ -
Total available for sale debt securities	$ 9,170,390	$ -	$ 9,170,390	$ -
Available for sale equity securities:				
Financial services industry	$ 7,368	$ 7,368	$ -	$ -
Total available for sale equity securities	7,368	7,368	-	-
Total available for sale securities	$ 9,177,758	$ 7,368	$ 9,170,390	$ -

Assets that were measured at fair value on a non-recurring basis at December 31, 2012 and 2011 were limited to non-performing commercial and construction loans that are collateral dependent, troubled debt restructurings and foreclosed real estate. Loans evaluated for impairment in accordance with FASB guidance amounted to $219.8 million and $73.2 million at December 31, 2012 and 2011, respectively. Based on this evaluation, we established an ALL of $1.6 million and $4.4 million for those same respective periods. The provision for loan losses related to these loans amounted to $0 and $2.3 million for 2012 and 2011. Charge-offs related to these loans amounted to $873,000 in 2012 (none in 2011). These impaired loans are individually assessed to determine that the loan's carrying value is not in excess of the fair value of the collateral, less estimated selling costs. Since these impaired loans are secured by real estate, fair value is estimated through current appraisals,

where practical, or an inspection and a comparison of the property securing the loan with similar properties in the area by either a licensed appraiser or real estate broker and, as such, are classified as Level 3.

Foreclosed real estate represents real estate acquired as a result of foreclosure or by deed in lieu of foreclosure and is carried at the lower of cost or fair value less estimated selling costs. Fair value is estimated through current appraisals, where practical, or an inspection and a comparison of the property securing the loan with similar properties in the area by either a licensed appraiser or real estate broker and, as such, foreclosed real estate properties are classified as Level 3. Foreclosed real estate consisted of one-to four-family properties at December 31, 2012 and 2011 and amounted to $47.3 million and $40.6 million, respectively. During 2012 and 2011, charge-offs to the ALL related to loans that were transferred to foreclosed real estate amounted to $3.0 million and $4.4 million, respectively. Write-downs and net loss on sale related to foreclosed real estate that were charged to non-interest expense amounted to $1.9 million and $7.5 million for those same respective periods.

The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a non-recurring basis at December 31, 2012 and 2011.

	Fair Value Measurements at December 31, 2012 using			
Description	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses)**
		(In thousands)		
Impaired loans	$ -	$ -	$ 221,492	$ (873)
Foreclosed real estate	-	-	47,332	(1,881)

	Fair Value Measurements at December 31, 2011 using			
Description	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses)**
		(In thousands)		
Impaired loans	$ -	$ -	$ 73,240	$ (2,280)
Foreclosed real estate	-	-	40,619	(7,461)

The following table provides a reconciliation of assets measured at fair value on a non-recurring basis at December 31, 2012.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	(In thousands)	
	Foreclosed Real Estate	**Impaired Loans**
Balance at December 31, 2010	$ 45,693	$ 16,721
Net (losses) gains	(7,461)	(2,280)
Net transfers in (out)	2,387	58,799
Balance at December 31, 2011	$ 40,619	$ 73,240
Net (losses) gains	(1,881)	(873)
Net transfers in (out)	8,594	149,125
Balance at December 31, 2012	$ 47,332	$ 221,492

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2012.

	December 31, 2012			
Description	**Fair Value**	**Valuation Technique**	**Significant Unobservable Input**	**Range (Weighted Average)**
		(In thousands)		
Impaired loans:				
One-to four-family mortgages	$ 206,044	Net Present Value	N/A	0.0%-50.3% (3.1%)
Multi-family, Commercial and Construction mortgages	15,448	Appraisal Value	Adjustment for differences between the comparable sales.	N/A
Foreclosed real estate	47,322	Appraisal Value	Adjustment for differences between the comparable sales.	0.0%-100.0% (7.2%)

b) Fair Value Disclosures

The fair value of financial instruments represents the estimated amounts at which the asset or liability could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. These estimates are subjective in nature, involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Further, certain tax implications related to the realization of the unrealized gains and losses could have a substantial impact on these fair value estimates and have not been incorporated into any of the estimates.

Cash and due from Banks

Carrying amounts of cash, due from banks and federal funds sold are considered to approximate fair value (Level 1).

FHLB Stock

The carrying value of FHLB stock equals cost. The fair value of FHLB stock is based on redemption at par value (Level 1).

Loans

The fair value of one- to four-family mortgages and home equity loans are generally estimated using the present value of expected future cash flows, assuming future prepayments and using market rates for new loans with comparable credit risk. Published pricing in the secondary and securitization markets was also utilized to assist in the fair value of the loan portfolio (Level 3). The valuation of our loan portfolio is consistent with accounting guidance but does not fully incorporate the exit price approach.

Deposits

For deposit liabilities payable on demand, the fair value is the carrying value at the reporting date (Level 1). For time deposits the fair value is estimated by discounting estimated future cash flows using currently offered rates (Level 2).

Borrowed Funds

The fair value of fixed-maturity borrowed funds is estimated by discounting estimated future cash flows using currently offered rates (Level 2). Structured borrowed funds are valued using an option valuation model which uses assumptions for anticipated calls of borrowings based on market interest rates and weighted-average life (Level 2).

Off-balance Sheet Financial Instruments

There is no material difference between the fair value and the carrying amounts recognized with respect to our off-balance sheet commitments (Level 3).

Other important elements that are not deemed to be financial assets or liabilities and, therefore, not considered in these estimates include the value of Hudson City's retail branch delivery system, its existing core deposit base and banking premises and equipment.

The estimated fair value of Hudson City's financial instruments is summarized as follows at December 31:

	2012		2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Assets:				
Cash and due from banks	$ 171,042	$ 171,042	$ 194,029	$ 194,029
Federal funds sold	656,926	656,926	560,051	560,051
Investment securities held to maturity	39,011	45,592	539,011	545,761
Investment securities available for sale	428,057	428,057	7,368	7,368
Federal Home Loan Bank of New York stock	356,467	356,467	510,564	510,564
Mortgage-backed securities held to maturity	2,976,757	3,172,473	4,115,523	4,368,423
Mortgage-backed securities available for sale	8,040,742	8,040,742	9,170,390	9,170,390
Loans	26,886,065	28,223,227	29,137,359	30,935,705
Liabilities:				
Deposits	23,483,917	23,679,903	25,507,760	25,707,551
Borrowed funds	12,175,000	14,368,603	15,075,000	17,428,484

14. Regulatory Matters

Hudson City Savings is subject to comprehensive regulation, supervision and periodic examination by the OCC. Deposits at Hudson City Savings are insured up to the standard limits of coverage provided by the Deposit Insurance Fund ("DIF") of the FDIC.

On March 30, 2012, the Bank entered into an MOU with the OCC. The Company also entered into the Company MOU on April 24, 2012. See Note 1 to the consolidated financial statements for a description of these regulatory agreements.

OCC regulations require federally chartered savings banks to meet three minimum capital ratios: a 1.5% tangible capital ratio, a 4% leverage (core capital) ratio and an 8% total risk-based capital ratio. In assessing an institution's capital adequacy, the OCC takes into consideration not only these numeric factors but also qualitative factors. Management believes that, as of December 31, 2012, Hudson City Savings met all capital adequacy requirements to which it is subject. As of December 31, 2012, Hudson City Savings met the applicable requirements to be considered "well capitalized".

The following is a summary of Hudson City Savings' actual capital amounts and ratios as of December 31, 2012 and 2011, compared to the OCC minimum capital adequacy requirements and the OCC requirements for classification as a well-capitalized institution:

	Bank Actual		OCC Requirements: Minimum Capital Adequacy		OCC Requirements: For Classification as Well-Capitalized	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
	(Dollars in thousands)					
December 31, 2012						
Tangible capital	$ 4,059,774	10.09 %	$ 603,356	1.50 %	n/a	n/a
Leverage (core) capital	4,059,774	10.09	1,608,950	4.00	$ 2,011,188	5.00 %
Total-risk-based capital	4,309,575	21.59	1,596,842	8.00	1,996,053	10.00
December 31, 2011						
Tangible capital	$ 3,980,011	8.83 %	$ 676,054	1.50 %	n/a	n/a
Leverage (core) capital	3,980,011	8.83	1,802,810	4.00	$ 2,253,512	5.00 %
Total-risk-based capital	4,245,598	20.00	1,698,024	8.00	2,122,531	10.00

The OCC may take certain supervisory actions under the prompt corrective action regulations of the Federal Deposit Insurance Corporation Improvement Act with respect to an undercapitalized institution. Such actions could have a direct material effect on the institution's financial statements. The regulations establish a framework for the classification of savings institutions into five categories: well-capitalized, adequately-capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Under the OCC regulations, an institution is considered well-capitalized if it has a leverage (Tier 1) capital ratio of at least 5.0% and a total risk-based capital ratio of at least 10.0%.

The foregoing capital ratios are based in part on specific quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the OCC about capital components, risk-weightings and other factors.

The Reform Act requires the federal banking agencies (the "Agencies") to establish consolidated risk-based and leverage capital requirements for insured depository institutions, depository institution holding companies and systemically important nonbank financial companies. These requirements must be no less than those to which insured depository institutions are currently subject to. As a result, no later than July 2015 we will become subject to consolidated capital requirements which we have not been subject to previously.

In addition, on September 12, 2010, the Basel Committee adopted the Basel III capital rules. These rules, which will be phased in over a period of years, set new standards for common equity, Tier 1 and total capital, determined on a risk-weighted basis. The Basel III capital rules will be implemented through regulations issued by the Agencies. In June 2012, the Agencies issued a notice of proposed rulemaking for three sets of proposed rules (the "Proposed Rules"), which will subject all savings and loan holding companies, including Hudson City Bancorp, to consolidated capital requirements. These three sets of proposed rules would revise the quantity and quality of required minimum risk-based and leverage capital requirements, consistent with the Reform Act and the Basel III capital standards, and revise the FRB's rules for calculating risk-weighted assets to enhance their risk sensitivity. The new minimum regulatory capital ratios and changes to the calculation of risk-weighted assets were expected to be phased-in beginning in January 2013, however, the Agencies announced on November 9, 2012 that such proposed rules would not become effective in January 2013. At this time, no final rules have been announced or published and no further guidance has been issued by any of the Agencies.

The OCC regulates all capital distributions by Hudson City Savings directly or indirectly to Hudson City Bancorp, including dividend payments. Hudson City Savings may not pay dividends to Hudson City Bancorp

if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements. A subsidiary of a savings and loan holding company, such as Hudson City Savings, must file a notice or seek affirmative approval from the OCC at least 30 days prior to each proposed capital distribution. Whether an application is required is based on a number of factors including whether the institution qualifies for expedited treatment under the OCC rules and regulations or if the total amount of all capital distributions (including each proposed capital distribution) for the applicable calendar year exceeds net income for that year to date plus the retained net income for the preceding two years. Currently, Hudson City Savings must seek approval from the OCC for future capital distributions. In addition, as the subsidiary of a savings and loan holding company, Hudson City Savings must also receive approval from the FRB before declaring a dividend.

Upon completion of the second-step conversion, Hudson City Bancorp established a "liquidation account" in an amount equal to the total equity of Hudson City Savings as of the latest practicable date prior to the second-step conversion. The liquidation account was established to provide a limited priority claim to the assets of Hudson City Savings to "eligible account holders" and "supplemental eligible account holders", as defined in the plan of conversion and reorganization, who continue to maintain deposits in Hudson City Savings after the second-step conversion. In the unlikely event of a complete liquidation of Hudson City Savings at a time when Hudson City Savings has a positive net worth, and only in such event, each eligible account holder and supplemental eligible account holder would be entitled to receive a liquidation distribution, prior to any payment to the stockholders of Hudson City Bancorp. In the unlikely event of a complete liquidation of Hudson City Savings and Hudson City Bancorp does not have sufficient assets (other than the stock of Hudson City Savings) to fund the obligation under the liquidation account, Hudson City Savings will fund the remaining obligation as if Hudson City Savings had established the liquidation account rather than Hudson City Bancorp. Any assets remaining after the liquidation rights of eligible account holders and supplemental eligible account holders are satisfied would be distributed to Hudson City Bancorp as the sole stockholder of Hudson City Savings.

15. Commitments and Contingencies

Hudson City Savings is a party to commitments to extend credit in the normal course of business to meet the financial needs of its customers and commitments to purchase loans and mortgage-backed securities to meet our growth initiatives. Commitments to extend credit are agreements to lend money to a customer as long as there is no violation of any condition established in the contract.

Commitments to fund first mortgage loans generally have fixed expiration dates or other termination clauses, whereas home equity lines of credit have no expiration date. Since some commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Hudson City Savings evaluates each customer's credit-worthiness on a case-by-case basis.

At December 31, 2012, Hudson City Savings had variable- and fixed-rate first mortgage loan commitments to extend credit of approximately $321.4 million and $111.7 million, respectively; commitments to purchase fixed-rate first mortgage loans of $140,000; and unused home equity, overdraft and commercial/construction lines of credit of approximately $159.0 million, $2.6 million, and $3.1 million, respectively. At December 31, 2011, Hudson City Savings had variable- and fixed-rate first mortgage loan commitments to extend credit of approximately $259.2 million and $178.7 million, respectively; commitments to purchase fixed-rate first mortgage loans of $140,000; and unused home equity, overdraft and commercial/construction lines of credit of approximately $172.9 million, $2.6 million, and $3.3 million, respectively. These commitment amounts are not included in the accompanying financial statements. There is no exposure to credit loss in the event the other party to commitments to extend credit does not exercise its rights to borrow under the commitment.

Except as described below, we are not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. We believe that these routine legal proceedings, in the aggregate, are immaterial to our financial condition and results of operations.

Eighteen putative class action complaints have been filed in the Court of Chancery, Delaware against Hudson City Bancorp, its directors, and M&T challenging the Merger. On November 20, 2012, the Delaware Court of Chancery ordered that all eighteen pending actions be consolidated for all purposes under the caption "In re Hudson City Bancorp Shareholder Litigation," designated Case No. 7850 as the operative docket number, and designated the corrected amended verified class action complaint in that case as the operative complaint (the "Delaware Operative Complaint"). The Court also designated the pending motion to expedite discovery in that action as operative, deemed any pending discovery requests in Case No. 7832 as operative, and deemed a Subpoena to Evercore Group, L.L.C. in Case No. 7823 as operative. Evercore Group, L.L.C. acted as an advisor to M&T in the Merger.

The Delaware Operative Complaint names Hudson City Bancorp, all of the current members of Hudson City Bancorp's board of directors, M&T, and WTC as defendants. Certain of the Delaware complaints also named Hudson City Savings Bank as a defendant. The Delaware Operative Complaint alleges that the Hudson City Bancorp directors breached their fiduciary duties to Hudson City Bancorp's public stockholders by approving the Merger at an unfair price. It also alleges that the Merger was the product of a flawed sales process because the Hudson City Bancorp board did not actively shop Hudson City Bancorp before entering into a Merger Agreement with M&T and that it was tainted by a number of material conflicts of interest, including that one M&T director previously worked for a law firm that rendered substantial services to Hudson City Bancorp over a number of years, the board's financial advisor stands to collect the majority of its $19 million advisory fee upon the consummation of the proposed transaction and is a wholly-owned subsidiary of one of the largest institutional shareholders of M&T, and Hudson City Bancorp directors will receive certain benefits from the Merger not shared in by other Hudson City Bancorp stockholders, including certain paid positions with M&T following the consummation of the proposed transaction. The Delaware Operative Complaint further alleges that the Hudson City Bancorp directors approved provisions in the Merger Agreement that constitute impermissible deal protection devices, including a "no solicitation" provision that allegedly prevents the Hudson City Bancorp board from actively soliciting potential other merger partners and apprise M&T of its receipt of any unsolicited inquiries from potential other merger partners, a provision that allegedly prevents the board from terminating the proposed transaction in the event it receives a superior proposal from another bidder, a "matching rights" provision that allegedly requires the Hudson City Bancorp board to afford M&T three business days to match any superior proposal from another bidder, an "information rights" provision that allegedly requires the Hudson City Bancorp board to provide full information about any competing proposals to M&T, and a "termination fee" provision that allegedly requires Hudson City Bancorp to pay M&T $125 million if the Hudson City Bancorp board determines to pursue a superior proposal or withdraw its recommendation in favor of the proposed transaction. The Delaware Operative Complaint further alleges that M&T and WTC aided and abetted the alleged breaches of fiduciary duties. The Delaware Operative Complaint also alleges that Hudson City Bancorp and M&T have filed a misleading and incomplete Form S-4 with the SEC in connection with the proposed transaction.

Six putative class actions challenging the Merger have also been filed in the Superior Court for Bergen County, Chancery Division, of New Jersey (the "New Jersey Court"). On October 12, 2012, the New Jersey Court ordered that the actions be consolidated for all purposes (the "New Jersey Consolidated Actions") under the caption "In re Hudson City Bancorp, Inc. Shareholder Litigation," designated Case No. 259-12 as the operative docket number, and designated the class action complaint filed in Case No. C-266-12 as the operative complaint. On November 9, 2012, the plaintiffs in the New Jersey Consolidated Actions filed a consolidated and amended class action complaint (the "New Jersey Consolidated Complaint").

These complaints, including the New Jersey Consolidated Complaint, allege that the Hudson City Bancorp directors breached their fiduciary duties to Hudson City Bancorp's public stockholders by approving the Merger at an unfair price. They also variously allege that the Hudson City Bancorp board approved the Merger through a flawed sales process, including because the Hudson City Bancorp board approved the Merger in the absence of a competitive sales process and that the process was tainted by certain alleged conflicts of interest on the part of the Hudson City Bancorp directors regarding certain personal and financial benefits they will

receive upon consummation of the proposed transaction that public stockholders of Hudson City Bancorp will not receive. The New Jersey complaints, including the New Jersey Consolidated Complaint, also allege that the Hudson City Bancorp board breached their fiduciary duties because they agreed to a Merger Agreement with allegedly impermissible deal protection devices, including a "no solicitation" provision that allegedly prevents Hudson City Bancorp from shopping itself to other potential bidders, an "information rights" provision that allegedly requires the Hudson City Bancorp board to provide full information about any competing proposals to M&T, and a "termination fee" provision that allegedly requires Hudson City Bancorp to pay M&T $125 million in the event Hudson City Bancorp pursues a superior bid. The New Jersey Consolidated Complaint further alleges that Hudson City Bancorp and M&T filed a materially false and misleading Form S-4 in connection with the proposed transaction. The complaints, including the New Jersey Consolidated Complaint, further allege that M&T aided and abetted the alleged breaches of fiduciary duties. Certain of the complaints also allege that Hudson City Bancorp and WTC aided and abetted the alleged breaches of fiduciary duties.

All 24 lawsuits seek, among other things, to enjoin completion of the Merger and an award of costs and attorneys' fees. Certain of the actions also seek an accounting of damages sustained as a result of the alleged breaches of fiduciary duty and punitive damages. The court in Delaware has set a hearing date with respect to the preliminary injunction motion filed by the plaintiffs, which is scheduled to occur prior to the date of the shareholders meeting to approve the Merger. The defendants believe these actions are without merit and intend to defend vigorously against the claims.

16. Parent Company Only Financial Statements

Set forth below are the condensed financial statements for Hudson City Bancorp, Inc.:

Statements of Financial Condition

	December 31, 2012	December 31, 2011
	(In thousands)	
Assets:		
Cash and due from subsidiary bank	$ 136,014	$ 137,822
Investment in subsidiary	4,344,092	4,199,876
ESOP loan receivable	223,763	226,593
Total Assets	$ 4,703,869	$ 4,564,291
Stockholders' Equity:		
Accrued expenses	$ 4,061	$ 3,851
Total stockholders' equity	4,699,808	4,560,440
Total Liabilities and Stockholders' Equity	$ 4,703,869	$ 4,564,291

Statements of Operations

	Year Ended December 31,		
	2012	2011	2010
		(In thousands)	
Income:			
Dividends received from subsidiary	$ 160,000	$ 87,524	$ 320,000
Interest on ESOP loan receivable	11,329	11,464	11,593
Interest on deposit with subsidiary	352	733	1,483
Total income	171,681	99,721	333,076
Expenses	7,279	1,380	1,466
Income before income tax expense and equity in undistributed net income (loss) of subsidiary	164,402	98,341	331,610
Income tax expense	3,774	4,068	4,360
Income before equity in undistributed net income (loss) of subsidiary	160,628	94,273	327,250
Equity in undistributed net income (loss) of subsidiary	88,515	(830,262)	209,956
Net income (loss)	$ 249,143	$ (735,989)	$ 537,206

Statements of Cash Flows

	Year Ended December 31,		
	2012	2011	2010
		(In thousands)	
Cash Flows from Operating Activities:			
Net income (loss)	$ 249,143	$ (735,989)	$ 537,206
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income (loss)	(88,515)	830,262	(209,956)
Decrease in other assets	-	-	231
Increase in accrued expenses	210	3,720	131
Net Cash Provided by Operating Activities	160,838	97,993	327,612
Cash Flows from Investing Activities:			
Principal collected on ESOP loan	2,830	2,695	2,568
Net Cash Provided by Investing Activities	2,830	2,695	2,568
Cash Flows from Financing Activities:			
Purchases of treasury stock	(427)	(163)	(464)
Exercise of stock options	3,905	3,165	1,235
Cash dividends paid on unallocated ESOP shares	(10,161)	(12,757)	(20,208)
Cash dividends paid	(158,793)	(192,698)	(295,757)
Net Cash Used in Financing Activities	(165,476)	(202,453)	(315,194)
Net (Decrease) Increase in Cash Due from Bank	(1,808)	(101,765)	14,986
Cash Due from Bank at Beginning of Year	137,822	239,587	224,601
Cash Due from Bank at End of Year	$ 136,014	$ 137,822	$ 239,587

17. Selected Quarterly Financial Data (Unaudited)

The following tables are a summary of certain quarterly financial data for the years ended December 31, 2012 and 2011.

	2012 Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
	(In thousands, except per share data)			
Interest and dividend income	$ 448,791	$ 430,661	$ 405,429	$ 388,158
Interest expense	214,673	206,408	202,141	195,894
Net interest income	234,118	224,253	203,288	192,264
Provision for loan losses	25,000	25,000	20,000	25,000
Net interest income after provision for loan losses	209,118	199,253	183,288	167,264
Non-interest income	2,787	2,924	3,017	2,733
Non-interest expense	91,598	83,571	93,877	87,556
Income before income tax expense	120,307	118,606	92,428	82,441
Income tax expense	47,320	46,330	36,496	34,493
Net Income	$ 72,987	$ 72,276	$ 55,932	$ 47,948
Basic earnings per share	$ 0.15	$ 0.15	$ 0.11	$ 0.10
Diluted earnings per share	$ 0.15	$ 0.15	$ 0.11	$ 0.10

	2011 Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
	(In thousands, except per share data)			
Interest and dividend income	$ 617,523	$ 552,732	$ 524,238	$ 472,844
Interest expense	361,122	279,823	279,895	265,863
Net interest income	256,401	272,909	244,643	206,981
Provision for loan losses	40,000	30,000	25,000	25,000
Net interest income after provision for loan losses	216,401	242,909	219,643	181,981
Non-interest income	105,207	2,732	3,094	2,884
Non-interest expense	1,240,568	85,837	83,661	820,094
(Loss) income before income tax expense	(918,960)	159,804	139,076	(635,229)
Income tax (benefit) expense	(363,296)	63,796	54,873	(274,693)
Net (loss) income	$ (555,664)	$ 96,008	$ 84,203	$ (360,536)
Basic (loss) earnings per share	$ (1.13)	$ 0.19	$ 0.17	$ (0.73)
Diluted (loss) earnings per share	$ (1.13)	$ 0.19	$ 0.17	$ (0.73)

18. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

	For the Year Ended December 31,								
	2012			2011			2010		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
	(In thousands, except per share data)								
Net income (loss)	$ 249,143			$(735,989)			$ 537,206		
Basic earnings (loss) per share:									
Income (loss) available to common stockholders	$ 249,143	496,570	$ 0.50	$(735,989)	494,629	$(1.49)	$ 537,206	493,033	$ 1.09
Effect of dilutive common stock equivalents	-	35		-	-		-	1,281	
Diluted earnings (loss) per share:									
Income (loss) available to common stockholders	$ 249,143	496,605	$ 0.50	$(735,989)	494,629	$(1.49)	$ 537,206	494,314	$ 1.09

Excludes options to purchase 24,036,905 shares, 26,833,269 shares and 16,160,000 shares, respectively, of the Company's common stock which were outstanding for the years ended December 31, 2012, 2011 and 2010 as their inclusion would be anti-dilutive.

19. Recent Accounting Pronouncements

In February 2013, FASB issued ASU No. 2013-2, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires that an entity report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. The amendment does not change the current requirements for reporting net income or other comprehensive income in financial statements. The amendment does require that an entity provide information about the amounts reclassified out of accumulated other comprehensive income by component. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. We do not expect this ASU will have a material impact on our financial condition, results of operations or financial statement disclosures.

In December 2011, FASB issued ASU No. 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05, which indefinitely defers the requirement that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements for all periods presented. Entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect prior to ASU 2011-05. All other requirements in ASU 2011-05 are not affected by this update, including the requirement to report comprehensive income either in a single continuous statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011. We have reported the required information in the accompanying Consolidated Statements of Comprehensive Income.

In September 2011, FASB issued ASU No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. Under the amendments in this update, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit, as described in the accounting guidance. The guidance in ASU 2011-08 also provides entities with the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test and an entity may resume performing the qualitative assessment in any subsequent period. ASU 2011-08 does not change current accounting guidance for testing other indefinite-lived intangible assets for impairment. This guidance is effective for fiscal years beginning after December 15, 2011. Early adoption is permitted, including annual and interim goodwill impairment tests performed prior to September 15, 2011. Adoption of this ASU did not have a material impact on our financial condition, results of operations or financial statement disclosures.

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Corporate Information

BOARD OF DIRECTORS

Hudson City Bancorp, Inc. and Hudson City Savings Bank

Ronald E. Hermance, Jr.
Chairman of the Board and
Chief Executive Officer
Hudson City Bancorp, Inc.
and Hudson City Savings Bank

Denis J. Salamone
President and
Chief Operating Officer
Hudson City Bancorp, Inc.
and Hudson City Savings Bank

Michael W. Azzara
Retired President and CEO
Valley Health System

William G. Bardel
Retired Chief Financial
and Administrative Officer
The Lawrenceville School

Scott A. Belair
Co-founder and Director
Urban Outfitters, Inc.

Victoria H. Bruni
Retired Vice President
Administration and Finance
Ramapo College of New Jersey

Cornelius E. Golding
Retired Senior Vice President
and Chief Financial Officer
Atlantic Mutual Insurance
Company

Donald O. Quest, M.D.
Neurological Surgeon
Columbia-Presbyterian Medical Center

Joseph G. Sponholz
Retired Vice Chairman
Chase Manhattan Bank

OFFICE OF THE CHAIRMAN

Hudson City Bancorp, Inc. and Hudson City Savings Bank

Ronald E. Hermance, Jr.
Chairman of the Board and
Chief Executive Officer

Denis J. Salamone
President and
Chief Operating Officer

Veronica A. Olszewski
Senior Vice President
Treasurer and Corporate Secretary

Tracey A. Dedrick
Executive Vice President
Chief Risk Officer

Anthony J. Fabiano
Executive Vice President
Finance and Administration

James C. Kranz
Executive Vice President
Chief Financial Officer

Thomas E. Laird
Executive Vice President
Chief Lending Officer

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Hudson City Bancorp, Inc. and Hudson City Savings Bank

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Ronald J. Butkovich
V. Barry Corridon
Michael Daly
James A. Klarer
William J. LaCalamito
Christopher L. Mahler
Michael D. McCambridge
J. Christopher Nettleton
Steven M. Schlesinger
Dennis J. Valentovic

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Hudson City Bancorp, Inc. and Hudson City Savings Bank

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Paul Chaves
Emil D'Angelo
Patrick Donegan
Christopher P. Dooley
Lei He
Joseph Michalik
Kenneth O'Brien
Theresa E. O'Connell
William A. Rice
Michael R. Robinette
Francesco S. Rossi
Frank Santora
Richard P. St. George
Bernadette D. Wiese
Bernadette F. Zelop

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Hudson City Savings Bank

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Florence Attanasio
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Glen J. Bicica
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Richard Cipriano
Leonard A. Conticello
Gina V. Currid
Yolanda M. DiMari
Mohamed Saad Eloraby
Gregory Fairclough
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Sonia C. Tracey
JoAnn Vizzi
Ralph J. Weeks
Bruce L. Wilcox
Douglas C. Yingling
Adrienne Y. Zuendt

INDEPENDENT AUDITORS

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New York, NY 10154

CORPORATE COUNSEL

Arnold & Porter LLP
399 Park Avenue
New York, NY 10022

TRANSFER AGENT AND REGISTRAR

Inquiries regarding stock certificate administration, address changes, and other related services should be directed to:

Computershare Shareowner Services LLC
480 Washington Boulevard
Jersey City, NJ 07310
800.719.9059
www.cpushareownerservices.com

STOCK LISTING

Hudson City Bancorp, Inc. common stock is traded on the NASDAQ Stock Market under the ticker symbol HCBK.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held on Wednesday, December 18, 2013, at 12:00 noon Eastern Time at
The Park Ridge Marriott
300 Brae Boulevard
Park Ridge, NJ 07656

INVESTOR RELATIONS

Susan K. Munhall
201.967.8290
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Information about Hudson City Savings Bank, its products, services, locations and other banking information may be obtained on our website at www.HCBK.com. Investors interested in Hudson City Bancorp, Inc., stock quotes, investor presentations, SEC filings and other corporate information, should click on the Investor Relations tab on our website.

A copy of our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission (exclusive of exhibits), is available without charge by contacting our Investor Relations Department at 201.967.8290 or through our website, www.HCBK.com.

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