

OFFICE OF THRIFT SUPERVISION

Order Not Objecting to Stock Repurchases Made in the First Year Following a Conversion

Order No.: 2005-42
Date: October 18, 2005
Docket No.: H-4023

Hudson City Bancorp, Inc., Paramus, New Jersey (Holding Company), has submitted a notice, pursuant to 12 C.F.R. § 563b.515, to repurchase up to 29,880,000 shares of its common stock, constituting 5.0 percent of its outstanding shares, in open market purchases. The Holding Company's subsidiary, Hudson City Savings Bank, Paramus, New Jersey (Association), and the Association's former federal mutual holding company, Hudson City Bancorp, MHC, completed a mutual to stock conversion under OTS regulations on June 7, 2005. In approving the mutual to stock conversion, OTS imposed a condition requiring that following the conversion, the Holding Company be subject to the OTS stock repurchase regulations as if it were the Association.

The OTS Mutual to Stock Conversion Regulations generally prohibit stock repurchases during the first year after a mutual to stock conversion, but provide for certain limited exceptions. In particular, OTS regulations, at 12 C.F.R. § 563.510(a)(1), provide that in extraordinary circumstances, open market repurchases of up to five percent of the stock are allowed in the first year after conversion if a notice is filed under 12 C.F.R. § 563b.515, and OTS does not disapprove the repurchase. Section 563b.515(c) states that OTS will not object to a proposed repurchase if: (i) the proposed repurchase will not adversely affect the converted institution's (or, in the case of holding company repurchases, the holding company's or savings association's) financial condition; (ii) the institution submits sufficient information to evaluate the proposed repurchases; (iii) the filing demonstrates extraordinary circumstances and a compelling and valid business purpose for the share repurchases; and (iv) the repurchase program is not contrary to other applicable regulations. In addition, under 12 C.F.R. § 563b.510(c) the repurchase plan may not reduce a savings association's capital below the amount required for its liquidation account.

OTS has considered the repurchases proposed in the notice. With respect to the first approval criterion, OTS concludes that the repurchase program will not adversely affect the financial condition of the Holding Company or the Association. The Association has approximately \$4.4 billion in stockholders' equity, or 17.06 percent of total assets, at June 30, 2005. The purchase price of the repurchases would be approximately \$372.9 million at current market prices, immaterially reducing stockholders' equity. The Association will remain well capitalized after the repurchases.

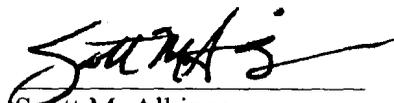
With respect to the second approval criterion, the Holding Company has provided information regarding the repurchases, and OTS has extensive information regarding the financial position of the Holding Company and the Association.

With respect to the third criterion, the large number of shares outstanding, and the aggregate market value of those shares, combined with the expectations of institutional investors holding 55 percent of the common stock for continued repurchases constitute "extraordinary circumstances" here. There are 597.6 million shares of common stock outstanding. At the September 12, 2005, closing price of \$12.48 per share, the Holding Company's market value was approximately \$7.458 billion. The Holding Company suspended a previous share repurchase program when it commenced its recent second-step conversion. Under these circumstances, it is reasonable for institutional investors to anticipate that the Holding Company would commence a new stock repurchase program. In the absence of a repurchase program, institutional investors may engage in significant stock sales, which could adversely affect other shareholders. In addition, the size of the proposed repurchase program does not appear to be excessive considering the amount of stock outstanding. Accordingly, OTS concludes that extraordinary circumstances justifying the proposed repurchase program exist in this case. The same reasoning leads to the conclusion that a compelling business purpose for the repurchases exists under the regulations.

With respect to the fourth approval criterion, regarding compliance with applicable regulations, OTS concludes that the repurchase program would not be contrary to other applicable regulations. Finally, the proposed stock repurchase plan will not reduce the Association's or the Holding Company's capital below the amount required for the liquidation accounts.

Based on the foregoing, OTS does not object to the notice of the proposed repurchases.

By order of the Director of the Office of Thrift Supervision, or his designee,
effective October 18, 2005.



Scott M. Albinson
Managing Director
Office of Examinations, Supervision,
and Consumer Protection