

DIME COMMUNITY BANCSHARES INC
Form 10-Q
August 07, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended
OR

June 30, 2015

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

For the transition period from to

Commission file number 0-27782

Dime Community Bancshares, Inc.
(Exact name of registrant as specified in its charter)

Delaware 11-3297463
(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification number)

209 Havemeyer Street, Brooklyn, NY 11211
(Address of principal executive offices) (Zip Code)

(718) 782-6200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all the reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company" in Rule 12b-2 of the Exchange Act.

LARGE ACCELERATED FILER	ACCELERATED FILER	NON -ACCELERATED FILER	SMALLER REPORTING COMPANY
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES	NO
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Classes of Common Stock	Number of Shares Outstanding at August 6, 2015
\$.01 Par Value	37,189,352

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This Quarterly Report on Form 10-Q contains a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by use of words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "seek," "may," "outlook," "plan," "potential," "predict," "project," "should," "will," "would" and similar terms and phrases, including references to assumptions.

Forward-looking statements are based upon various assumptions and analyses made by Dime Community Bancshares, Inc. (the "Holding Company," and together with its direct and indirect subsidiaries, the "Company") in light of management's experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes appropriate under the circumstances. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors (many of which are beyond the Company's control) that could cause actual conditions or results to differ materially from those expressed or implied by such forward-looking statements. These factors include, without limitation, the following:

- the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Company's control;
- there may be increases in competitive pressure among financial institutions or from non-financial institutions;
- the net interest margin is subject to material short-term fluctuation based upon market rates;
- changes in deposit flows, loan demand or real estate values may adversely affect the business of The Dime Savings Bank of Williamsburgh (the "Bank");
- changes in accounting principles, policies or guidelines may cause the Company's financial condition to be perceived differently;
- changes in corporate and/or individual income tax laws may adversely affect the Company's business or financial condition;
- general economic conditions, either nationally or locally in some or all areas in which the Company conducts business, or conditions in the securities markets or the banking industry may be less favorable than the Company

- currently anticipates;
- legislation or regulatory changes may adversely affect the Company's business;
- technological changes may be more difficult or expensive than the Company anticipates;
- success or consummation of new business initiatives may be more difficult or expensive than the Company anticipates;
- litigation or other matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than the Company anticipates; and
- The risks referred to in the section entitled "Risk Factors."

The Company has no obligation to update any forward-looking statements to reflect events or circumstances after the date of this document.

Item 1. Condensed Consolidated Financial Statements

DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)
(Dollars in thousands except share amounts)

	June 30, 2015	December 31, 2014
ASSETS:		
Cash and due from banks	\$67,946	\$78,187
Federal funds sold and other short-term investments	-	250
Total cash and cash equivalents	67,946	78,437
Investment securities held-to-maturity (estimated fair value of \$7,787 and \$6,315 at June 30, 2015 and December 31, 2014, respectively)(fully unencumbered)	5,300	5,367
Investment securities available-for-sale, at fair value (fully unencumbered)	3,842	3,806
Mortgage-backed securities available-for-sale, at fair value (fully unencumbered)	459	26,409
Trading securities	8,777	8,559
Loans:		
Real estate, net	4,304,309	4,117,411
Consumer loans	1,954	1,829
Less allowance for loan losses	(18,553)	(18,493)
Total loans, net	4,287,710	4,100,747
Loans held for sale	333	-
Premises and fixed assets, net	15,263	25,065
Premises held for sale	8,799	-
Federal Home Loan Bank of New York ("FHLBNY") capital stock	52,728	58,407
Other real estate owned ("OREO")	148	18
Bank Owned Life Insurance ("BOLI")	83,830	82,614
Goodwill	55,638	55,638
Other assets	53,762	52,040
Total Assets	\$4,644,535	\$4,497,107
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	\$2,722,850	\$2,472,199
Non-interest bearing deposits	210,957	187,593
Total deposits	2,933,807	2,659,792
Escrow and other deposits	87,239	91,921
FHLBNY advances	1,033,725	1,173,725
Trust Preferred securities payable	70,680	70,680
Other liabilities	41,137	41,264
Total Liabilities	4,166,588	4,037,382
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock (\$0.01 par, 9,000,000 shares authorized, none issued or outstanding at June 30, 2015 and December 31, 2014)	-	-
Common stock (\$0.01 par, 125,000,000 shares authorized, 53,145,798 shares and 52,871,443 shares issued at June 30, 2015 and December 31, 2014, respectively, and 37,189,352 shares and 36,855,019 shares outstanding at June 30, 2015 and December 31, 2014, respectively)	532	529
Additional paid-in capital	259,637	254,358

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Retained earnings	440,335	427,126
Accumulated other comprehensive loss, net of deferred taxes	(9,349)	(8,547)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(2,429)	(2,545)
Unearned Restricted Stock Award common stock	(3,165)	(3,066)
Common stock held by Benefit Maintenance Plan ("BMP")	(9,354)	(9,164)
Treasury stock, at cost (15,956,446 shares and 16,016,424 shares at June 30, 2015 and December 31, 2014, respectively)	(198,260)	(198,966)
Total Stockholders' Equity	477,947	459,725
Total Liabilities And Stockholders' Equity	\$4,644,535	\$4,497,107

See notes to condensed consolidated financial statements.

DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollars in thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income:				
Loans secured by real estate	\$43,473	\$41,973	\$85,261	\$82,834
Other loans	24	29	48	54
Mortgage backed securities	2	236	183	484
Investment securities	121	136	290	206
Federal funds sold and other short-term investments	578	536	1,228	1,058
Total interest income	44,198	42,910	87,010	84,636
Interest expense:				
Deposits and escrow	5,670	4,992	10,890	9,613
Borrowed funds	5,458	7,324	12,956	14,174
Total interest expense	11,128	12,316	23,846	23,787
Net interest income	33,070	30,594	63,164	60,849
Credit for loan losses	(1,135)	(1,130)	(1,307)	(849)
Net interest income after credit for loan losses	34,205	31,724	64,471	61,698
Non-interest income:				
Service charges and other fees	799	769	1,549	1,424
Net mortgage banking income	41	82	113	1,082
Net (loss) gain on securities	(25)	63	1,425	77
Net gain on the disposal of other assets	-	-	-	649
Income from BOLI	611	379	1,216	765
Other	251	272	675	628
Total non-interest income	1,677	1,565	4,978	4,625
Non-interest expense:				
Salaries and employee benefits	8,600	8,146	14,499	16,665
Stock benefit plan amortization expense	940	969	1,882	1,958
Occupancy and equipment	2,490	2,392	5,434	5,143
Data processing costs	877	815	1,752	1,653
Federal deposit insurance premiums	576	524	1,127	1,029
Other	2,883	2,452	5,536	4,673
Total non-interest expense	16,366	15,298	30,230	31,121
Income before income taxes	19,516	17,991	39,219	35,202
Income tax expense	7,987	7,531	15,912	14,708
Net income	\$11,529	\$10,460	\$23,307	\$20,494
Earnings per Share:				
Basic	\$0.32	\$0.29	\$0.65	\$0.57
Diluted	\$0.32	\$0.29	\$0.64	\$0.57

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Dollars in thousands)

Net Income	\$11,529	\$10,460	\$23,307	\$20,494
Amortization and reversal of net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of deferred tax expense of \$10 and \$8 during the three months ended June 30, 2015 and 2014, respectively, and \$21 and \$16 during the six months ended June 30, 2015	12	10	25	22

and 2014, respectively

Reduction in (adjustment to) non-credit component of other than temporary impairment ("OTTI"), net of deferred tax expense (benefit) of \$(16) and \$4 during the three months ended June 30, 2015 and 2014, respectively, and \$(12) and \$8 during the six months ended June 30, 2015 and 2014, respectively

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Reclassification adjustment for securities sold during the period, net of income tax expense (benefit) of \$2 during the three months ended June 30, 2015 and \$(624) during the six months ended June 30, 2015

(reclassified from net gain on securities)

2 - (760) -

Net unrealized securities gains (losses) arising during the period, net of deferred tax expense (benefit) of \$(2) and \$57 during the three months ended June 30, 2015 and 2014, respectively, and \$15 and \$27 during the six months ended June 30, 2015 and 2014, respectively

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Change in pension and other postretirement obligations, net of deferred tax expense (benefit) of \$210 and \$117 during the three months ended June 30, 2015 and 2014, respectively, and \$(58) and \$234 during the six months ended June 30, 2015 and 2014, respectively

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Comprehensive Income

\$11,777 \$10,688 \$22,505 \$20,845

See notes to condensed consolidated financial statements.

DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
(Dollars in thousands)

	Six Months Ended June 30,	
	2015	2014
Common Stock (Par Value \$0.01):		
Balance at beginning of period	\$529	\$528
Shares issued in exercise of options	3	1
Balance at end of period	532	529
Additional Paid-in Capital:		
Balance at beginning of period	254,358	252,253
Stock options exercised	4,053	278
Excess tax expense related to stock benefit plans	204	71
Amortization of excess fair value over cost – ESOP stock and stock options expense	541	584
Release from treasury stock for equity awards, net of return of shares to treasury for forfeited shares	481	654
Balance at end of period	259,637	253,840
Retained Earnings:		
Balance at beginning of period	427,126	402,986
Net income for the period	23,307	20,494
Cash dividends declared and paid	(10,098)	(10,043)
Balance at end of period	440,335	413,437
Accumulated Other Comprehensive Loss, Net of Deferred Taxes:		
Balance at beginning of period	(8,547)	(4,759)
Other comprehensive (loss) income recognized during the period, net of tax	(802)	351
Balance at end of period	(9,349)	(4,408)
Unallocated Common Stock of ESOP:		
Balance at beginning of period	(2,545)	(2,776)
Amortization of earned portion of ESOP stock	116	116
Balance at end of period	(2,429)	(2,660)
Unearned Restricted Stock Award Common Stock:		
Balance at beginning of period	(3,066)	(3,193)
Amortization of earned portion of restricted stock awards	985	995
Release from treasury stock for equity awards, net of return of shares to treasury for forfeited shares	(1,084)	(1,930)
Balance at end of period	(3,165)	(4,128)
Common Stock Held by BMP:		
Balance at beginning of period	(9,164)	(9,013)
Award distribution	-	1
Release from treasury stock for equity awards, net of return of shares to treasury for forfeited shares	(190)	(152)
Balance at end of period	(9,354)	(9,164)
Treasury Stock, at cost:		
Balance at beginning of period	(198,966)	(200,520)
Treasury shares repurchased (20,000 shares during the six months ended June 30, 2015)	(300)	-
Release from treasury stock for equity awards, net of return of shares to treasury for forfeited shares	1,006	1,598

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Balance at end of period	(198,260)	(198,922)
TOTAL STOCKHOLDERS' EQUITY AT THE END OF PERIOD	\$477,947	\$448,524

See notes to condensed consolidated financial statements.

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DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in thousands)

	Six Months Ended	
	June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$23,307	\$20,494
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain on investment and mortgage backed securities sold	(1,384)	-
Net gain recognized on trading securities	(41)	(77)
Net gain on the sale of loans	-	(27)
Net gain on the sale of OREO and other assets	-	(649)
Net depreciation, amortization and accretion	1,602	1,330
Stock plan compensation (excluding ESOP)	1,015	1,059
ESOP compensation expense	627	637
Credit for loan losses	(1,307)	(849)
Credit to reduce the liability for loans sold with recourse	-	(1,040)
Increase in cash surrender value of BOLI	(1,216)	(765)
Deferred income tax provision (credit)	(76)	3
Excess tax expense from stock benefit plans	(204)	(71)
Changes in assets and liabilities:		
Increase in other assets	(784)	(598)
Decrease in other liabilities	(425)	(36)
Net cash provided by Operating activities	21,114	19,411
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities held-to-maturity	127	76
Proceeds from calls and principal repayments of investment securities available-for-sale	-	15,000
Proceeds from sales of investment securities available-for-sale	2,070	-
Proceeds from the sales of trading securities	1,337	-
Proceeds from sale of mortgage backed securities available for sale	24,307	-
Purchases of investment securities available-for-sale	(2,021)	(18)
Purchases of mortgage backed securities available-for-sale	-	(875)
Acquisition of trading securities	(1,514)	(159)
Principal collected on mortgage backed securities available-for-sale	1,577	3,344
Proceeds from the sale of loans	9,201	12,970
Purchases of loans	-	(221,924)
Loans originated, net of repayments	(195,320)	(66,161)
Proceeds from the sale of premises	-	4,273
Purchases of fixed assets	(456)	(1,120)
Redemption(Purchase) of FHLB NY capital stock	5,679	(5,218)
Net cash used in Investing Activities	(155,013)	(259,812)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in due to depositors	274,015	145,934
Increase (decrease) in escrow and other deposits	(4,682)	7,526
Repayments of FHLB NY advances	(918,000)	(660,000)
Proceeds from FHLB NY advances	778,000	768,150
Proceeds from exercise of stock options	4,056	278
Excess tax expense from stock benefit plans	204	71
Release of stock for benefit plan awards	213	171

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Treasury shares repurchased	(300)	-
Cash dividends paid to stockholders	(10,098)	(10,043)
Net cash provided by Financing Activities	123,408	252,087
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,491)	11,686
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	78,437	45,777
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$67,946	\$57,463
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$17,559	\$15,535
Cash paid for interest	24,071	23,470
Loans transferred to OREO	130	-
Transfer of premises to held for sale	8,799	-
Loans transferred to held for sale	9,534	12,970
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	47	38
Net (increase) decrease in non-credit component of OTTI	(27)	16

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Dollars in Thousands Except Per Share Amounts)

1. NATURE OF OPERATIONS

The Holding Company is a Delaware corporation and parent company of the Bank, a New York State chartered stock savings bank. The Holding Company's direct subsidiaries are the Bank, 842 Manhattan Avenue Corp., and Dime Community Capital Trust 1. The Bank's direct subsidiaries are Boulevard Funding Corp., Dime Insurance Agency Inc., DSBW Preferred Funding Corporation, DSBW Residential Preferred Funding Corp., Dime Reinvestment Corp., 195 Havemeyer Corp. and DSB Holdings NY, LLC.

The Bank maintains its headquarters in the Williamsburg section of Brooklyn, New York and operates twenty-five full service retail banking offices located in the New York City ("NYC") boroughs of Brooklyn, Queens, and the Bronx, and in Nassau County, New York. The Bank's principal business is gathering deposits from customers within its market area and via the internet, and investing them primarily in multifamily residential, commercial real estate and mixed used loans, as well as mortgage-backed securities ("MBS"), obligations of the U.S. Government and Government Sponsored Enterprises ("GSEs"), and corporate debt and equity securities. All of the Bank's lending occurs in the greater NYC metropolitan area.

2. SUMMARY OF ACCOUNTING POLICIES

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary for a fair presentation of the Company's financial condition as of June 30, 2015 and December 31, 2014, the results of operations and statements of comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014, and the changes in stockholders' equity and cash flows for the six-month periods ended June 30, 2015 and 2014. The results of operations for the three-month and six-month periods ended June 30, 2015 are not necessarily indicative of the results of operations for the remainder of the year ending December 31, 2015. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to the rules and regulations of the U. S. Securities and Exchange Commission ("SEC").

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Please see "Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" for a discussion of areas in the accompanying unaudited condensed consolidated financial statements utilizing significant estimates.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2014 and notes thereto.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU 2014-08 changed the criteria for reporting discontinued operations and provided financial statement users additional information related to the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 also sought to both clarify confusion related to, and inconsistent financial reporting of, discontinued operations under existing GAAP guidance,

and enhance convergence between GAAP and International Financial Reporting Standards. Under ASU 2014-08, only disposals that represent strategic shifts and have a major effect on the organization's operations and financial results are to be presented as discontinued operations. ASU 2014-08 further requires disclosure of the pretax income attributable to the disposal of a significant part of an organization that does not meet the criteria for discontinued operations reporting, providing users information about the ongoing trends in a reporting organization's results from continuing operations. Adoption of ASU 2014-08 did not have a material impact upon the Company's consolidated financial condition or results of operations.

4. TREASURY STOCK

There were no treasury repurchases during the three months ended June 30, 2015, or the three-month or six-month periods ended June 30, 2014. The Holding Company repurchased 20,000 shares of its common stock into treasury during the six months ended June 30, 2015 at a weighted average cost of \$15.00 per share.

On April 23, 2015, 11,557 shares of the Holding Company's common stock were released from treasury in order to fulfill benefit obligations under the BMP. The closing price of the Holding Company's common stock on that date was \$16.37, and the shares were released utilizing the average historical cost method. On April 30, 2015, 68,069 shares of the Holding Company's common stock were released from treasury in order to fulfill benefit obligations under the Dime Community Bancshares, Inc. 2013 Equity and Incentive Plan (the "2013 Equity and Incentive Plan"). The closing price of the Holding Company's common stock on that date was \$15.92, and the shares were released utilizing the average historical cost method.

On April 30, 2014, 121,333 shares of the Holding Company's common stock were released from treasury in order to fulfill benefit obligations under either the Dime Community Bancshares, Inc. 2004 Stock Incentive Plan (the "2004 Stock Incentive Plan") or the 2013 Equity and Incentive Plan, and 9,364 shares of treasury stock were released in order to fulfill benefit obligations under the BMP. The closing price of the Holding Company's common stock on that date was \$16.30, and the shares were released utilizing the average historical cost method.

Shares either released from treasury stock for earned equity awards or returned to treasury stock due to forfeited equity awards were otherwise immaterial during the three-month and six-month periods ended June 30, 2015 and 2014.

5. OTHER COMPREHENSIVE INCOME (LOSS)

The before and after tax amounts allocated to each component of other comprehensive income (loss) are presented in the table below. Reclassification adjustments related to securities available-for-sale are included in the line entitled net (loss) gain on securities in the accompanying condensed consolidated statements of income.

	Pre-tax Amount	Tax Expense (Benefit)	After tax Amount
Three Months Ended June 30, 2015			
Securities held-to maturity and transferred securities:			
Change in non-credit component of OTTI	\$ (35)	\$ (16)	\$ (19)
Change in unrealized loss on securities transferred to held to maturity	22	10	12
Total securities held-to-maturity and transferred securities	(13)	(6)	(7)
Securities available-for-sale:			
Reclassification adjustment for net losses included in net (loss) gain on securities	4	2	2
Change in net unrealized gain during the period	(8)	(4)	(4)
Total securities available-for-sale	(4)	(2)	(2)
Defined benefit plans:			
Reclassification adjustment for expense included in salaries and employee benefits expense	467	210	257
Change in the net actuarial gain or loss	-	-	-
Total defined benefit plans	467	210	257
Total other comprehensive income	\$ 450	\$ 202	\$ 248
Three Months Ended June 30, 2014			
Securities held-to-maturity and transferred securities:			

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Change in non-credit component of OTTI	\$ 8	\$ 4	\$ 4
Change in unrealized loss on securities transferred to held to maturity	18	8	10
Total securities held-to-maturity and transferred securities	26	12	14
Securities available-for-sale:			
Reclassification adjustment for net gains included in net (loss) gain on securities	-	-	-
Change in net unrealized gain during the period	127	57	70
Total securities available-for-sale	127	57	70
Defined benefit plans:			
Reclassification adjustment for expense included in salaries and employee benefits expense	261	117	144
Total defined benefit plans	261	117	144
Total other comprehensive income	\$ 414	\$ 186	\$ 228

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	Pre-tax Amount	Tax Expense (Benefit)	After tax Amount
Six Months Ended June 30, 2015			
Securities held-to maturity and transferred securities:			
Change in non-credit component of OTTI	\$(27)	\$ (12)	\$ (15)
Change in unrealized loss on securities transferred to held to maturity	46	21	25
Total securities held-to-maturity and transferred securities	19	9	10
Securities available-for-sale:			
Reclassification adjustment for net gains included in net (loss) gain on securities	(1,384)	(624)	(760)
Change in net unrealized gain during the period	35	15	20
Total securities available-for-sale	(1,349)	(609)	(740)
Defined benefit plans:			
Reclassification adjustment for expense included in salaries and employee benefits expense	934	420	514
Change in the net actuarial gain or loss	(1,064)	(478)	(586)
Total defined benefit plans	(130)	(58)	(72)
Total other comprehensive loss	\$(1,460)	\$ (658)	\$ (802)
Six Months Ended June 30, 2014			
Securities held-to-maturity and transferred securities:			
Change in non-credit component of OTTI	\$16	\$ 8	\$ 8
Change in unrealized loss on securities transferred to held to maturity	38	16	22
Total securities held-to-maturity and transferred securities	54	24	30
Securities available-for-sale:			
Reclassification adjustment for net gains included in net (loss) gain on securities	-	-	-
Change in net unrealized gain during the period	60	27	33
Total securities available-for-sale	60	27	33
Defined benefit plans:			
Reclassification adjustment for expense included in salaries and employee benefits expense	522	234	288
Total defined benefit plans	522	234	288
Total other comprehensive income	\$636	\$ 285	\$ 351

Activity in accumulated other comprehensive gain (loss), net of tax, was as follows:

	Securities Held-to-Maturity and Transferred Securities	Securities Available-for-Sale	Defined Benefit Plans	Total Accumulated Other Comprehensive Gain (Loss)
Balance as of January 1, 2015	\$ (826)	\$ 736	\$(8,457)	\$ (8,547)
Other comprehensive income (loss) before reclassifications	10	20	(586)	(556)
Amounts reclassified from accumulated other comprehensive loss	-	(760)	514	(246)
Net other comprehensive income (loss) during the period	10	(740)	(72)	(802)
Balance as of June 30, 2015	\$ (816)	\$ (4)	\$(8,529)	\$ (9,349)

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Balance as of January 1, 2014	\$ (878) \$ 1,319	\$(5,200)	\$ (4,759)
Other comprehensive income before reclassifications	30	33	-	63	
Amounts reclassified from accumulated other comprehensive loss	-	-	288	288	
Net other comprehensive income during the period	30	33	288	351	
Balance as of June 30, 2014	\$ (848) \$ 1,352	\$(4,912)	\$ (4,408)

6. EARNINGS PER SHARE ("EPS")

Basic EPS is computed by dividing income attributable to common stock by the weighted-average common shares outstanding during the reporting period. Diluted EPS is computed using the same method as basic EPS, but reflects the potential dilution that would occur if "in the money" stock options were exercised and converted into common stock. In determining the weighted average shares outstanding for basic and diluted EPS, treasury stock and unallocated ESOP shares are excluded. Vested restricted stock award shares are included in the calculation of the weighted average shares outstanding for basic and diluted EPS. Unvested restricted stock award shares are recognized as a special class of securities under ASC 260.

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The following is a reconciliation of the numerators and denominators of basic EPS and diluted EPS for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income per the Consolidated Statements of Income	\$ 11,529	\$ 10,460	\$ 23,307	\$ 20,494
Less: Dividends paid and earnings allocated to participating securities	(33)	(42)	(73)	(86)
Income attributable to common stock	\$ 11,496	\$ 10,418	\$ 23,234	\$ 20,408
Weighted average common shares outstanding, including participating securities	36,412,733	36,181,381	36,344,359	36,138,178
Less: weighted average participating securities	(245,046)	(304,243)	(266,424)	(310,989)
Weighted average common shares outstanding	36,167,687	35,877,138	36,077,935	35,827,189
Basic EPS	\$0.32	\$0.29	\$0.65	\$0.57
Income attributable to common stock	\$ 11,496	\$ 10,418	\$ 23,234	\$ 20,408
Weighted average common shares outstanding	36,167,687	35,877,138	36,077,935	35,827,189
Weighted average common equivalent shares outstanding	91,690	80,153	80,886	96,160
Weighted average common and equivalent shares outstanding	36,259,377	35,957,291	36,158,821	35,923,349
Diluted EPS	\$0.32	\$0.29	\$0.64	\$0.57

Common equivalent shares resulting from the dilutive effect of "in-the-money" outstanding stock options are calculated based upon the excess of the average market value of the Holding Company's common stock over the exercise price of outstanding in-the-money stock options during the period.

There were 126,453 and 246,774 weighted-average stock options outstanding for the three-month periods ended June 30, 2015 and 2014, respectively, which were not considered in the calculation of diluted EPS since their exercise prices exceeded the average market price during the period. There were 136,292 and 342,056 weighted-average stock options outstanding for the six-month periods ended June 30, 2015 and 2014, respectively, which were not considered in the calculation of diluted EPS since their exercise prices exceeded the average market price during the period.

7. ACCOUNTING FOR STOCK BASED COMPENSATION

During the three-month and six-month periods ended June 30, 2015 and 2014, the Holding Company and Bank maintained the Dime Community Bancshares, Inc. 2001 Stock Option Plan for Outside Directors, Officers and Employees, the 2004 Stock Incentive Plan and the 2013 Equity and Incentive Plan (collectively, the "Stock Plans"), which are discussed more fully in Note 15 to the Company's audited consolidated financial statements for the year ended December 31, 2014, and which are subject to the accounting requirements of ASC 505-50 and ASC 718.

Stock Option Awards

Combined activity related to stock options granted under the Stock Plans during the periods presented was as follows:

At or for the Three Months Ended June 30,		At or for the Six Months Ended June 30,	
2015	2014	2015	2014

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Options outstanding – beginning of period	905,780	988,396	979,916	1,615,771
Options granted	-	-	-	-
Options exercised	(259,579)	(8,480)	(274,355)	(16,960)
Options that expired prior to exercise	-	-	(59,360)	(618,895)
Options outstanding – end of period	646,201	979,916	646,201	979,916
Intrinsic value of options exercised	\$300	\$1	\$384	\$6
Compensation expense recognized	8	27	31	63
Remaining unrecognized compensation expense	-	77	-	77
Intrinsic value of outstanding options at period end	1,632	1,301	1,632	1,301
Intrinsic value of vested options at period end	1,632	1,295	1,632	1,295
Weighted average exercise price of vested options – end of period	14.57	14.73	14.57	14.73

There were no grants of stock options during the three-month and six-month periods ended June 30, 2015 and 2014.

Restricted Stock Awards

The Company, from time to time, issues restricted stock awards to outside directors and certain officers under the 2004 Equity Plan or 2013 Equity Plan. Typically, awards to outside directors fully vest on the first anniversary of the grant date, while awards to officers vest in equal annual installments over a four-year period.

The following is a summary of activity related to the restricted stock awards granted under the 2004 Equity Plan or 2013 Equity Plan during the periods indicated:

	At or for the Three Months		At or for the Six Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
Unvested allocated shares – beginning of period	285,610	317,053	289,660	318,314
Shares granted	68,069	121,333	68,069	121,333
Shares vested	(128,327)	(141,361)	(132,377)	(141,361)
Shares forfeited	(980)	(1,981)	(980)	(3,242)
Unvested allocated shares – end of period	224,372	295,044	224,372	295,044
Compensation recorded to expense	\$455	\$502	\$984	\$995

8. LOANS RECEIVABLE AND CREDIT QUALITY

Loans are reported at the principal amount outstanding, net of unearned fees or costs and the allowance for loan losses. Interest income on loans is recorded using the level yield method. Under this method, discount accretion and premium amortization are included in interest income. Loan origination fees and certain direct loan origination costs are deferred and amortized as yield adjustments over the contractual loan terms.

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying them as to credit risk. This analysis includes all non-homogeneous loans, such as multifamily residential, mixed use residential (i.e., loans in which the aggregate rental income of the underlying collateral property is generated from both residential and commercial units, but the majority of such income is generated from the residential units), mixed use commercial real estate (i.e., loans in which the aggregate rental income of the underlying collateral property is generated from both residential and commercial units, but the majority of such income is generated from the commercial units), commercial real estate and construction and land acquisition loans, as well as one-to four family residential and cooperative and condominium apartment loans with balances in excess of the Fannie Mae ("FNMA") conforming loan limits for high-cost areas such as the Bank's primary lending area ("FNMA Limits") that are deemed to meet the definition of impaired. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Bank's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of then existing facts, conditions, and values, highly questionable and improbable.

The Bank had no loans classified as doubtful as of June 30, 2015 or December 31, 2014. All real estate loans not classified as Special Mention or Substandard were deemed pass loans at both June 30, 2015 and December 31, 2014.

The following is a summary of the credit risk profile of real estate loans (including deferred costs) by internally assigned grade as of the dates indicated:

	Balance at June 30, 2015						
	One- to	Four-Family	Residential,	Including Multifamily	Commercial		
	Condominiums	Residential	Residential	Residential	Mixed Use	Commercial	
	and	and	and	and	Real Estate	Real Estate	
Grade	Cooperative	Residential	Mixed Use	Real Estate	Real Estate	Construction	
	Apartment	Mixed Use	Real Estate	Real Estate	Real Estate	Construction	
Not Graded(1)	\$8,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$8,008
Pass	59,639						