

DIME COMMUNITY BANCSHARES INC
Form 10-Q
November 05, 2014

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 September 30, 2014
OR

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)

(7718) 782-6200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (11) 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 (22) 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 (§232.4.4405 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 company" in Rule 12b-2 of the Exchange Act.

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LARGE ACCELERATED FILER ACCELERATED FILER NON -ACCELERATED FILER SMALLER REPORTING COMPANY

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO

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 November 5, 2014
\$0.01 Par Value	36,853,172

	Page
PART I – FINANCIAL INFORMATION	
Item 1. Unaudited Condensed Consolidated Financial Statements	
Consolidated Statements of Financial Condition at September 30, 2014 and December 31, 2013	3
Consolidated Statements of Income for the Three-Month and Nine-Month Periods Ended September 30, 2014 and 2013	4
Consolidated Statements of Comprehensive Income for the Three-Month and Nine-Month Periods Ended September 30, 2014 and 2013	4
Consolidated Statements of Changes in Stockholders' Equity for the Nine Months Ended September 30, 2014 and 2013	5
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013	6
Notes to Condensed Consolidated Financial Statements	7-30
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	30-43
Item 3. Quantitative and Qualitative Disclosures About Market Risk	43-45
Item 4. Controls and Procedures	45
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	45
Item 1A. Risk Factors	45-46
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	46
Item 3. Defaults Upon Senior Securities	46
Item 5. Other Information	46
Item 6. Exhibits	46-48
Signatures	48

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.

-2-

Item 1. Condensed Consolidated Financial Statements
DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

(Dollars in thousands except share amounts)

	September 30, 2014	December 31, 2013
ASSETS:		
Cash and due from banks	\$58,977	\$45,777
Total cash and cash equivalents	59,227	45,777
Investment securities held-to-maturity (estimated fair value of \$6,337 and \$5,163 at September 30, 2014 and December 31, 2013, respectively)(fully unencumbered)	5,352	5,341
Investment securities available-for-sale, at fair value (fully unencumbered)	3,708	18,649
Mortgage-backed securities available-for-sale, at fair value (fully unencumbered)	27,721	31,543
Trading securities	7,056	6,822
Loans:		
Real estate, net	4,051,262	3,697,380
Consumer loans	1,913	2,139
Less allowance for loan losses	(19,098)	(20,153)
Total loans, net	4,034,077	3,679,366
Loans held for sale	1,481	-
Premises and fixed assets, net	25,607	26,077
Premises held for sale	-	3,624
Federal Home Loan Bank of New York ("FHLBNY") capital stock	55,235	48,051
Other Real Estate Owned ("OREO")	18	18
Goodwill	55,638	55,638
Other assets	109,285	107,284
Total Assets	\$4,384,405	\$4,028,190
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	\$2,446,285	\$2,332,689
Non-interest bearing deposits	176,328	174,457
Total deposits	2,622,613	2,507,146
Escrow and other deposits	95,830	69,404
FHLBNY advances	1,103,225	910,000
Trust Preferred securities payable	70,680	70,680
Other liabilities	35,854	35,454
Total Liabilities	3,928,202	3,592,684
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock (\$ 0.01 par, 9,000,000 shares authorized, none issued or outstanding at September 30, 2014 and December 31, 2013)	-	-
Common stock (\$ 0.01 par, 125,000,000 shares authorized, 52,871,443 shares and 52,854,483 shares issued at September 30, 2014 and December 31, 2013, respectively, and 36,858,556 shares and 36,712,951 shares outstanding at September 30, 2014 and December 31, 2013, respectively)	529	528
Additional paid-in capital	254,103	252,253
Retained earnings	420,170	402,986
Accumulated other comprehensive loss, net of deferred taxes	(4,284)	(4,759)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(2,603)	(2,776)
Unearned Restricted Stock Award common stock	(3,626)	(3,193)

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Common stock held by Benefit Maintenance Plan ("BMP")	(9,164)	(9,013)
Treasury stock, at cost (16,012,887 shares and 16,141,532 shares at September 30, 2014 and December 31, 2013, respectively)	(198,922)	(200,520)
Total Stockholders' Equity	456,203	435,506
Total Liabilities And Stockholders' Equity	\$4,384,405	\$4,028,190

See notes to condensed consolidated financial statements.

-3-

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

(Dollars in thousands except per share amounts)

	Three Months		Nine Months Ended	
	Ended September		September 30,	
	30,		2014	2013
	2014	2013	2014	2013
Interest income:				
Loans secured by real estate	\$43,477	\$42,451	\$126,311	\$130,291
Other loans	26	25	80	74
Mortgage-backed securities	223	310	707	1,123
Investment securities	68	84	274	316
Federal funds sold and other short-term investments	551	416	1,609	1,423
Total interest income	44,345	43,286	128,981	133,227
Interest expense:				
Deposits and escrow	4,976	4,908	14,590	15,240
Borrowed funds	7,410	6,725	21,583	20,267
Total interest expense	12,386	11,633	36,173	35,507
Net interest income	31,959	31,653	92,808	97,720
(Credit) Provision for loan losses	(501)	240	(1,350)	425
Net interest income after provision for loan losses	32,460	31,413	94,158	97,295
Non-interest income:				
Service charges and other fees	1,084	1,015	2,507	2,554
Net mortgage banking income	71	76	1,153	350
Net gain (loss) on securities	(43)	83	35	297
Income from bank owned life insurance	382	419	1,147	1,249
Other	323	415	951	1,197
Total non-interest income	1,817	2,008	6,442	5,626
Non-interest expense:				
Salaries and employee benefits	7,806	8,459	24,472	25,730
Stock benefit plan amortization expense	954	1,007	2,912	2,985
Occupancy and equipment	2,513	2,697	7,656	7,735
Data processing costs	814	858	2,467	2,533
Federal deposit insurance premiums	547	515	1,576	1,470
Provision for losses on OREO	-	-	-	180
Other	2,090	2,039	6,762	6,598
Total non-interest expense	14,724	15,575	45,845	47,231
Income before income taxes	19,553	17,846	54,755	55,690
Income tax expense	7,788	7,215	22,496	22,450
Net income	\$11,765	\$10,631	\$32,259	\$33,240
Earnings per Share:				
Basic	\$0.33	\$0.30	\$0.90	\$0.95
Diluted	\$0.33	\$0.30	\$0.90	\$0.95

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Dollars in thousands)

Net Income	\$11,765	\$10,631	\$32,259	\$33,240
Amortization and reversal of net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of deferred tax expense of \$5 and \$8 during the three months ended September 30, 2014 and 2013, respectively, and \$21 and \$58 during the nine months ended September	7	10	29	72

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30, 2014 and 2013, respectively

Reduction in non-credit component of other than temporary impairment ("OTTI"), net of deferred tax expense of \$4 and \$4 during the three months ended both September 30, 2014 and 2013 and \$13 and \$13 during the nine months ended both September 30, 2014 and 2013	4	4	11	12
Reclassification adjustment for securities sold during the period, net of income tax expense of \$(50) during the nine months ended September 30, 2013 (reclassified from net gain on securities)	-	-	-	(60)
Net unrealized securities (losses) gains arising during the period, net of deferred tax (benefit) expense of \$(24) and \$74 during the three months ended September 30, 2014 and 2013, respectively, and \$2 and \$125 during the nine months ended September 30, 2014 and 2013, respectively	(30)	90	3	156
Change in pension and other postretirement obligations, net of deferred tax expense of \$117 during the three months ended September 30, 2014 and \$351 during the nine months ended September 30, 2014	144	-	432	-
Comprehensive Income	\$11,890	\$10,735	\$32,734	\$33,420

See notes to condensed consolidated financial statements.

-4-

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

	Nine Months Ended September 30,	
	2014	2013
Common Stock (Par Value \$0.01):		
Balance at beginning of period	\$528	\$520
Shares issued in exercise of options	1	6
Balance at end of period	529	526
Additional Paid-in Capital:		
Balance at beginning of period	252,253	239,041
Stock options exercised	278	8,972
Excess tax benefit related to stock benefit plans	71	704
Amortization of excess fair value over cost- ESOP stock and stock options expense	847	874
Release from treasury stock for equity awards, net of return of forfeited shares to treasury	654	514
Balance at end of period	254,103	250,105
Retained Earnings:		
Balance at beginning of period	402,986	402,986
Net income for the period	32,259	33,240
Cash dividends declared and paid	(15,075)	(14,742)
Balance at end of period	420,170	397,664
Accumulated Other Comprehensive Loss, Net of Deferred Taxes:		
Balance at beginning of period	(4,759)	(9,640)
Other comprehensive income recognized during the period	475	180
Balance at end of period	(4,284)	(9,460)
Unallocated Common Stock of ESOP:		
Balance at beginning of period	(2,776)	(3,007)
Amortization of earned portion of ESOP stock	173	173
Balance at end of period	(2,603)	(2,834)
Unearned Restricted Stock Award Common Stock:		
Balance at beginning of period	(3,193)	(3,122)
Amortization of earned portion of restricted stock awards	1,497	1,511
Release from treasury stock for equity awards, net of return of forfeited shares to treasury	(1,930)	(2,082)
Balance at end of period	(3,626)	(3,693)
Common Stock Held by BMP:		
Balance at beginning of period	(9,013)	(8,800)
Award distribution	1	-
Release from treasury stock for equity awards	(152)	(213)
Balance at end of period	(9,164)	(9,013)
Treasury Stock, at cost:		
Balance at beginning of period	(200,520)	(202,584)
Release from treasury stock for equity awards, net of return of forfeited shares to treasury	1,598	2,034
Balance at end of period	(198,922)	(200,550)
Total Stockholders' Equity	\$456,203	\$422,745

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$32,259	\$33,240
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain on the sales of investment securities available-for-sale	-	(110)
Net gain recognized on on trading securities	(35)	(187)
Net gain on the sale of loans	(27)	(13)
Net gain (loss) on the sale of OREO and other assets	(649)	21
Net depreciation, amortization and accretion	1,978	2,064
Stock plan compensation (excluding ESOP)	1,584	1,669
ESOP compensation expense	934	889
Provision for loan losses	(1,350)	425
Provision for losses on OREO	-	180
Credit to reduce the liability for loans sold with recourse	(1,040)	(245)
Increase in cash surrender value of BOLI	(1,147)	(1,249)
Deferred income tax credit	(116)	(740)
Excess tax benefit from stock benefit plans	(71)	(704)
Changes in assets and liabilities:		
Origination of loans held for sale during the period	-	(1,621)
Proceeds from sale of loans held for sale	-	2,194
(Increase) Decrease in other assets	(341)	8,935
Increase in other liabilities	1,512	3,859
Net cash provided by operating activities	33,491	48,607
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities held-to-maturity	76	514
Proceeds from calls and principal repayments of investment securities available-for-sale	15,000	14,750
Proceeds from sales of investment securities available-for-sale	-	366
Proceeds from sales of trading securities	-	131
Purchases of investment securities available-for-sale	(24)	(389)
Purchases of mortgage backed securities available-for-sale	(875)	-
Purchases of trading securities	(200)	(332)
Principal collected on mortgage backed securities available-for-sale	4,645	14,731
Proceeds from the sale of portfolio loans	12,970	4,387
Purchases of loans	(221,924)	(40,264)
Loans originated, net of repayments	(145,861)	(128,563)
Proceeds from the sale of OREO	-	564
Proceeds from the sale of premises	4,273	-
Purchases of fixed assets, net	(1,500)	(1,348)
(Purchase) Redemption of FHLBNY capital stock	(7,184)	3,148
Net cash used in investing activities	(340,604)	(132,305)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in due to depositors	115,467	129,735
Increase in escrow and other deposits	26,426	15,407

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Repayment of FHLB NY advances	(695,000)	(130,000)
Proceeds from FHLB NY advances	888,225	60,000
Proceeds from exercise of stock options	278	8,978
Excess tax benefit of stock benefit plans	71	704
BMP benefit distribution	1	-
Release of stock for benefit plan awards	170	253
Cash dividends paid to stockholders	(15,075)	(14,742)
Net cash provided by Financing Activities	320,563	70,335
INCREASE IN CASH AND CASH EQUIVALENTS	13,450	(13,363)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,777	79,076
CASH AND CASH EQUIVALENTS, END OF PERIOD	59,227	65,713
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$23,135	\$23,683
Cash paid for interest	35,689	35,411
Loans transferred to OREO	-	765
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	49	180
Net decrease in non-credit component of OTTI	24	25

See notes to condensed consolidated financial statements.

-6-

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. and 195 Havemeyer Corp.

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 September 30, 2014 and December 31, 2013, the results of operations and statements of comprehensive income for the three-month and nine-month periods ended September 30, 2014 and 2013, and the changes in stockholders' equity and cash flows for the nine-month periods ended September 30, 2014 and 2013. The results of operations for the three-month and nine-month periods ended September 30, 2014 are not necessarily indicative of the results of operations for the remainder of the year ending December 31, 2014. 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 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, 2013 and notes thereto.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2014, the Financial Accounting Standards Board ("FASB") 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 changes the criteria for reporting discontinued operations and provides financial statement users additional

information related to the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 also seeks to both clarify existing 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 a 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 is required for the quarterly period ended March 31, 2015, with early adoption permitted. Adoption of ASU 2014-08 is not expected to have a material impact upon the Company's consolidated financial condition or results of operations.

-7-

In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers, (Topic 606)" ("ASU 2014-09"). ASU 2014-09 impacts any entity that either enters into contracts with customers to transfer goods or services, or that enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (i.e., insurance contracts or lease contracts). Under ASU 2014-09, an entity is required to recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires disclosure of sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, as well as qualitative and quantitative disclosure related to contracts with certain customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU 2014-09 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. Adoption of ASU 2014-09 is not expected to have a material impact upon the Company's consolidated financial position or results of operations.

4. TREASURY STOCK

The Holding Company did not repurchase any of its common stock into treasury during the nine months ended September 30, 2014 and 2013.

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 Equity Plan") or the Dime Community Bancshares, Inc. 2013 Equity and Incentive Plan (the "2013 Equity 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.

On April 30, 2013, 145,925 shares of the Holding Company's common stock were released from treasury in order to fulfill benefit obligations under the 2004 Equity Plan and 15,049 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 \$14.27, and the shares were released utilizing the average historical cost method.

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 gain on securities in the accompanying consolidated statements of income.

	Pre-tax Amount	Tax Expense (Benefit)	After tax Amount
Three Months Ended September 30, 2014			
Securities held-to maturity and transferred securities:			
Change in non-credit component of OTTI	\$ 8	\$ 4	\$ 4
Change in unrealized loss on securities transferred to held to maturity	12	5	7
Total securities held-to-maturity and transferred securities	20	9	11
Securities available-for-sale:			
Change in net unrealized gain during the period	(54)	(24)	(30)
Total securities available-for-sale	(54)	(24)	(30)
Defined benefit plans:			
Reclassification adjustment for expense included in salaries and employee benefits expense	261	117	144
Total defined benefit plans	261	117	144

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Total other comprehensive income (loss)	\$ 227	\$ 102	\$ 125
Three Months Ended September 30, 2013			
Securities held-to-maturity and transferred securities:			
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:			
Change in net unrealized gain during the period	164	74	90
Total securities available-for-sale	164	74	90
Defined benefit plans:			
Reclassification adjustment for expense included in salaries and employee benefits expense	-	-	-
Total defined benefit plans	-	-	-
Total other comprehensive income (loss)	\$ 190	\$ 86	\$ 104

-8-

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	Pre-tax Amount	Tax Expense (Benefit)	After tax Amount
Nine Months Ended September 30, 2014			
Securities held-to-maturity and transferred securities			
Change in non-credit component of OTTI	\$ 24	\$ 13	\$ 11
Change in unrealized loss on securities transferred to held to maturity	50	21	29
Total securities held-to-maturity and transferred securities	74	34	40
Securities available-for-sale			
Change in net unrealized gain during the period	5	2	3
Total securities available-for-sale	5	2	3
Defined benefit plans:			
Reclassification adjustment for expense included in salaries and employee benefits expense	783	351	432
Total defined benefit plans	783	351	432
Total other comprehensive income (loss)	\$ 862	\$ 387	\$ 475
Nine Months Ended September 30, 2013			
Securities held-to-maturity and transferred securities:			
Change in non-credit component of OTTI	\$ 25	\$ 13	\$ 12
Change in unrealized loss on securities transferred to held to maturity	130	58	72
Total securities held-to-maturity and transferred securities	155	71	84
Securities available-for-sale:			
Reclassification adjustment for net gains included in net gain (loss) on securities	(110)	(50)	(60)
Change in net unrealized gain during the period	281	125	156
Total securities available-for-sale	171	75	96
Defined benefit plans:			
Reclassification adjustment for expense included in salaries and employee benefits expense	-	-	-
Total defined benefit plans	-	-	-
Total other comprehensive income (loss)	\$ 326	\$ 146	\$ 180

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, 2014	\$ (878)	\$ 1,319	\$ (5,200)	\$ (4,759)
Other comprehensive income before reclassifications	41	2	-	43
Amounts reclassified from accumulated other comprehensive loss	-	-	432	432
Net other comprehensive income during the period	41	2	432	475
Balance as of September 30, 2014	\$ (837)	\$ 1,321	\$ (4,768)	\$ (4,284)
Balance as of January 1, 2013	\$ (1,043)	1,178	\$ (9,775)	\$ (9,640)
Other comprehensive income before reclassifications	84	156	-	240
Amounts reclassified from accumulated other comprehensive loss	-	(60)	-	(60)
Net other comprehensive income during the period	84	96	0	180

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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 June 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income per the Consolidated Statements of Income	\$ 11,765	\$ 10,631	\$ 32,259	\$ 33,240
Less: Dividends paid and earnings allocated to participating securities	(41)	(44)	(128)	(135)
Income attributable to common stock	\$ 11,724	\$ 10,587	\$ 32,131	\$ 33,105
Weighted average common shares outstanding, including participating securities	36,215,186	35,664,100	36,164,129	35,371,184
Less: weighted average participating securities	(295,044)	(318,314)	(305,615)	(321,325)
Weighted average common shares outstanding	35,920,142	35,345,786	35,858,514	35,049,859
Basic EPS	\$0.33	\$0.30	\$0.90	\$0.95
Income attributable to common stock	\$ 11,724	\$ 10,587	\$ 32,131	\$ 33,105
Weighted average common shares outstanding	35,920,142	35,345,786	35,858,514	35,049,859
Weighted average common equivalent shares outstanding	54,197	181,717	82,231	107,788
Weighted average common and equivalent shares outstanding	35,974,339	35,527,503	35,940,745	35,157,647
Diluted EPS	\$0.33	\$0.30	\$0.90	\$0.95

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 270,996 and 761,193 weighted-average stock options outstanding for the three-month periods ended September 30, 2014 and 2013, 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 309,444 and 919,821 weighted-average stock options outstanding for the nine-month periods ended September 30, 2014 and 2013, 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 nine-month periods ended September 30, 2014 and 2013, the Holding Company and Bank maintained the Dime Community Bancshares, Inc. 2001 Stock Option Plan for Outside Directors, Officers and Employees, the 2004 Equity Plan and the 2013 Equity 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, 2013, 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 September 30,		At or for the Nine Months Ended September 30,	
	2014	2013	2014	2013
Options outstanding – beginning of period	979,916	2,273,733	1,615,771	2,456,137
Options granted	-	-	-	-

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Options exercised	-	(493,690)	(16,960)	(671,312)
Options forfeited	-	-	(618,895)	(4,782)
Options outstanding – end of period	979,916	1,780,043	979,916	1,780,043
Intrinsic value of options exercised	\$0	\$1,872	\$6	\$2,089
Compensation expense recognized	23	36	86	158
Remaining unrecognized compensation expense	54	177	54	177
Intrinsic value of outstanding options at period end	468	2,447	468	2,447
Intrinsic value of vested options at period end	468	2,347	468	2,347
Weighted average exercise price of vested options – end of period	14.73	16.53	14.73	16.53

There were no grants of stock options during the three-month and nine-month periods ended September 30, 2014 and 2013.

-10-

Restricted Stock Awards

The Company, from time to time, issues restricted stock awards to outside directors and certain officers under either the 2004 Equity Plan or the 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 and 2013 Equity Plan during the periods indicated:

	At or for the Three Months Ended September 30,		At or for the Nine Months Ended September 30,	
	2014	2013	2014	2013
Unvested allocated shares – beginning of period	295,044	318,314	318,314	328,003
Shares granted	-	-	121,333	145,925
Shares vested	-	-	(141,361)	(155,614)
Shares forfeited	-	-	(3,242)	-
Unvested allocated shares – end of period	295,044	318,314	295,044	318,314
Compensation recorded to expense	\$501	\$499	\$1,498	\$1,511

8. LOANS RECEIVABLE AND CREDIT QUALITY

Loans are reported at the principal amount outstanding (as adjusted for any amounts charged-off), 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.

The Bank paid an aggregate premium of \$13,163 on real estate loans repurchased during the nine months ended September 30, 2014. The premium will be amortized as an adjustment to interest income throughout the remaining estimated life of the loans.

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.

At December 31, 2013, the Bank had a portion of one loan classified as doubtful, with a full reserve applied against the balance deemed doubtful. Due to favorable events occurring during the nine months ended September 30, 2014, the Bank upgraded the entire loan balance to a substandard rating as of September 30, 2014.

-11-

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All real estate loans not classified as Special Mention, Substandard or Doubtful were deemed pass loans at both September 30, 2014 and December 31, 2013.

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:

Grade	Balance at September 30, 2014					Total Real Estate Loans
	One- to Four-Family Residential, Including Multifamily Condominiums and Cooperative Apartments	Residential Mixed Use	Commercial Real Estate	Commercial Real Estate	Construction	
Not Graded(1)	\$10,026	\$-	\$-	\$-	\$-	\$10,026
Pass	55,858	3,193,264	331,368	387,208	-	3,967,698
Special Mention	7,378	22,669	5,114	15,676	-	50,837
Substandard	2,314	3,774	5,875	10,738	-	22,701
Doubtful	-	-	-	-	-	-
Total	\$75,576	\$3,219,707	\$342,357	\$413,622	\$-	\$4,051,262

(1) Amount comprised of fully performing one- to four-family residential and condominium and cooperative unit loans with balances equal to or less than the FNMA Limits.

Grade	Balance at December 31, 2013					Total Real Estate Loans
	One- to Four-Family Residential, Including Multifamily Condominiums and Cooperative Apartments	Residential Mixed Use	Commercial Real Estate	Commercial Real Estate	Construction	
Not Graded(1)	\$11,370	\$-	\$-	\$-	\$-	\$11,370
Pass	53,472	2,900,979	364,808	299,122	-	3,618,381
Special Mention	6,651	17,938	5,203	4,420	-	34,212
Substandard	2,463	3,633	4,579	21,154	268	32,097
Doubtful	-	-	1,320	-	-	1,320
Total	\$73,956	\$2,922,550	\$375,910	\$324,696	\$268	\$3,697,380

(1) Amount comprised of fully performing one- to four-family residential and condominium and cooperative unit loans with balances equal to or less than the FNMA Limits.

For consumer loans, the Company evaluates credit quality based on payment activity. Consumer loans that are 90 days or more past due are placed on non-accrual status, while all remaining consumer loans are classified and evaluated as performing.

The following is a summary of the credit risk profile of consumer loans by internally assigned grade:

Grade	Balance at September	Balance at December
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	30, 2014	31, 2013
Performing	\$ 1,905	\$ 2,136
Non-accrual	8	3
Total	\$ 1,913	\$ 2,139

-12-

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The following is a breakdown of the past due status of the Company's investment in loans (excluding accrued interest and loans held for sale) as of the dates indicated:

At September 30, 2014

	30 to 59 Days Past Due	60 to 89 Days Past Due	Loans 90 Days or More Past Due and Still Accruing Interest	Non-accrual (1)	Total Past Due	Current	Total Loans
Real Estate:							
One- to four-family residential, including condominium and cooperative apartment	\$ 117	\$-	\$ -	\$ 1,363	\$ 1,480	\$ 74,096	\$ 75,576
Multifamily residential and residential mixed use	415	573	159	1,039	2,186	3,217,521	3,219,707
Commercial mixed use real estate	-	-	-	4,400	4,400	337,957	342,357
Commercial real estate	-	-	2,241	4,717	6,958	406,664	413,622
Construction	-	-	-	-	-	-	-
Total real estate	\$ 532	\$ 573	\$ 2,400	\$ 11,519	\$ 15,024	\$ 4,036,238	\$ 4,051,262
Consumer	\$ 5	\$ 3	\$ -	\$ 8	\$ 16	\$ 1,897	\$ 1,913

(1) Includes all loans on non-accrual status regardless of the number of days such loans were delinquent as of September 30, 2014.

At December 31, 2013

	30 to 59 Days Past Due	60 to 89 Days Past Due	Loans 90 Days or More Past Due and Still Accruing Interest	Non-accrual (1)	Total Past Due	Current	Total Loans
Real Estate:							
One- to four-family residential, including condominium and cooperative apartment	\$ 143	\$ 302	\$ -	\$ 1,242	\$ 1,687	\$ 72,269	\$ 73,956
Multifamily residential and residential mixed use	744	-	1,031	1,197	2,972	2,919,578	2,922,550
Commercial mixed use real estate	-	-	-	4,400	4,400	371,510	375,910
Commercial real estate	404	-	-	5,707	6,111	318,585	324,696
Construction	-	-	-	-	-	268	268
Total real estate	\$ 1,291	\$ 302	\$ 1,031	\$ 12,546	\$ 15,170	\$ 3,682,210	\$ 3,697,380
Consumer	\$ 6	\$ 4	\$ -	\$ 3	\$ 13	\$ 2,126	\$ 2,139

(1) Includes all loans on non-accrual status regardless of the number of days such loans were delinquent as of December 31, 2013.

Accruing Loans 90 Days or More Past Due:

The Bank continued accruing interest on two real estate loans with an aggregate outstanding balance of \$2,400 at September 30, 2014, and five real estate loans with an aggregate outstanding balance of \$1,031 at December 31, 2013,

all of which were 90 days or more past due on their respective contractual maturity dates. These loans continued to make monthly payments consistent with their initial contractual amortization schedule exclusive of the balloon payments due at maturity. These loans were well secured and were expected to be refinanced, and, therefore, remained on accrual status and were deemed performing assets at the dates indicated above.

-13-

Troubled Debt Restructured Loans ("TDRs")

The following table summarizes outstanding TDRs by underlying collateral type as of the dates indicated:

	As of September 30, 2014 No. of Loan		As of December 31, 2013 No. of Loan	
	Balance		Balance	
One- to four-family residential, including condominium and cooperative apartment	2	\$607	3	\$934
Multifamily residential and residential mixed use	4	1,115	4	1,148
Commercial mixed use real estate	1	4,400	-	-
Commercial real estate	4	13,742	5	22,245
Total real estate	11	\$19,864	12	\$24,327

The following table summarizes outstanding TDRs by accrual status as of the dates indicated:

	As of September 30, 2014 No. of Loan		As of December 31, 2013 No. of Loan	
	Balance		Balance	
Outstanding principal balance at period end	11	\$19,864	12	\$24,327
TDRs on accrual status at period end	8	10,747	10	18,620
TDRs on non-accrual status at period end	3	9,117	2	5,707

Accrual status for TDRs is determined separately for each TDR in accordance with the Bank's policies for determining accrual or non-accrual status. At the time an agreement is entered into between the Bank and the borrower that results in the Bank's determination that a TDR has been created, the loan can be on either accrual or non-accrual status. If a loan is on non-accrual status at the time it is restructured, it continues to be classified as non-accrual until the borrower has demonstrated compliance with the modified loan terms for a period of at least nine months. Conversely, if at the time of restructuring the loan is performing (and accruing), it will remain accruing throughout its restructured period, unless the loan subsequently meets any of the criteria for non-accrual status under the Bank's policy and agency regulations.

The Company has not restructured troubled consumer loans, as its consumer loan portfolio has not experienced any problem issues warranting restructuring. Therefore, all TDRs were collateralized by real estate at both September 30, 2014 and December 31, 2013.

There were no loans modified in a manner that met the criteria of a TDR during the three-month and nine-month periods ended September 30, 2013.

The following table summarizes activity related to TDRs for the periods indicated:

For the Three Months Ended September 30, 2014			For the Nine Months Ended September 30, 2014		
Number of Loans Recorded	Pre-Modification Outstanding	Post-Modification Outstanding	Number of Loans Recorded	Pre-Modification Outstanding	Post-Modification Outstanding

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	Investment	Investment	Investment	Investment
Loan modifications during the period				
that met the definition of a TDR:				
Commercial mixed use real estate	-	-	1 \$ 4,400	\$ 4,400
Commercial real estate	1 \$ 3,500	\$ 3,500	1 3,500	3,500
TOTAL	1 \$ 3,500	\$ 3,500	2 \$ 7,900	\$ 7,900

The Bank's allowance for loan losses at September 30, 2014 reflected \$37 of allocated reserve associated with TDRs. The Bank's allowance for loan losses at December 31, 2013 reflected \$451 of allocated reserve associated with TDRs. During the three-month and nine-month periods ended September 30, 2014, one TDR was fully satisfied in accordance with its contractual terms. The allocated reserve associated with this loan was thus eliminated, and accounted for the great majority of the reduction in the allocated reserves associated with TDRs from December 31, 2013 to September 30, 2014. Otherwise, activity related to reserves associated with TDRs was immaterial during the three-month and nine-month periods ended September 30, 2014 and 2013.

As of September 30, 2014 and December 31, 2013, the Bank had no loan commitments to borrowers with outstanding TDRs.

A TDR is considered to be in payment default once it is 90 days contractually past due under the modified terms. All TDRs are considered impaired loans and are evaluated individually for measurable impairment, if any.

There were no TDRs which defaulted within twelve months following the modification during the nine-month period ended September 30, 2014 or the year ended December 31, 2013 (thus no significant impact to the allowance for loan losses during those periods).

Impaired Loans

A loan is considered impaired when, based on then current information and events, it is probable that all contractual amounts due will not be collected in accordance with the terms of the loan. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays or shortfalls generally are not classified as impaired. Management determines the significance of payment delays and shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Bank considers TDRs and non-accrual multifamily residential, mixed-use and commercial real estate loans, along with non-accrual one- to four-family loans in excess of the FNMA Limits, to be impaired. Non-accrual one-to four-family loans equal to or less than the FNMA Limits, as well as all consumer loans, are considered homogeneous loan pools and are not required to be evaluated individually for impairment unless considered a TDR.

Impairment is typically measured using the difference between the outstanding loan principal balance and either: 1) the likely realizable value of a note sale; 2) the fair value of the underlying collateral, net of likely disposal costs, if repayment is expected to come from liquidation of the collateral; or 3) the present value of estimated future cash flows (using the loan's pre-modification rate for certain performing TDRs). If a TDR is substantially performing in accordance with its restructured terms, management will look to either the potential net liquidation proceeds of the underlying collateral or the present value of the expected cash flows from the debt service in measuring impairment (whichever is deemed most appropriate under the circumstances). If a TDR has re-defaulted, generally the likely realizable net proceeds from either a note sale or the liquidation of the collateral is considered when measuring impairment. Measured impairment is either charged off immediately or, in limited instances, recognized as an allocated reserve within the allowance for loan losses.

Please refer to Note 9 for tabular information related to impaired loans.

Delinquent Serviced Loans Subject to a Recourse Obligation

Until February 20, 2014, the Bank serviced a pool of multifamily loans sold to FNMA, and retained an obligation (off-balance sheet contingent liability) to absorb a portion of any losses (as defined in the seller/servicer agreement) incurred by FNMA in connection with the loans sold (the "First Loss Position"). This pool of loans was re-acquired on February 20, 2014, and the First Loss Position was extinguished. At December 31, 2013, delinquencies within this pool of loans were immaterial. On February 20, 2014, all of the loans in the repurchased pool were performing. Any delinquencies related to these loans as of September 30, 2014 are reported in the table on page 13.

9. ALLOWANCE FOR LOAN LOSSES AND LIABILITY FOR FIRST LOSS POSITION

The allowance for loan losses may consist of specific and general components. The Bank's periodic evaluation of its allowance for loan losses (specific or general) is comprised of four primary components: (1) impaired loans; (2) non-impaired substandard loans; (3) non-impaired special mention loans; and (4) pass graded loans. Within these components, the Company has identified the following portfolio segments for purposes of assessing its allowance for

loan losses (specific or general): (1) real estate loans; and (2) consumer loans. Within these segments, the Bank analyzes the allowance for loan losses based upon the underlying collateral type (classes). Consumer loans represent a nominal portion of the Company's loan portfolio, and were thus evaluated in aggregate as of both September 30, 2014 and December 31, 2013.

Impaired Loan Component

All multifamily residential, mixed use, commercial real estate and construction loans that are deemed to meet the definition of impaired are individually evaluated for impairment. In addition, all condominium or cooperative apartment and one- to four-family residential real estate loans in excess of the FNMA Limits are individually evaluated for

-15-

impairment. Impairment is typically measured using the difference between the outstanding loan principal balance and either: (1) the likely realizable value of a note sale; (2) the fair value of the underlying collateral, net of likely disposal costs, if repayment is expected to come from liquidation of the collateral; or (3) the present value of estimated future cash flows (using the loan's pre-modification rate in the case of certain performing TDRs). For impaired loans on non-accrual status, either of the initial two measurements is utilized.

All TDRs are considered impaired loans and are evaluated individually for measurable impairment, if any. If a TDR is substantially performing in accordance with its restructured terms, management will look to either the present value of the expected cash flows from the debt service or the potential net liquidation proceeds of the underlying collateral in measuring impairment (whichever is deemed most appropriate under the circumstances). If a TDR has re-defaulted, the likely realizable net proceeds from either a note sale or the liquidation of the collateral are generally considered when measuring impairment. While measured impairment is generally charged off immediately, impairment attributed to a reduction in the present value of expected cash flows of a performing TDR was reflected as an allocated reserve within the allowance for loan losses at both September 30, 2014 and December 31, 2013.

Smaller balance homogeneous real estate loans, such as condominium or cooperative apartment and one-to four-family residential real estate loans with balances equal to or less than the FNMA Limits, are collectively evaluated for impairment, and accordingly, are not separately identified for impairment disclosures.

Non-Impaired Substandard Loan Component

At both September 30, 2014 and December 31, 2013, the reserve allocated within the allowance for loan losses associated with non-impaired loans internally classified as Substandard reflected expected loss percentages on the Bank's pool of such loans that were derived based upon an analysis of historical losses over a measurement timeframe. The loss percentage resulting from this analysis was then applied to the aggregate pool of non-impaired Substandard loans at September 30, 2014 and December 31, 2013. Based upon this methodology, increases or decreases in the amount of either non-impaired Substandard loans or charge-offs associated with such loans, or a change in the measurement timeframe utilized to derive the expected loss percentage, would impact the level of reserves determined on non-impaired Substandard loans. As a result, the allowance for loan losses associated with non-impaired Substandard loans is subject to volatility.

The portion of the allowance for loan losses attributable to non-impaired Substandard loans was \$154 at September 30, 2014 and \$53 at December 31, 2013. The increase resulted from both growth of \$857 in the balance of such loans from December 31, 2013 to September 30, 2014, as well as the application of a higher expected loss percentage on these loans at September 30, 2014 compared to December 31, 2013 from the consideration of additional minor components that commenced on January 1, 2014.

All non-impaired Substandard loans were deemed sufficiently well secured and performing to have remained on accrual status both prior and subsequent to their downgrade to the Substandard internal loan grade.

Non-Impaired Special Mention Loan Component

At both September 30, 2014 and December 31, 2013, the reserve allocated within the allowance for loan losses associated with non-impaired loans internally classified as Special Mention reflected an expected loss percentage on the Bank's pool of such loans that was derived based upon an analysis of historical losses over a measurement timeframe. The loss percentage resulting from this analysis was then applied to the aggregate pool of non-impaired Special Mention loans at September 30, 2014 and December 31, 2013. Based upon this methodology, increases or decreases in the amount of either non-impaired Special Mention loans or charge-offs associated with such loans, or a change in the measurement timeframe utilized to derive the expected loss percentage, would impact the level of reserves determined on non-impaired Special Mention loans. As a result, the allowance for loan losses associated with non-impaired Special Mention loans is subject to volatility.

The portion of the allowance for loan losses attributable to non-impaired Special Mention loans increased from \$185 at December 31, 2013 to \$350 at September 30, 2014, due to both an increase of \$13,125 in the balance of such loans from December 31, 2013 to September 30, 2014, as well as the application of a higher loss percentage on these loans at September 30, 2014 compared to December 31, 2013 from the consideration of additional minor components that commenced on January 1, 2014.

Pass Graded Loan Component

The Bank initially looks to the underlying collateral type when determining the allowance for loan losses associated with pass graded real estate loans. The following underlying collateral types are analyzed separately: 1) one- to four family residential and condominium or cooperative apartment; 2) multifamily residential and residential mixed use;

-16-

3) commercial mixed use real estate, 4) commercial real estate; and 5) construction and land acquisition. Within the analysis of each underlying collateral type, the following elements are additionally considered and provided weighting in determining the allowance for loan losses for pass graded real estate loans:

- (i) Charge-off experience (including peer charge-off experience)
- (ii) Economic conditions
- (iii) Underwriting standards or experience
- (iv) Loan concentrations
- (v) Regulatory climate
- (vi) Nature and volume of the portfolio
- (vii) Changes in the quality and scope of the loan review function

The following is a brief synopsis of the manner in which each element is considered:

(i) Charge-off experience - Loans within the pass graded loan portfolio are segmented by significant common characteristics, against which historical loss rates are applied. The Bank also reviews and considers the charge-off experience of peer banks in its lending marketplace in order to determine whether there may exist potential losses that have taken a longer period to flow through its allowance for loan losses.

(ii) Economic conditions - At both September 30, 2014 and December 31, 2013, the Bank assigned a loss allocation to its entire pass graded real estate loan portfolio based, in part, upon a review of economic conditions affecting the local real estate market. Specifically, the Bank considered both the level of, and recent trends in: 1) the local and national unemployment rate, 2) residential and commercial vacancy rates, 3) real estate sales and pricing, and 4) delinquencies in the Bank's loan portfolio.

(iii) Underwriting standards or experience - Underwriting standards are reviewed to ensure that changes in the Bank's lending policies and practices are adequately evaluated for risk and reflected in its analysis of potential credit losses. Loss expectations associated with changes in the Bank's lending policies and practices, if any, are then incorporated into the methodology.

(iv) Concentrations of credit - The Bank regularly reviews its loan concentrations (borrower, collateral type and location) in order to ensure that heightened risk has not evolved that has not been captured through other factors. The risk component of loan concentrations is regularly evaluated for reserve adequacy.

(v) Regulatory climate – Consideration is given to public statements made by the banking regulatory agencies that have a potential impact on the Bank's loan portfolio and allowance for loan losses.

(vi) Nature and volume of the portfolio – The Bank considers any significant changes in the overall nature and volume of its loan portfolio.

(vii) Changes in the quality and scope of the loan review function – The Bank considers the potential impact upon its allowance for loan losses of any favorable or adverse change in the quality and scope of the loan review function.

Consumer Loans

Due to their small individual balances, the Bank does not evaluate individual consumer loans for impairment. Loss percentages are applied to aggregate consumer loans based upon both their delinquency status and loan type. These loss percentages are derived from a combination of the Company's historical loss experience and/or nationally published loss data on such loans. Consumer loans in excess of 120 days delinquent are typically fully charged off against the allowance for loan losses.

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The following tables present data regarding the allowance for loan losses and loans evaluated for impairment by class of loan within the real estate loan segment as well as for the aggregate consumer loan segment:

At or for the Three Months Ended September 30, 2014

	Real Estate Loans					Consumer Loans	
	One- to Four Family Residential, Including Multifamily Condominiums and Cooperative Apartment Residential		Mixed Use Real Estate	Commercial Real Estate	Commercial Construction	Total Real Estate	
Beginning balance	\$304	\$14,319	\$1,609	\$3,377	\$-	\$19,609	\$24
Provision (credit) for loan losses	(88)	(115)	198	(498)	-	(503)	2
Charge-offs	(14)	(19)	-	(22)	-	(55)	-
Recoveries	1	-	19	1	-	21	-
Ending balance	\$203	\$14,185	\$1,826	\$2,858	\$-	\$19,072	\$26
Ending balance – loans individually evaluated for impairment	\$607	\$2,154	\$4,400	\$13,742	\$-	\$20,903	\$-
Ending balance – loans collectively evaluated for impairment	74,969	3,217,553	337,957	399,880	-	4,030,359	1,913
Allowance balance associated with loans individually evaluated for impairment	-	-	-	37	-	37	-
Allowance balance associated with loans collectively evaluated for impairment	203	14,185	1,826	2,821	-	19,035	26
Total Ending balance	\$203	\$14,185	\$1,826	\$2,858	\$-	\$19,072	\$26

At December 31, 2013

	Real Estate Loans					Consumer Loans	
	One- to Four Family Residential, Including Multifamily Condominiums and Cooperative Apartment Residential		Mixed Use Real Estate	Commercial Real Estate	Commercial Construction	Total Real Estate	
Ending balance – loans individually evaluated for impairment	\$1,199	\$2,345	\$4,400	\$22,245	\$-	\$30,189	\$-

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Ending balance – loans collectively evaluated for impairment	72,757	2,920,205	371,510	302,451	268	3,667,191	2,139
Allowance balance associated with loans individually evaluated for impairment	-	-	1,320	451	-	1,771	-
Allowance balance associated with loans collectively evaluated for impairment	236	13,840	1,683	2,596	3	18,358	24
Total Ending balance	\$236	\$13,840	\$3,003	\$3,047	\$3	\$20,129	\$24

-18-

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At or for the Three Months Ended September 30, 2013

	Real Estate Loans						Consumer Loans
	One- to Four Family Residential, Including Condominium and Cooperative Apartments	Multifamily Residential and Mixed Use	Mixed Use Commercial Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Beginning balance	\$352	\$ 14,620	\$ 2,215	\$ 3,279	\$ 12	\$20,478	\$ 24
Provision (credit) for loan losses	(75)	1,382	(443)	(618)	(11)	235	5
Charge-offs	(11)	(205)	-	(1)	-	(217)	(6)
Recoveries	8	13	-	-	-	21	-
Ending balance	\$274	\$ 15,810	\$ 1,772,000	\$ 2,660	\$ 1	\$20,517	\$ 23

At or for the Nine Months Ended September 30, 2014

	Real Estate Loans						Consumer Loans
	One- to Four Family Residential, Including Condominium and Cooperative Apartments	Multifamily Residential and Mixed Use	Mixed Use Commercial Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Beginning balance	\$236	\$ 13,840	\$ 3,003	\$ 3,047	\$ 3	\$20,129	\$ 24
Provision (credit) for loan losses	(118)	239	(1,508)	34	(3)	(1,356)	6
Charge-offs	(37)	(69)	(30)	(232)	-	(368)	(4)
Recoveries	122	175	361	9	-	667	-
Ending balance	\$203	\$ 14,185	\$ 1,826	\$ 2,858	\$ -	\$19,072	\$ 26

At or for the Nine Months Ended September 30, 2013

	Real Estate Loans					Consumer Loans
	One- to Four Family Residential	Multifamily Residential and Mixed Use	Mixed Use Commercial Real Estate	Commercial Real Estate	Construction	Total Real Estate

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	and Cooperative Unit							
Beginning balance	\$344	\$ 14,299	\$ 2,474	\$ 3,382	\$ 24	\$20,523	\$ 27	
Provision (credit) for loan losses	29	1,840	(716)	(719)	(23)	411	14	
Charge-offs	(110)	(362)	(15)	(5)	-	(492)	(18)	
Recoveries	11	33	29	2	-	75	-	
Ending balance	\$274	\$ 15,810	\$ 1,772	\$ 2,660	\$ -	\$20,517	\$ 23	

-19-

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The following tables summarize impaired real estate loans as of or for the periods indicated (by collateral type within the real estate loan segment):

	At September 30, 2014		
	Unpaid Principal Balance at Period End	Recorded Investment at Period End(1)	Reserve Balance Allocated within the Allowance for Loan Losses at Period End
One- to Four Family Residential, Including Condominium and Cooperative Apartment			
With no allocated reserve	\$648	\$ 607	\$ -
With an allocated reserve	-	-	-
Multifamily Residential and Residential Mixed Use			
With no allocated reserve	2,154	2,154	-
With an allocated reserve	-	-	-
Commercial Mixed Use Real Estate			
With no allocated reserve	4,445	4,400	-
With an allocated reserve	-	-	-
Commercial Real Estate			
With no allocated reserve	10,316	8,217	-
With an allocated reserve	5,525	5,525	37
Construction			
With no allocated reserve	-	-	-
With an allocated reserve	-	-	-
Total			
With no allocated reserve	\$17,563	\$ 15,378	\$ -
With an allocated reserve	\$5,525	\$ 5,525	\$ 37

(1)The recorded investment excludes accrued interest receivable and loan origination fees, net, due to immateriality.

	At December 31, 2013		
	Unpaid Principal Balance at Period End	Recorded Investment at Period End(1)	Reserve Balance Allocated within the Allowance for Loan Losses at Period End
One- to Four Family Residential, Including Condominium and Cooperative Apartment			
With no allocated reserve	\$1,066	\$ 987	\$ -
With an allocated reserve	255	212	-
Multifamily Residential and Residential Mixed Use			
With no allocated reserve	2,494	2,345	-
With an allocated reserve	-	-	-

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Commercial Mixed Use Real Estate			
With no allocated reserve	-	-	-
With an allocated reserve	4,500	4,400	1,320
Commercial Real Estate			
With no allocated reserve	8,316	7,203	-
With an allocated reserve	15,042	15,042	451
Construction			
With no allocated reserve	-	-	-
With an allocated reserve	-	-	-
Total			
With no allocated reserve	\$11,876	\$ 10,535	\$ -
With an allocated reserve	\$19,797	\$ 19,654	\$ 1,771

(1) The recorded investment excludes accrued interest receivable and loan origination fees, net, due to immateriality.

-20-

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	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013		Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	Average Interest Recorded	Investment Recognized	Average Interest Recorded	Investment Recognized	Average Interest Recorded	Investment Recognized	Average Interest Recorded	Investment Recognized
One- to Four Family Residential, Including Condominium and Cooperative Apartment								
With no allocated reserve	\$769	\$ 12	\$ 993	\$ 11	\$783	\$ 47	\$1,016	\$ 27
With an allocated reserve	-	-	212	5	52	-	212	14
Multifamily Residential and Residential Mixed Use								
With no allocated reserve	2,483	16	3,552	49	2,366	72	2,977	129
With an allocated reserve	-	-	-	-	-	-	-	-
Mixed Use Commercial Mixed Use Real Estate								
With no allocated reserve	2,200	44	1,289	17	2,200	193	1,590	110
With an allocated reserve	2,200	-	-	-	2,200	-	-	-
Commercial Real Estate								
With no allocated reserve	6,863	79	22,991	187	7,286	120	26,682	949
With an allocated reserve	10,259	73	15,155	275	10,272	423	15,199	671
Construction								
With no allocated reserve	-	-	-	-	-	-	-	-
With an allocated reserve	-	-	-	-	-	-	-	-
Total			\$					
With no allocated reserve	\$12,315	\$ 151	\$28,825	\$ 264	\$12,635	\$ 432	\$32,265	\$ 1,215
With an allocated reserve	\$12,459	\$ 73	\$15,367	\$ 280	\$12,524	\$ 423	\$15,411	\$ 685

Reserve Liability for First Loss Position

Until February 20, 2014, the Bank serviced a pool of loans that it sold to FNMA and was subject to the First Loss Position. The Bank maintained a reserve liability in relation to the First Loss Position that reflected estimated losses on this loan pool. On February 20, 2014, the Bank repurchased the remaining loans within this pool and extinguished both the First Loss Position and related reserve liability.

The following is a summary of the aggregate balance of multifamily loans serviced for FNMA, the period-end First Loss Position associated with these loans and activity in the related liability:

	At or for the Three Months Ended September 30, 2014		At or for the Nine Months Ended September 30, 2013	
	2014	2013	2014	2013
Outstanding balance of multifamily loans serviced for FNMA at period end	\$-	\$216,073	\$-	\$216,073
Total First Loss Position at end of period	-	15,428	-	15,428

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Liability on the First Loss Position

Balance at beginning of period	\$ -	\$ 1,188	\$ 1,040	\$ 1,383
Credit for losses on problem loans ⁽¹⁾	-	(50)	(1,040)	(245)
Charge-offs and other net reductions in balance	-	(38)	-	(38)
Balance at period end	\$ -	\$ 1,100	\$ -	\$ 1,100

(1) Amount recognized as a component of mortgage banking income during the period.

-21-

10. INVESTMENT AND MORTGAGE-BACKED SECURITIES

The following is a summary of major categories of securities owned by the Company (excluding trading securities) at September 30, 2014:

	Purchase Amortized/ Historical Cost	Recorded Amortized/ Historical Cost ⁽¹⁾	Unrealized Gains	Unrealized Losses	Fair Value
Investment securities held-to-maturity:					
Pooled bank trust preferred securities ("TRUPS")	\$ 15,823	\$ 5,352	1,148	\$ (163)	\$6,337
Available-for-sale securities:					
Investment securities					
Registered Mutual Funds	2,889	2,783	862	(8)	3,637
Agency notes	70	70	1	-	71
MBS					
Pass-through MBS issued by GSEs	25,297	25,297	1,543	(2)	26,838
Private issuer pass through MBS	479	479	6	-	485
Private issuer collateralized mortgage obligations ("CMOs")	393	393	5	-	398

(1) Amount represents the purchase amortized / historical cost less any OTTI charges (credit or non-credit related) previously recognized. For the TRUPS, amount is also net the \$946 unamortized portion of the unrealized loss that was recognized in accumulated other comprehensive loss on September 1, 2008 (the day on which these securities were transferred from available-for-sale to held-to-maturity).

The following is a summary of major categories of securities owned by the Company at December 31, 2013:

	Purchase Amortized/ Historical Cost	Recorded Amortized/ Historical Cost ⁽¹⁾	Unrealized Gains	Unrealized Losses	Fair Value
Investment securities held-to-maturity:					
TRUPS	\$ 15,885	\$ 5,341	118	\$ (296)	\$5,163
Available-for-sale securities:					
Investment securities					
Registered Mutual Funds	2,866	2,760	815	(17)	3,558
Agency notes	15,070	15,070	21	-	15,091
MBS					
Pass-through MBS issued by GSEs	28,407	28,407	1,552	-	29,959
CMOs issued by GSEs	319	319	2	-	321
Private issuer pass through MBS	662	662	18	-	680
Private issuer CMOs	574	574	9	-	583

(1) Amount represents the purchase amortized / historical cost less any OTTI charges (credit or non-credit related) previously recognized. For the TRUPS, amount is also net of the \$997 unamortized portion of the unrealized loss that was recognized in accumulated other comprehensive loss on September 1, 2008 (the day on which these securities were transferred from available-for-sale to held-to-maturity).

At September 30, 2014, the agency note investments in the table above had contractual maturities as follows::

Amortized Estimated

	Cost	Fair Value
Due after three years through five years	70	71
TOTAL	\$ 70	\$ 71

The held-to-maturity TRUPS had a weighted average term to maturity of 20.3 years at September 30, 2014. At September 30, 2014, MBS available-for-sale (which included pass-through MBS issued by GSEs, one private issuer pass through MBS and one private issuer CMO) possessed a weighted average contractual maturity of 16.8 years and a weighted average estimated duration of 1.2 years. There were no sales of either investment securities held-to-maturity or MBS available-for-sale during the nine months ended September 30, 2014 or 2013.

There were no sales of investment securities available-for-sale during the nine months ended September 30, 2014 and the three months ended September 30, 2013. Proceeds from the sales of investment securities available-for-sale totaled \$366 during the nine months ended September 30, 2013. Gross gains of \$110 were recognized on these sales.

As of each reporting period through September 30, 2014, the Company has applied the protocol established by ASC 320-10-65 ("ASC 320-10-65") in order to determine whether OTTI existed for its TRUPS and/or to measure, for TRUPS that have been determined to be other than temporarily impaired, the credit related and non-credit related

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components of OTTI. As of September 30, 2014, five TRUPS were determined to meet the criteria for OTTI based upon this analysis. At September 30, 2014, these five securities had credit ratings ranging from "C" to "Caa3."

The following table provides a reconciliation of the pre-tax OTTI charges recognized on the Company's TRUPS:

	At or for the Three Months Ended September 30, 2014			At or for the Three Months Ended September 30, 2013		
	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI
Cumulative balance at the beginning of the period	\$8,945	\$585	\$9,530	\$8,947	\$617	\$9,564
Amortization of previously recognized OTTI	-	(8)	(8)	-	(8)	(8)
Cumulative balance at end of the period	\$8,945	\$577	\$9,522	\$8,947	\$609	\$9,556

	At or for the Nine Months Ended September 30, 2014			At or for the Nine Months Ended September 30, 2013		
	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI
Cumulative balance at the beginning of the period	\$8,945	\$601	\$9,546	\$8,945	\$634	\$9,579
Amortization of previously recognized OTTI	-	(24)	(24)	2	(25)	(23)
Cumulative balance at end of the period	\$8,945	\$577	\$9,522	\$8,947	\$609	\$9,556

The following table summarizes the gross unrealized losses and fair value of investment securities as of September 30, 2014, aggregated by investment category and the length of time the securities were in a continuous unrealized loss position:

	Less than 12 Months Consecutive Unrealized Losses		12 Months or More Consecutive Unrealized Losses		Total	
	Fair Value	Gross Unrecognized/	Fair Value	Gross Unrecognized/	Fair Value	Gross Unrecognized/

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		Unrealized Losses		Unrealized Losses		Unrealized Losses
Held-to-Maturity Securities:						
TRUPS	\$ -	\$ -	\$2,560	\$ 163	\$2,560	\$ 163
Available for Sale Securities						
Registered Mutual Funds	-	-	550	8	550	8
Pass-through MBS issued by GSEs	844	2	-	-	844	2

TRUPS That Have Maintained an Unrealized Holding Loss for 12 or More Consecutive Months

At September 30, 2014, impairment of two TRUPS was deemed temporary, as management believed that the full recorded balance of the investments would be realized. In making this determination, management considered the following:

- Based upon an internal review of the collateral backing the TRUPS portfolio, which accounted for current and prospective deferrals, the securities could reasonably be expected to continue making all contractual payments
- The Company does not intend to sell these securities prior to full recovery of their impairment
- There were no cash or working capital requirements nor contractual or regulatory obligations that would compel the Company to sell these securities prior to their forecasted recovery or maturity
- The securities have a pool of underlying issuers comprised primarily of banks
- None of the securities have exposure to real estate investment trust issued debt (which has experienced high default rates)
- The securities feature either a mandatory auction or a de-leveraging mechanism that could result in principal repayments to the Bank prior to the stated maturity of the security
- The securities are adequately collateralized

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The following table summarizes the gross unrealized losses and fair value of investment securities and MBS as of December 31, 2013, aggregated by investment category and the length of time that the securities were in a continuous unrealized loss position:

	Less than 12 Months Consecutive Unrealized Losses		12 Months or More Consecutive Unrealized Losses		Total	
	Fair Value	Gross Unrecognized/ Unrealized Losses	Fair Value	Gross Unrecognized/ Unrealized Losses	Fair Value	Gross Unrecognized/ Unrealized Losses
Held-to-Maturity Securities:						
TRUPS	\$ \$-	\$ -	\$3,654	\$ 296	\$3,654	\$ 296
Available-for-Sale Securities:						
Registered Mutual Funds	\$536	\$ 17	\$ -	\$ -	\$536	\$ 17

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy established under ASC 820-10 is summarized as follows:

Level 1 Inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Significant other observable inputs such as any of the following: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), or (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 Inputs – Significant unobservable inputs for the asset or liability. Significant unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Significant unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following tables present the assets that are reported on the consolidated statements of financial condition at fair value as of the date indicated segmented by level within the fair value hierarchy. Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets Measured at Fair Value on a Recurring Basis at September 30, 2014

Description	Total	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Trading securities (Registered Mutual Funds):				
Domestic Equity Mutual Funds	\$1,339	\$1,339	\$-	\$ -
International Equity Mutual Funds	162	162	-	-
Fixed Income Mutual Funds	5,555	5,655	-	-
Investment securities available-for-sale:				

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Agency notes	71	-	71	-
Registered Mutual Funds:				
Domestic Equity Mutual Funds	2,069	2,069	-	-
International Equity Mutual Funds	423	423	-	-
Fixed Income Mutual Funds	1,145	1,145	-	-
Pass-through MBS issued by GSEs	26,838	-	26,838	-
Private issuer pass through MBS	485	-	485	-
Private issuer CMOs	398	-	398	-

-24-

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Assets Measured at Fair Value on a Recurring Basis at December 31, 2013

Description	Total	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Trading securities (Registered Mutual Funds):				
Domestic Equity Mutual Funds	\$1,311	\$1,311	\$-	\$ -
International Equity Mutual Funds	164	164	-	-
Fixed Income Mutual Funds	5,347	5,347	-	-
Investment securities available-for-sale:				
Agency notes	15,091	-	15,091	-
Registered Mutual Funds:				
Domestic Equity Mutual Funds	2,016	2,016	-	-
International Equity Mutual Funds	427	427	-	-
Fixed Income Mutual Funds	1,115	1,115	-	-
Pass-through MBS issued by GSEs	29,959	-	29,959	-
CMOs issued by GSEs	321	-	321	-
Private issuer pass through MBS	680	-	680	-
Private issuer CMOs	583	-	583	-

The Company's available-for-sale investment securities and MBS are reported at fair value, which were determined utilizing prices obtained from independent parties. The valuations obtained are based upon market data, and often utilize evaluated pricing models that vary by asset and incorporate available trade, bid and other market information. For securities that do not trade on a daily basis, pricing applications apply available information such as benchmarking and matrix pricing. The market inputs normally sought in the evaluation of securities include benchmark yields, reported trades, broker/dealer quotes (obtained only from market makers or broker/dealers recognized as market participants), issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. For certain securities, additional inputs may be used or some market inputs may not be applicable. Prioritization of inputs may vary on any given day based on market conditions.

The agency notes owned by the Company possessed the highest possible credit rating published by at least one established credit rating agency as of both September 30, 2014 and December 31, 2013. Obtaining market values as of September 30, 2014 and December 31, 2013 for these securities utilizing significant observable inputs was not difficult due to their continued marketplace demand. The pass-through MBS and CMOs issued by GSEs all possessed the highest possible credit rating published by at least one established credit rating agency as of both September 30, 2014 and December 31, 2013. Obtaining market values as of September 30, 2014 and December 31, 2013 for these securities utilizing significant observable inputs was not difficult due to their considerable demand.

Assets Measured at Fair Value on a Non-Recurring Basis at September 30, 2014

Description	Total	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Impaired loans:				
Commercial Mixed Use Real Estate	\$4,400	-	-	\$4,400

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Assets Measured at Fair Value on a Non-Recurring Basis at December 31, 2013

Description	Total	Fair Value Measurements Using Level		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Impaired loans:				
One- to Four Family Residential, Including Condominium and Cooperative Apartment	\$ 477	\$ -	\$ -	\$ 477
Multifamily Residential and Residential Mixed Use Real Estate	325	-	-	325
Commercial Mixed Use Real Estate	4,400	-	-	4,400
Commercial Real Estate	5,707	-	-	5,707

Impaired Loans - Loans with certain characteristics are evaluated individually for impairment. A loan is considered impaired under ASC 310-10-35 when, based upon existing information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. The Bank's impaired loans at September 30, 2014 and December 31, 2013 were collateralized by real estate and were thus carried at the lower of the outstanding principal balance or the estimated fair value of the collateral. Fair value is estimated through either a negotiated note sale value (Level 3 input), or, more commonly, a recent real estate appraisal (Level 3 input). The appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

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An appraisal is generally ordered for all impaired multifamily residential, mixed use and commercial real estate loans for which the most recent appraisal is more than one year old. The Bank never adjusts independent appraisal data upward. Occasionally, management will adjust independent appraisal data downward based upon its own lending expertise and/or experience with the subject property, utilizing such factors as potential note sale values, or a more refined estimate of costs to repair and time to lease the property. Adjustments for potential disposal costs are also considered when determining the final appraised value.

As of September 30, 2014, impaired loans measured for impairment using the estimated fair value of the collateral had an aggregate principal balance of \$4,445, and no valuation allowance within the allowance for loan losses. As of December 31, 2013, impaired loans measured for impairment using the estimated fair value of the collateral had an aggregate principal balance of \$12,392, and a valuation allowance of \$1,320 within the allowance for loan losses. The removal of the valuation allowance favorably impacted the provision for loan losses during the three-month and nine-month periods ended September 30, 2014. Such loans had no impact upon the provision for loan losses during the three-month or nine-month periods ended September 30, 2013.

The following table presents quantitative information about Level 3 fair value measurements for impaired loans measured at fair value on a non-recurring basis at September 30, 2014:

Fair Value Derived	Valuation Technique Utilized	Significant Unobservable Input(s)	Maximum Value	Minimum Value	Weighted Average Value
\$ 4,400	Income approach only	Capitalization rate	N/A	(1)	7.5 %
		Reduction for planned expedited disposal	N/A	(1)	0.0 %

(1) Only one loan in this population.

The following table presents quantitative information about Level 3 fair value measurements for impaired loans measured at fair value on a non-recurring basis at December 31, 2013:

Fair Value Derived	Valuation Technique Utilized	Significant Unobservable Input(s)	Maximum Value	Minimum Value	Weighted Average Value
\$ 4,607	Income approach only	Capitalization rate	N/A	(1)	7.5 %
		Reduction for planned expedited disposal	N/A	(1)	0.4 %
802	Blended income and sales comparison approaches	Reduction to the sales comparison value to reconcile differences between comparable sales	0.0	%	15.0 %
		Capitalization rate (income approach component)	7.8	%	8.5 %
		Reduction for planned expedited disposal	20.0	%-	30.0 %
5,500	Previously negotiated note sales	Discount to unpaid principal balance from likely realizable value of a note sale based upon comparable note sale experience	N/A	(1)	17.0 %

(1) Only one loan in this population.

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The carrying amounts and estimated fair values of financial instruments other than those measured at fair value on either a recurring or non-recurring basis at March 31, 2014 and December 31, 2013 were as follows:

At September 30, 2014	Carrying Amount	Fair Value at September 30, 2014 Using					
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total		
Assets:							
Cash and due from banks	\$58,977	\$58,977	\$-	\$-	\$58,977		
Federal funds sold and other short-term investments	250	-	-	-	250		
Investment securities held to maturity (TRUPS)	5,352	-	-	6,337	6,337		
Loan, net	4,034,077	-	-	4,131,038	4,131,038		
Loan held for sale	1,481	-	1,481	-	1,481		
Accrued interest receivable	12,759	1	108	12,650	12,759		
Mortgage Servicing Rights ("MSR")	383	-	383	-	383		
FHLBNY capital stock	55,235	N/	A N/	A N/	A N/	A N/	A
Liabilities:							
Savings, money market and checking accounts	\$1,775,451	\$1,775,451	\$-	\$-	\$1,775,451		
Certificates of Deposit ("CDs")	847,162	-	856,111	-	856,111		
Escrow and other deposits	95,830	95,830	-	-	95,830		
FHLBNY Advances	1,103,225	-	1,117,125	-	1,117,125		
Trust Preferred securities payable	70,680	-	70,680	-	70,680		
Accrued interest payable	3,125	-	3,125	-	3,125		
At December 31, 2013	Carrying Amount	Fair Value at December 31, 2013 Using					
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total		
Assets:							
Cash and due from banks	\$45,777	\$45,777	\$-	\$-	\$45,777		
Investment securities held to maturity (TRUPS)	5,341	-	-	5,163	5,163		
Loans, net	3,679,366	-	-	3,718,604	3,718,604		
Premises held for sale	3,624	-	4,400	-	4,400		
Accrued interest receivable	12,066	-	178	11,888	12,066		
MSR	628	-	1,006	-	1,006		
FHLBNY capital stock	48,051	N/	A N/	A N/	A N/	A N/	A
Liabilities:							
Savings, money market and checking accounts	\$1,678,737	\$1,678,737	\$-	\$-	\$1,678,737		
CDs	828,409	-	839,059	-	839,059		
Escrow and other deposits	69,404	69,404	-	-	69,404		
FHLBNY Advances	910,000	-	934,336	-	934,336		
Trust Preferred securities payable	70,680	-	70,680	-	70,680		
Accrued interest payable	2,642	-	2,642	-	2,642		

Cash and Due From Banks – The fair value is assumed to be equal to their carrying value as these amounts are due upon demand (deemed a Level 1 valuation).

Federal Funds Sold and Other Short Term Investments – As a result of their short duration to maturity, the fair value of these assets, principally overnight deposits, is assumed to be equal to their carrying value due (deemed a Level 1 valuation).

TRUPS Held to Maturity – At both September 30, 2014 and December 31, 2013, the Company owned seven TRUPS classified as held-to-maturity for which the estimated fair value was obtained utilizing a blended valuation approach (Level 3 pricing). Under the blended valuation approach, the Bank utilized the following valuation sources: 1) broker quotations, which were deemed to meet the criteria of "distressed sale" pricing under the guidance of ASC 820-10-65-4, were given a minor 10% weighting (deemed to be a Level 2 valuation); 2) an internally created cash flow valuation model that considered the creditworthiness of each individual issuer underlying the collateral pools, and utilized default, cash flow and discount rate assumptions determined by the Company's management (the "Internal Cash Flow Valuation"), was given a 45% weighting (deemed to be a Level 3 valuation); and 3) a minimum of two of three available independent cash flow valuation models were averaged and given a 45% weighting (deemed to be a Level 3 valuation for which the Company is not provided detailed information regarding the significant unobservable inputs utilized by the third party).

The major assumptions utilized in the Internal Cash Flow Valuation (each of which represents a significant unobservable input as defined by ASC 820-10) were as follows:

-27-

(i) Discount Rate – Pursuant to ASC 320-10-65, the Company utilized two different discount rates for discounting the cash flows for each of the seven TRUPS, as follows:

Purchase discount rate – the rate used to determine the "credit" based valuation of the security. The purchase (1) discount rates utilized to compute fair value as of September 30, 2014 ranged from 1.6% to 2.4%, with a weighted average value of 2.2%.

(2) Current discount rate – the current discount rate utilized was derived from the Bloomberg fair market value curve for debt offerings of similar credit rating. In the event that a security had a split credit rating, separate cash flow valuations were made utilizing the appropriate discount rate and were averaged in order to determine the Internal Cash Flow Valuation. In addition, the discount rate was interpolated from the Bloomberg fair market value curve for securities possessing a credit rating below "B." The current discount rates utilized to compute fair value as of September 30, 2014 ranged from 4.2% to 9.0%, with a weighted average value of 5.7%.

(ii) Defaults – The Company utilized the most recently published measures of capital adequacy and/or problematic assets to estimate potential defaults in the collateral pool of performing issuers underlying the seven securities. In instances where problematic assets equaled or exceeded the issuer's regulatory capital, or the issuer's capital level fell below the limits established by the regulatory agencies, defaults were deemed probable to occur. Based upon the application of this methodology, the computed default rates utilized in the determination of the fair value of the TRUPS as of September 30, 2014 ranged from 0% to 4.5% of the performing security pool balance, with a weighted average rate of 1.1%. The Company additionally utilized a standard default rate of 1.2% every three years, which was applied uniformly.

(iii) Cash Flows – The expected payments for the tranche of each security owned by the Company, as adjusted to assume that all estimated defaults occur immediately. The cash flows further assumed an estimated recovery rate of 10% per annum to occur one year after initial default, which was applied uniformly.

As discussed above, in addition to the Internal Cash Flow Valuation and broker quotations, at September 30, 2014 and December 31, 2013, the Company utilized two additional independent cash flow valuation models in order to estimate the fair value of TRUPS. The two independent cash flow valuation models utilized a methodology similar to the Internal Cash Flow Valuation, differing only in the underlying assumptions utilized to derive estimated cash flows, individual bank defaults and discount rate. Weighting was applied, as deemed appropriate, to all valuations utilized at each period end, including the Internal Cash Flow Valuation.

Loans, Net – The fair value of impaired loans that are measured at fair value is determined in the manner described commencing on page 26. For adjustable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair value of all remaining loans receivable is determined by discounting anticipated future cash flows of the loans, net of anticipated prepayments, using a discount rate reflecting current market rates for loans with similar terms to borrowers of similar credit quality. The valuation method used for loans does not necessarily represent an exit price valuation methodology as defined under ASC 820. However, since the valuation methodology is deemed to be akin to a Level 3 valuation methodology, the fair values of loans receivable other than impaired loans measured at fair value and adjustable rate loans are shown under the Level 3 valuation column.

Loans held for sale – The fair value of held-for-sale loans is primarily determined utilizing quoted market prices for securities backed by similar types of loans. Changes in the fair value of loans held for sale result primarily from changes in interest rates subsequent to funding but prior to sale, and changes in the fair value of the associated servicing of the loan. Loans held for sale are deemed a Level 2 valuation.

Premises Held For Sale – The fair value of premises held for sale is determined utilizing an executed sales price (pending closing) or an independent property appraisal utilizing comparable sales data (either deemed a Level 2 valuation).

Accrued Interest Receivable – The estimated fair value of accrued interest receivable approximates its carrying amount, and is deemed to be valued at an input level comparable to its underlying financial asset.

MSR – On a quarterly basis, the aggregate balance of the MSR is evaluated for impairment based upon the fair value of the rights as compared to their carrying amount. If the aggregate carrying amount of the MSR exceeds fair value, impairment is recorded on the MSR so that they are carried at fair value. Fair value is determined based on the present value of estimated future net servicing income, utilizing assumptions that market participants would use in estimating future net servicing income and that can be validated against available market data (Level 2 input).

FHLB NY Capital Stock – It is not practicable to determine the fair value of FHLB NY capital stock due to restrictions placed on transferability.

-28-

Deposits – The fair value of savings, money market, and checking accounts is, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount), which has been deemed a Level 1 valuation. The fair value of CDs is based upon the present value of contractual cash flows using current interest rates for instruments of the same remaining maturity (deemed a Level 2 valuation).

Escrow and Other Deposits – The fair value of escrow and other deposits is, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount), which has been deemed a Level 1 valuation.

FHLBNY Advances –The carrying amount of accrued interest payable on FHLBNY advances is its fair value and is deemed a Level 2 valuation.

Trust Preferred Securities Payable – The fair value of trust preferred securities payable is estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements (deemed a Level 2 valuation), and is provided to the Company quarterly independently by a market maker in the underlying security.

Accrued Interest Payable – The estimated fair value of accrued interest payable approximates its carrying amount, and is deemed to be valued at an input level comparable to its underlying financial liability.

12. RETIREMENT AND
POSTRETIREMENT PLANS

The Holding Company or the Bank maintains the Retirement Plan of The Dime Savings Bank of Williamsburgh (the "Employee Retirement Plan"), the Retirement Plan for Board Members of Dime Community Bancorp, Inc. (the "Outside Director Retirement Plan"), the BMP, and the Postretirement Welfare Plan of The Dime Savings Bank of Williamsburgh (the "Postretirement Plan"). Net expenses associated with these plans were comprised of the following components:

	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013	
	BMP, Employee and Outside Director Retirement Plans		BMP, Employee and Outside Director Retirement Plans	
	Postretirement Plan	Postretirement Plan	Postretirement Plan	Postretirement Plan
Service cost	\$-	\$ 10	\$-	\$ 15
Interest cost	338	58	290	57
Expected return on assets	(444)	-	(380)	-
Amortization of unrealized loss	261	-	587	12
Net periodic cost	\$155	\$ 68	\$497	\$ 84
	Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	BMP, Postretirement EmployeePlan and Outside Director		BMP, Postretirement EmployeePlan and Outside Director	

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	Retirement Plans		Retirement Plans	
Service cost	\$-	\$ 30	\$-	\$ 45
Interest cost	1,014	174	868	170
Expected return on assets	(1,332)	-	(1,139)	-
Amortization of unrealized loss	783	-	1,762	36
Net periodic cost	\$465	\$ 204	\$1,491	\$ 251

The Company disclosed in its consolidated financial statements for the year ended December 31, 2013 that it expected to make contributions to, or benefit payments on behalf of, benefit plans during 2014 as follows: Employee Retirement Plan - \$30, BMP - \$538, Outside Director Retirement Plan - \$190, and Postretirement Plan - \$169. The Company made contributions of \$10 to the Employee Retirement Plan during the nine months ended September 30, 2014, and expects to make the remainder of the estimated contributions during 2014. The Company made benefit payments of \$136 on behalf of the Outside Director Retirement Plan during the nine months ended September 30, 2014, and expects to

-29-

make the remainder of the estimated net contributions or benefit payments during 2014. The Company made net benefit payments totaling \$63 to the Postretirement Plan during the nine months ended September 30, 2014, and expects to make the remainder of the estimated contributions during 2014. The Company did not make any defined benefit contributions to, or benefit payments on behalf of, the BMP during the nine months ended September 30, 2014, and does not currently expect to make benefit payments on behalf of the BMP during 2014, since anticipated retirements that formed the basis for these expected benefit payments in 2014 are presently not expected to occur.

13. INCOME TAXES

During the three months ended September 30, 2014 and 2013, the Company's consolidated effective tax rates were 39.8% and 40.4%, respectively. During the nine months ended September 30, 2014 and 2013, the Company's consolidated effective tax rates were 41.1% and 40.3%, respectively, approximating the expected 41% normalized rate for each period. During the three months ended September 30, 2014, the effective tax rate was reduced as a result of an adjustment related to a previous year tax return. Otherwise, there were no significant unusual income tax items during either the three-month or nine-month periods ended September 30, 2014 and 2013.

14. NET MORTGAGE BANKING INCOME

Net mortgage banking income presented in the consolidated statements of income was comprised of the following items:

	Three Months Ended		Nine months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Gain on the sale of loans	\$ -	\$ 2	\$ 27	\$ 13
Credit to the liability for First Loss Position	-	50	1,040	245
Mortgage banking fees recognized	71	24	86	92
Net mortgage banking income	\$ 71	\$ 76	\$ 1,153	\$ 350

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Holding Company is a Delaware corporation and parent company of the Bank, a New York State chartered stock savings bank. 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 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 use loans, MBS, obligations of the U.S. government and GSEs, and corporate debt and equity securities. All of the Bank's lending occurs in the greater NYC metropolitan area.

Executive Summary

The Holding Company's primary business is the ownership of the Bank. The Company's consolidated results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on interest-earning assets, such as loans and securities, and the interest expense paid on interest-bearing liabilities,

such as deposits and borrowings. The Bank additionally generates non-interest income such as service charges and other fees, mortgage banking related income, and income associated with BOLI. Non-interest expense primarily consists of employee compensation and benefits, federal deposit insurance premiums, data processing costs, occupancy and equipment, marketing and other operating expenses. The Company's consolidated results of operations are also significantly affected by general economic and competitive conditions (particularly fluctuations in market interest rates), government policies, changes in accounting standards and actions of regulatory agencies.

The Bank's primary strategy is generally to seek to increase its product and service utilization for each individual depositor, and increase its household and deposit market shares in the communities that it serves. In addition, the Bank's primary strategy includes the origination of, and investment in, mortgage loans, with an emphasis on NYC multifamily residential and mixed-use real estate loans. The Company believes that multifamily residential and mixed-use loans in and around NYC provide several advantages as investment assets. Initially, they offer a higher yield than other investment securities of comparable maturities or terms to repricing in which the Bank is permitted to invest. In addition, origination and processing costs for the Bank's multifamily residential and mixed use loans are lower per thousand dollars of originations than comparable one-to four-family loan costs. Further, the Bank's market area has generally provided a stable flow of new and refinanced multifamily residential and mixed-use loan originations. In order to address the credit

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risk associated with multifamily residential and mixed use lending, the Bank has developed underwriting standards that it believes are reliable in order to maintain consistent credit quality for its loans.

The Bank also strives to provide a stable source of liquidity and earnings through the purchase of investment grade securities, seeks to maintain the asset quality of its loans and other investments, and uses portfolio and asset/liability management techniques in an effort to manage the effects of interest rate volatility on its profitability and capital.

Selected Financial Highlights and Other Data
(Dollars in Thousands Except Per Share Amounts)

	At or For the Three Months Ended September 30, 2014		At or For the Nine Months Ended September 30, 2013					
Performance and Other Selected Ratios:								
Return on Average Assets	1.09	%	1.07	%	1.01	%	1.11	%
Return on Average Stockholders' Equity	10.37		10.19		9.62		10.91	
Stockholders' Equity to Total Assets	10.41		10.53		10.41		10.53	
Loans to Deposits at End of Period	154.60		140.62		154.60		140.62	
Loans to Earning Assets at End of Period	95.90		96.43		95.90		96.43	
Net Interest Spread	2.92		3.17		2.84		3.24	
Net Interest Margin	3.09		3.35		3.04		3.45	
Average Interest Earning Assets to Average Interest Bearing Liabilities	115.59		115.86		115.97		116.18	
Non-Interest Expense to Average Assets	1.36		1.56		1.44		1.58	
Efficiency Ratio	43.54		46.38		46.51		45.82	
Effective Tax Rate	39.83		40.43		41.08		40.31	
Dividend Payout Ratio	42.42		46.67		46.67		44.21	
Per Share Data:								
Reported EPS (Diluted)	\$0.33		\$0.30		\$0.90		\$0.95	
Cash Dividends Paid Per Share	0.14		0.14		0.42		0.42	
Stated Book Value	12.38		11.57		12.38		11.57	
Asset Quality Summary:								
Net (Recoveries) Charge-offs	\$34		\$202		\$(295)		\$435	
Non-performing Loans	11,527		8,838		11,526		8,838	
Non-performing Loans/Total Loans	0.28	%	0.24	%	0.28	%	0.24	%
Non-performing Assets	\$13,929		\$9,735		\$13,929		\$9,735	
Non-performing Assets/Total Assets	0.32	%	0.24	%	0.32	%	0.24	%
Allowance for Loan Loss/Total Loans	0.47		0.56		0.47		0.56	
Allowance for Loan Loss/Non-performing Loans	165.68		232.41		165.68		232.41	
Earnings to Fixed Charges Ratios (1)								
Including Interest on Deposits	2.54	x	2.50	x	2.48	x	2.53	x
Excluding Interest on Deposits	3.54		3.54		3.44		3.64	

(1) Please refer to Exhibit 12.1 for further detail on the calculation of these ratios.

Critical Accounting Policies

The Company's policies with respect to (1) the methodologies it uses to determine the allowance for loan losses (including reserves for loan commitments), and (2) accounting for defined benefit plans, are its most critical accounting policies because they are important to the presentation of the Company's consolidated financial condition and results of operations, involve a significant degree of complexity and require management to make difficult and

subjective judgments which often necessitate assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions or estimates could result in material variations in the Company's consolidated results of operations or financial condition.

The following are descriptions of the Company's critical accounting policies and explanations of the methods and assumptions underlying their application.

-31-

Allowance for Loan Losses and Reserve for Loan Commitments. The Bank's methods and assumptions utilized to periodically determine its allowance for loan losses are summarized in Note 9 to the Company's condensed consolidated financial statements.

Accounting for Defined Benefit Plans. Defined benefit plans are accounted for in accordance with ASC 715, which requires an employer sponsoring a single employer defined benefit plan to recognize the funded status of such benefit plan in its statements of financial condition, measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation. The Company utilizes the services of trained actuaries employed at an independent benefits plan administration entity in order to assist in measuring the funded status of its defined benefit plans.

Liquidity and Capital Resources

The Board of Directors of the Bank has approved a liquidity policy that it reviews and updates at least annually. Senior management is responsible for implementing the policy. The Bank's Asset Liability Committee ("ALCO") is responsible for general oversight and strategic implementation of the policy, and management of the appropriate departments are designated responsibility for implementing any strategies established by ALCO. On a daily basis, appropriate senior management receives a current cash position report and one-week forecast to ensure that all short-term obligations are timely satisfied and that adequate liquidity exists to fund future activities. On a monthly basis, reports detailing the Bank's liquidity reserves and forecasted cash flows are presented to both appropriate senior management and the Board of Directors. In addition on a monthly basis, a twelve-month liquidity forecast is presented to ALCO in order to assess potential future liquidity concerns. A forecast of cash flow data for the upcoming 12 months is presented to the Board of Directors on an annual basis.

During the nine months ended September 30, 2014, the Company repurchased \$221.9 million of loans it had previously sold to a third party and was servicing. The Company utilized a combination of borrowings, deposit growth and additional mortgagor escrow deposits to fund the repurchase. This was a non-recurring transaction for purposes of liquidity and capital resources.

The Bank's primary sources of funding for its lending and investment activities include deposits, loan and MBS payments, investment security principal and interest payments and advances from the FHLBNY. The Bank may also sell selected multifamily residential, or mixed use real estate loans to private sector secondary market purchasers. The Company may additionally issue debt under appropriate circumstances. Although maturities and scheduled amortization of loans and investments are predictable sources of funds, deposit flows and prepayments on mortgage loans and MBS are influenced by interest rates, economic conditions and competition.

The Bank gathers deposits in direct competition with commercial banks, savings banks and brokerage firms, many among the largest in the nation. It must additionally compete for deposit monies against the stock and bond markets, especially during periods of strong performance in those arenas. The Bank's deposit flows are affected primarily by the pricing and marketing of its deposit products compared to its competitors, as well as the market performance of depositor investment alternatives such as the U.S. bond or equity markets. To the extent that the Bank is responsive to general market increases or declines in interest rates, its deposit flows should not be materially impacted. However, favorable performance of the equity or bond markets could adversely impact the Bank's deposit flows.

Retail branch and Internet banking deposits increased \$115.5 million during the nine months ended September 30, 2014, compared to an increase of \$129.7 million during the nine months ended September 30, 2013. Within deposits, core deposits (i.e., non-CDs) increased \$96.7 million during the nine months ended September 30, 2014 and \$169.1 million during the nine months ended September 30, 2013. These increases were due to successful gathering efforts tied to promotional money market offerings. CDs increased \$18.8 million during the nine months ended September 30, 2014 and declined by \$39.4 million during the nine months ended September 30, 2013. The increase during the nine months ended September 30, 2014 resulted primarily from successful promotional activities related to 30-month

and 5-year traditional CDs as well as Individual Retirement Account CDs. The reduction during the nine months ended September 30, 2013 was due to the attrition of maturing CDs from prior period promotional activities, as CD promotional activities were de-emphasized during that period. Deposit gathering was given greater emphasis during the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, and thus resulted in increased deposit inflows during the nine months ended September 30, 2014.

The Bank increased its outstanding FHLB NY advances by \$193.2 million during the nine months ended September 30, 2014, reflecting a need for additional borrowings in order to fund the \$221.9 million of loan repurchases that occurred during the period. The Bank reduced its outstanding FHLB NY advances by \$70.0 million during the nine months ended September 30, 2013, as it utilized cash balances liquidity or deposit inflows instead to fund its loan originations.

-32-

During the nine months ended September 30, 2014, principal repayments totaled \$526.4 million on real estate loans (including refinanced loans) and \$4.6 million on MBS. During the nine months ended September 30, 2013, principal repayments totaled \$730.2 million on real estate loans (including refinanced loans) and \$14.7 million on MBS. The decrease in principal repayments on real estate loans reflected reduced loan refinancing activity during the nine months ended September 30, 2014, as such levels were historically high during the nine months ended September 30, 2013 as a result of the prolonged period of low interest rates on mortgage origination. The decline in principal repayments on MBS resulted from a reduction of \$11.8 million in their average balance from the nine months ended September 30, 2013 to the nine months ended September 30, 2014.

In the event that the Bank should require funds beyond its ability or desire to generate them internally, an additional source of funds is available through its borrowing line at the FHLB NY. At September 30, 2014, the Bank had an additional potential borrowing capacity of \$426.2 million through the FHLB NY, subject to customary minimum FHLB NY common stock ownership requirements (i.e., 4.5% of the Bank's outstanding FHLB NY borrowings).

The Bank is subject to minimum regulatory capital requirements imposed by its primary federal regulator. As a general matter, these capital requirements are based on the amount and composition of an institution's assets. At September 30, 2014, the Bank was in compliance with all applicable regulatory capital requirements and was considered "well-capitalized" for all regulatory purposes.

The Company generally utilizes its liquidity and capital resources primarily to fund the origination of real estate loans, the purchase of mortgage-backed and other securities, the repurchase of Holding Company common stock into treasury, the payment of quarterly cash dividends to holders of the Holding Company's common stock and the payment of quarterly interest to holders of its outstanding trust preferred debt. During the nine months ended September 30, 2014 and 2013, real estate loan originations totaled \$674.3 million and \$859.6 million, respectively. The decrease from the nine months ended September 30, 2013 to the nine months ended September 30, 2014 reflected the Company's election to compete less aggressively for new loans during the nine months ended September 30, 2014 as a result of the \$221.9 million of loans repurchased during the period. Security purchases were de-emphasized during the nine months ended both September 30, 2014 and 2013 due to their lack of beneficial yield above cash balances.

The Holding Company did not repurchase any shares of its common stock during the nine months ended September 30, 2014 or 2013. As of September 30, 2014, up to 1,124,549 shares remained available for purchase under authorized share purchase programs. Based upon the \$14.40 per share closing price of its common stock as of September 30, 2014, the Holding Company would utilize \$16.2 million in order to purchase all of the remaining authorized shares.

The Holding Company paid \$15.1 million in cash dividends on its common stock during the nine months ended September 30, 2014, and \$14.7 million during the nine months ended September 30, 2013. The increase in payment resulted from a net increase of 310,053 shares outstanding from September 30, 2013 to September 30, 2014.

Contractual Obligations

The Bank is obligated for rental payments under leases on certain of its branches and equipment. In addition, the Bank generally has outstanding at any time significant borrowings in the form of FHLB NY advances, as well as customer CDs with fixed contractual interest rates. The Holding Company also has \$70.7 million of callable trust preferred borrowings from third parties due to mature in April 2034, which became callable at any time commencing in April 2009. The Holding Company does not currently intend to call this debt. The facts and circumstances surrounding these obligations have not changed materially since December 31, 2013.

Off-Balance Sheet Arrangements

As part of its loan origination business, the Bank generally has outstanding commitments to extend credit to third parties, which are granted pursuant to its regular underwriting standards. Since these loan commitments may expire prior to funding, in whole or in part, the contract amounts are not estimates of future cash flows.

-33-

The following table presents off-balance sheet arrangements as of September 30, 2014:

		One Year to Less than One Year	Over Three Years to Three Years	Over Five Years to Five Years	Over Five Years	Total
		(Dollars in thousands)				
Credit Commitments:						
Available lines of credit	\$39,863	\$ -	\$ -	\$ -	\$ -	\$39,863
Other loan commitments	94,476	-	-	-	-	94,476
Total Off-Balance Sheet Arrangements	\$134,339	\$ -	\$ -	\$ -	\$ -	\$134,339

Asset Quality

General

At both September 30, 2014 and December 31, 2013, the Company had neither whole loans nor loans underlying MBS that would have been considered subprime loans at origination, i.e., mortgage loans advanced to borrowers who did not qualify for market interest rates because of problems with their income or credit history. See Note 10 to the condensed consolidated financial statements for a discussion of impaired investment securities and MBS.

Monitoring and Collection of Delinquent Loans

Management of the Bank reviews delinquent loans on a monthly basis and reports to its Board of Directors regarding the status of all non-performing and otherwise delinquent loans in the Bank's portfolio.

The Bank's loan servicing policies and procedures require that an automated late notice be sent to a delinquent borrower as soon as possible after a payment is ten days late in the case of multifamily residential or commercial real estate loans, or fifteen days late in connection with one- to four-family or consumer loans. A second letter is sent to the borrower if payment has not been received within 30 days of the due date. Thereafter, periodic letters are mailed and phone calls placed to the borrower until payment is received. When contact is made with the borrower at any time prior to foreclosure, the Bank will attempt to obtain the full payment due or negotiate a repayment schedule with the borrower to avoid foreclosure.

Accrual of interest is generally discontinued on a loan that meets any of the following three criteria: (i) full payment of principal or interest is not expected; (ii) principal or interest has been in default for a period of 90 days or more (unless the loan is both deemed to be well secured and in the process of collection); or (iii) an election has otherwise been made to maintain the loan on a cash basis due to deterioration in the financial condition of the borrower. Such non-accrual determination practices are applied consistently to all loans regardless of their internal classification or designation. Upon entering non-accrual status, the Bank reverses all outstanding accrued interest receivable.

The Bank generally initiates foreclosure proceedings when a loan enters non-accrual status based upon non-payment, and typically does not accept partial payments once foreclosure proceedings have commenced. At some point during foreclosure proceedings, the Bank procures current appraisal information in order to prepare an estimate of the fair value of the underlying collateral. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure action is completed, the property securing the loan is transferred to OREO status. The Bank generally attempts to utilize all available remedies, such as note sales in lieu of foreclosure, in an effort to resolve non-accrual loans and OREO properties as quickly and prudently as possible in consideration of market

conditions, the physical condition of the property and any other mitigating circumstances. In the event that a non-accrual loan is subsequently brought current, it is returned to accrual status once the doubt concerning collectability has been removed and the borrower has demonstrated performance in accordance with the loan terms and conditions for a period of at least nine months.

Non-accrual Loans

Within the Bank's permanent portfolio, non-accrual loans totaled \$11.5 million, or 0.28% of total loans, at September 30, 2014, compared to \$12.5 million, or 0.34% of total loans, at December 31, 2013. During the nine months ended September 30, 2014, principal amortization of \$1.0 million was recognized on nine non-accrual loans, three non-accrual loans totaling \$443,000 were either disposed of or satisfied, and a \$393,000 loan was returned to accrual status. Partially offsetting these reductions were eight loans totaling \$839,000 that were added to non-accrual status during the nine months ended September 30, 2014.

Impaired Loans

The recorded investment in loans deemed impaired (as defined in Note 8 to the condensed consolidated financial statements) was approximately \$20.9 million, consisting of thirteen loans, at September 30, 2014, compared to \$30.2 million, consisting of sixteen loans, at December 31, 2013. During the nine months ended September 30, 2014, two impaired loans totaling \$9.7 million were satisfied by the respective borrowers, a \$325,000 impaired loan was disposed of at a value at or below its recorded balance and a \$265,000 loan was removed from impaired status. Additionally during the nine months ended September 30, 2014, principal amortization totaling \$1.2 million was recognized on ten impaired loans, and a \$1.5 million impaired loan was transferred to held for sale pending a note sale that was completed at par value in October 2014. Partially offsetting these declines was the addition of two loans totaling \$3.7 million to impaired status during the nine months ended September 30, 2014.

The following is a reconciliation of non-accrual and impaired loans at September 30, 2014:

	(Dollars in Thousands)
Non-accrual loans	\$11,527
Non-accrual one- to four-family and consumer loans deemed homogeneous loans	(1,371)
TDRs retained on accrual status	10,747
Impaired loans	\$20,903

TDRs

Under ASC 310-40-15, the Bank is required to recognize loans for which certain modifications or concessions have been made as TDRs. A TDR has been created in the event that any of the following criteria is met:

For economic or legal reasons related to the debtor's financial difficulties, a concession has been granted that would not have otherwise been considered

A reduction of interest rate has been made for the remaining term of the loan

The maturity date of the loan has been extended with a stated interest rate lower than the current market rate for new debt with similar risk

The outstanding principal amount and/or accrued interest have been reduced

In instances in which the interest rate has been reduced, management would not deem the modification a TDR in the event that the reduction in interest rate reflected either a general decline in market interest rates or an effort to maintain a relationship with a borrower who could readily obtain funds from other sources at the current market interest rate, and the terms of the restructured loan are comparable to the terms offered by the Bank to non-troubled debtors. The Bank modified one loan in a manner that met the criteria for a TDR during the three-month and nine-month periods ended September 30, 2014. The Bank did not modify any loans in a manner that met the criteria for a TDR during the three-month or nine-month periods ended September 30, 2013.

Accrual status for TDRs is determined separately for each TDR in accordance with the policies for determining accrual or non-accrual status that are outlined on page 34. At the time