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

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015
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)

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

Indicate by check mark whether the registrant (1) has filed all the reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES NO

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

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 August 6, 2015
$.01 Par Value	37,189,352

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

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

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

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

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

Item 1. Condensed Consolidated Financial Statements

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

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

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

See notes to condensed consolidated financial statements.

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

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

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

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

and 2014, respectively				
Reduction in (adjustment to) non-credit component of other than temporary impairment ("OTTI"), net of deferred tax expense (benefit) of $(16) and $4 during the three months ended June 30, 2015 and 2014, respectively, and $(12) and $8 during the six months ended June 30, 2015 and 2014, respectively	(19)	4	(15)	8
Reclassification adjustment for securities sold during the period, net of income tax expense (benefit) of $2 during the three months ended June 30, 2015 and $(624) during the six months ended June 30, 2015 (reclassified from net gain on securities)	2	-	(760)	-
Net unrealized securities gains (losses) arising during the period, net of deferred tax expense (benefit) of $(2) and $57 during the three months ended June 30, 2015 and 2014, respectively, and $15 and $27 during the six months ended June 30, 2015 and 2014, respectively	(4)	70	20	33
Change in pension and other postretirement obligations, net of deferred tax expense (benefit) of $210 and $117 during the three months ended June 30, 2015 and 2014, respectively, and $(58) and $234 during the six months ended June 30, 2015 and 2014, respectively	257	144	(72)	288
Comprehensive Income	$11,777	$10,688	$22,505	$20,845

See notes to condensed consolidated financial statements.

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

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

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

See notes to condensed consolidated financial statements.

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

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

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

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in Thousands Except Per Share Amounts)

1. NATURE OF OPERATIONS

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

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

2. SUMMARY OF ACCOUNTING POLICIES

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

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

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity"("ASU 2014-08"). ASU 2014-08 changed the criteria for reporting discontinued operations and provided financial statement users additional information related to the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 also sought to both clarify confusion related to, and inconsistent financial reporting of, discontinued operations under existing GAAP guidance, and enhance convergence between GAAP and International Financial Reporting Standards. Under ASU 2014-08, only disposals that represent strategic shifts and have a major effect on the organization's operations and financial results are to be presented as discontinued operations. ASU 2014-08 further requires disclosure of the pretax income attributable to the disposal of a significant part of an organization that does not meet the criteria for discontinued operations reporting, providing users information about the ongoing trends in a reporting organization's results from continuing operations. Adoption of ASU 2014-08 did not have a material impact upon the Company's consolidated financial condition or results of operations.

4. TREASURY STOCK

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

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

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

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

5. OTHER COMPREHENSIVE INCOME (LOSS)

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

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

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

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

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

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

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

6. EARNINGS PER SHARE ("EPS")

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

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

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

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

7. ACCOUNTING FOR STOCK BASED COMPENSATION

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

Stock Option Awards

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

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

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

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

Restricted Stock Awards

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

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

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

8. LOANS RECEIVABLE AND CREDIT QUALITY

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

Credit Quality Indicators:

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

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

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

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

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

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

	Balance at June 30, 2015					
Grade	One- to Four-Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use Real Estate	Commercial Real Estate	Construction	Total Real Estate Loans
Not Graded(1)	$8,008	$-	$ -	$ -	$ -	$8,008
Pass	59,639	3,419,617	350,247	426,999	-	4,256,502
Special Mention	1,354	8,441	2,550	5,893	-	18,238
Substandard	1,874	5,494	5,191	9,002	-	21,561
Doubtful	-	-	-	-	-	-
Total	$70,875	$3,433,552	$ 357,988	$ 441,894	$ -	$4,304,309

(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.

	Balance at December 31, 2014					
Grade	One- to Four-Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use Real Estate	Commercial Real Estate	Construction	Total Real Estate Loans
Not Graded(1)	$9,091	$-	$ -	$ -	$ -	$9,091
Pass	60,764	3,271,430	317,718	391,227	-	4,041,139
Special Mention	1,370	20,738	4,944	6,431	-	33,483
Substandard	2,275	6,280	6,005	19,138	-	33,698
Doubtful	-	-	-	-	-	-
Total	$73,500	$3,298,448	$ 328,667	$ 416,796	$ -	$4,117,411

(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 June 30, 2015	Balance at December 31, 2014

Performing	$ 1,951	$ 1,825
Non-accrual	3	4
Total	$ 1,954	$ 1,829

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 June 30, 2015

	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	$79	$5	$-	$749	$833	$70,042	$70,875
Multifamily residential and residential mixed use	260	-	144	-	404	3,433,148	3,433,552
Commercial mixed use real estate	-	-	409	-	409	357,579	357,988
Commercial real estate	-	-	491	207	698	441,196	441,894
Total real estate	$339	$5	$1,044	$956	$2,344	$4,301,965	$4,304,309
Consumer	$5	$-	$-	$3	$8	$1,946	$1,954

[1] Includes all loans on non-accrual status regardless of the number of days such loans were delinquent as of June 30, 2015.

At December 31, 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	$240	$-	$-	$1,310	$1,550	$71,950	$73,500
Multifamily residential and residential mixed use	1,187	-	2,922	167	4,276	3,294,172	3,298,448
Commercial mixed use real estate	-	-	411	-	411	328,256	328,667
Commercial real estate	-	-	-	4,717	4,717	412,079	416,796
Total real estate	$1,427	$-	$3,333	$6,194	$10,954	$4,106,457	$4,117,411
Consumer	$2	$-	$-	$4	$6	$1,823	$1,829

[1] Includes all loans on non-accrual status regardless of the number of days such loans were delinquent as of December 31, 2014.

<u>Accruing Loans 90 Days or More Past Due</u>

The Bank continued accruing interest on three real estate loans with an aggregate outstanding balance of $1,044 at June 30, 2015, and eight real estate loans with an aggregate outstanding balance of $3,333 at December 31, 2014, 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.

Troubled Debt Restructurings ("TDRs")

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

	As of June 30, 2015		As of December 31, 2014	
	No. of Loans	Balance	No. of Loans	Balance
One- to four-family residential, including condominium and cooperative apartment	2	$601	2	$605
Multifamily residential and residential mixed use	3	712	4	1,105
Commercial mixed use real estate	1	4,385	1	4,400
Commercial real estate	2	3,666	4	13,707
Total real estate	8	$9,364	11	$19,817

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

	As of June 30, 2015		As of December 31, 2014	
	No. of Loans	Balance	No. of Loans	Balance
Outstanding principal balance at period end	8	$9,364	11	$19,817
TDRs on accrual status at period end	7	9,157	9	15,100
TDRs on non-accrual status at period end	1	207	2	4,717

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 six 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 June 30, 2015 and December 31, 2014.

There were no loans modified in a manner that met the criteria of a TDR during the three-month and six-month periods ended June 30, 2015. During the three-month and six-month periods ended June 30, 2014, the Company reduced the interest rate on a commercial mixed use real estate loan with a recorded balance of $4,400 in a manner that met the criteria of a TDR. At the time of modification, this loan was impaired, on non-accrual status, and had a reserve of $1,320 allocated within the allowance for loans losses. Upon modification, the borrower paid all contractual amounts due, and the allocated reserve of $1,320 was eliminated. There were no other loan modifications during the three-month or six-month periods ended June 30, 2014 that met the definition of a TDR.

The Bank's allowance for loan losses at June 30, 2015 did not reflect any allocated reserve associated with TDRs. The Bank's allowance for loan losses at December 31, 2014 reflected $19 of allocated reserve associated with TDRs. Activity related to reserves associated with TDRs was immaterial during the three-month and six-month periods ended June 30, 2015 and 2014.

As of June 30, 2015 and December 31, 2014, 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 three-month or six-month periods ended June 30, 2015 and 2014 (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 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 some of the 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.

Loans Re-acquired from FNMA

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. Since re-acquisition, the credit quality of these loans has been evaluated in accordance with the policies and procedures discussed in this note.

The Company paid an aggregate premium of $13,163 on the real estate loans re-acquired from FNMA during the six months ended June 30, 2014. The premium is being amortized as an adjustment to interest income throughout the remaining estimated life of the loans. At June 30, 2015 and December 31, 2014, the remaining unamortized premium totaled $4,361 and $7,950, respectively.

9. ALLOWANCE FOR LOAN LOSSES

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). Due to their small homogeneous balances, consumer loans were not individually evaluated for impairment as of both June 30, 2015 and December 31, 2014.

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 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 some 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 December 31, 2014.

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 June 30, 2015 and December 31, 2014, 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 June 30, 2015 and December 31, 2014. 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 $244 at June 30, 2015 and $371 at December 31, 2014. The decline resulted from both a reduction of $5,025 in the balance of such loans from December 31, 2014 to June 30, 2015, as well as a lower average loss expectation derived as of June 30, 2015 compared to December 31, 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 June 30, 2015 and December 31, 2014, 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 June 30, 2015 and December 31, 2014. 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 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 declined from $228 at December 31, 2014 to $108 at June 30, 2015, due to both a reduction of $15,245 in the balance of such loans and a lower expected loss percentage applied to such loans at June 30, 2015 compared to December 31, 2014 under the methodology employed.

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; 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:
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(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 potential losses that could take a longer period to flow through its allowance for loan losses possibly exist.

(ii) Economic conditions - At both June 30, 2015 and December 31, 2014, 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) Loan concentrations - 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 adverse change in the quality and scope of the loan review function.

Consumer Loans

Due to their small homogeneous 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.

The following table presents 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 June 30, 2015

	Real Estate Loans						Consumer Loans
	One- to Four Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Beginning balance	$111	$14,173	$1,566	$2,365	$-	$18,215	$22
Provision (credit) for loan losses	19	238	111	(1,504)	-	(1,136)	1
Charge-offs	(5)	(40)	-	(1)	-	(46)	(1)
Recoveries	1	3	5	1,489	-	1,498	-
Ending balance	$126	$14,374	$1,682	$2,349	$-	$18,531	$22
Ending balance – loans individually evaluated for impairment	$601	$712	$4,385	$3,666	$-	$9,364	$-
Ending balance – loans collectively evaluated for impairment	70,274	3,432,840	353,603	438,228	-	4,294,945	1,954
Allowance balance associated with loans individually evaluated for impairment	-	-	-	-	-	-	-
Allowance balance associated with loans collectively evaluated for impairment	126	14,374	1,682	2,349	-	18,531	22
Total Ending balance	$126	$14,374	$1,682	$2,349	$-	$18,531	$22

At December 31, 2014

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

	Including Condominium and Cooperative Apartment						
Ending balance – loans individually evaluated for impairment	$605	$1,272	$4,400	$13,707	$-	$19,984	$-
Ending balance – loans collectively evaluated for impairment	72,895	3,297,176	324,267	403,089	-	4,097,427	1,829
Allowance balance associated with loans individually evaluated for impairment	-	-	-	19	-	19	-
Allowance balance associated with loans collectively evaluated for impairment	150	13,852	1,644	2,804	-	18,450	24

At or for the Three Months Ended June 30, 2014

	Real Estate Loans						Consumer Loans
	One- to Four Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Beginning balance	$277	$14,311	$2,767	$3,048	$1	$20,404	$25
Provision (credit) for loan losses	(79)	16	(1,500)	430	(1)	(1,134)	4
Charge-offs	(14)	(13)	-	(102)	-	(129)	(5)
Recoveries	120	5	342	1	-	468	-
Ending balance	$304	$14,319	$1,609	$3,377	$-	$19,609	$24

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At or for the Six Months Ended June 30, 2015

	Real Estate Loans						Consumer Loans
	One- to Four Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Beginning balance	$150	$13,852	$1,644	$2,823	$-	$18,469	$24
Provision (credit) for loan losses	80	560	51	(1,998)	-	(1,307)	-
Charge-offs	(107)	(41)	(37)	(1)	-	(186)	(2)
Recoveries	3	3	24	1,525	-	1,555	-
Ending balance	$126	$14,374	$1,682	$2,349	$-	$18,531	$22

At or for the Six Months Ended June 30, 2014

	Real Estate Loans						Consumer Loans
	One- to Four Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use 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	30	354	(1,706)	532	(3)	(853)	4
Charge-offs	(23)	(50)	(30)	(210)	-	(313)	(4)
Recoveries	121	175	342	8	-	646	-
Ending balance	$304	$14,319	$1,609	$3,377	$-	$19,609	$24

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 June 30, 2015		
	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	$640	$601	$-
With an allocated reserve	-	-	-

Multifamily Residential and Residential Mixed Use			
With no allocated reserve	712	712	-
With an allocated reserve	-	-	-
Commercial Mixed Use Real Estate			
With no allocated reserve	4,385	4,385	-
With an allocated reserve	-	-	-
Commercial Real Estate			
With no allocated reserve	3,673	3,666	-
With an allocated reserve	-	-	-
Construction			
With no allocated reserve	-	-	-
With an allocated reserve	-	-	-
Total			
With no allocated reserve	$9,410	$9,364	$-
With an allocated reserve	$-	$-	$-

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

	At December 31, 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	$646	$605	$-
With an allocated reserve	-	-	-
Multifamily Residential and Residential Mixed Use			
With no allocated reserve	1,272	1,272	-
With an allocated reserve	-	-	-
Commercial Mixed Use Real Estate			
With no allocated reserve	4,425	4,400	-
With an allocated reserve	-	-	-
Commercial Real Estate			
With no allocated reserve	10,306	8,207	-
With an allocated reserve	5,500	5,500	19
Construction			
With no allocated reserve	-	-	-
With an allocated reserve	-	-	-
Total			
With no allocated reserve	$16,649	$14,484	$-
With an allocated reserve	$5,500	$5,500	$19

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

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014		Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
One- to Four Family Residential, Including Condominium and Cooperative Apartment								
With no allocated reserve	$602	$11	$769	$20	$603	$23	$842	$35
With an allocated reserve	-	-	-	-	-	-	70	-
Multifamily Residential and Residential Mixed Use								

With no allocated reserve	985	31	2,483	34	1,081	46	2,437	55
With an allocated reserve	-	-	-	-	-	-	-	-
Commercial Mixed Use Real Estate								
With no allocated reserve	4,393	44	2,200	148	4,395	88	1,467	149
With an allocated reserve	-	-	2,200	-	-	-	2,933	-
Commercial Real Estate								
With no allocated reserve	5,929	35	6,864	10	6,688	71	6,976	41
With an allocated reserve	-	-	10,259	165	1,833	97	11,854	350
Construction								
With no allocated reserve	-	-	-	-	-	-	-	-
With an allocated reserve	-	-	-	-	-	-	-	-
Total								
With no allocated reserve	$11,909	$121	$12,316	$212	$12,767	$228	$11,722	$280
With an allocated reserve	$-	$-	$12,459	$165	$1,833	$97	$14,857	$350

Reserve Liability for First Loss Position

The reserve liability maintained in connection with the First Loss Position was recorded as a component of other liabilities, and was estimated using a methodology similar to the allowance for loan losses, with periodic increases or decreases recognized through provisions, charge-offs or recoveries. On February 20, 2014, the Bank repurchased the remaining loans within the pool previously sold to FNMA and extinguished both the First Loss Position and the remaining $1,040 related reserve liability.

10. INVESTMENT AND MORTGAGE-BACKED SECURITIES

The following is a summary of major categories of securities owned by the Company (excluding trading securities) at June 30, 2015:

	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")	$ 15,551	$ 5,300	$ 2,662	$ (175)	$7,787
Available-for-sale securities:					
Investment securities					
Registered Mutual Funds	3,876	3,876	53	(87)	3,842
MBS					
Pass-through MBS issued by GSEs	443	443	16	-	459

(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 $887 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 (excluding trading securities) at December 31, 2014:

	Purchase Amortized/ Historical Cost	Recorded Amortized/ Historical Cost (1)	Unrealized Gains	Unrealized Losses	Fair Value
Investment securities held-to-maturity:					
TRUPS	$ 15,815	$ 5,367	$ 1,119	$ (171)	$6,315
Available-for-sale securities:					
Investment securities					
Registered Mutual Funds	3,860	3,860	-	(124)	3,736
Agency notes	70	70	-	-	70
MBS					
Pass-through MBS issued by GSEs	24,154	24,154	1,453	-	25,607
Private issuer pass through MBS	449	449	6	-	455
Private issuer collateralized mortgage obligations ("CMOs")	343	343	4	-	347

(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 $932 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 held-to-maturity TRUPS had a weighted average term to maturity of 19.5 years at June 30, 2015. At June 30, 2015, the pass-through MBS issued by GSEs possessed a weighted average contractual maturity of 12.6 years. All of the pass-through MBS issued by GSEs possess an annual interest rate adjustment.

Proceeds from the sales of investment securities available-for-sale totaled $2,000 during the three months ended June 30, 2015. Gross gains of $4 and gross losses of $8 were recognized on these sales. Proceeds from the sales of investment securities available-for-sale totaled $2,070 during the six months ended June 30, 2015. Gross gains of $4 and gross losses of $8 were recognized on these sales. There were no sales of investment securities during the three-month or six-month periods ended June 30, 2014. There were no sales of MBS available-for-sale during the three months ended June 30, 2015, and the three-month or six-month periods ended June 30, 2014. Proceeds from the sales of MBS available-for-sale totaled $24,307 during the six months ended June 30, 2015. Gross gains of $1,395 and gross losses of $7 were recognized on these sales.

Tax provisions related to the gains on sales of investment securities and MBS available-for-sale recognized during the three-month and six-month periods ended June 30, 2015 and 2014 are disclosed in the condensed consolidated statements of comprehensive income.

As of each reporting period through June 30, 2015, the Company has applied the protocol established by 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 components of OTTI. As of June 30, 2015, five TRUPS were determined to meet the criteria for OTTI based upon this analysis. At June 30, 2015, 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 June 30, 2015			At or for the Three Months Ended June 30, 2014		
	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 pre-tax balance at the beginning of the period	$8,795	$561	$9,356	$8,945	$593	$9,538
Accretion (Amortization) of previously recognized OTTI	(26)	35	9	-	(8)	(8)
Cumulative pre-tax balance at end of the period	$8,769	$596	$9,365	$8,945	$585	$9,530

	At or for the Six Months Ended June 30, 2015			At or for the Six Months Ended June 30, 2014		
	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 pre-tax balance at the beginning of the period	$8,945	$569	$9,514	$8,945	$601	$9,546
Accretion (Amortization) of previously recognized OTTI	(176)	27	(149)	-	(16)	(16)
Cumulative pre-tax balance at end of the period	$8,769	$596	$9,365	$8,945	$585	$9,530

The following table summarizes the gross unrealized losses and fair value of investment securities as of June 30, 2015, 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/ Unrealized Losses	Fair Value	Gross Unrecognized	