DIME COMMUNITY BANCSHARES INC
Form 10-Q
May 09, 2016

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 March 31, 2016
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 May 6, 2016
$.01 Par Value	37,595,550

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.

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Item 1. Unaudited Condensed Consolidated Financial Statements

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

	March 31, 2016	December 31, 2015
ASSETS:		
Cash and due from banks	$192,917	$ 64,154
Total cash and cash equivalents	192,917	64,154
Investment securities held-to-maturity (estimated fair value of $6,878 and $7,051 at March 31, 2016 and December 31, 2015, respectively)(fully unencumbered)	5,290	5,242
Investment securities available-for-sale, at fair value (fully unencumbered)	3,787	3,756
Mortgage-backed securities available-for-sale, at fair value (fully unencumbered)	417	431
Trading securities	10,368	10,201
Loans:		
Real estate, net	5,055,293	4,695,186
Consumer loans	1,354	1,590
Less allowance for loan losses	(18,513)	(18,514)
Total loans, net	5,038,134	4,678,262
Premises and fixed assets, net	13,770	15,150
Premises held for sale	1,379	8,799
Federal Home Loan Bank of New York ("FHLBNY") capital stock	63,681	58,713
Other real estate owned ("OREO")	18	148
Bank Owned Life Insurance ("BOLI")	85,579	85,019
Goodwill	55,638	55,638
Other assets	46,381	47,359
Total Assets	$5,517,359	$ 5,032,872
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	$3,189,417	$ 2,925,129
Non-interest bearing deposits	250,339	259,181
Total deposits	3,439,756	3,184,310
Escrow and other deposits	126,315	77,130
FHLBNY advances	1,277,125	1,166,725
Trust Preferred securities payable	70,680	70,680
Other liabilities	63,576	40,080
Total Liabilities	4,977,452	4,538,925
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock ($0.01 par, 9,000,000 shares authorized, none issued or outstanding at March 31, 2016 or December 31, 2015)	-	-
Common stock ($0.01 par, 125,000,000 shares authorized, 53,326,753 and 53,326,753 shares issued at March 31, 2016 and December 31, 2015, respectively, and 37,399,150 and 37,371,992 shares outstanding at March 31, 2016 and December 31, 2015, respectively)	533	533
Additional paid-in capital	263,206	262,798
Retained earnings	496,518	451,606

Accumulated other comprehensive loss, net of deferred taxes	(8,549)	(8,801)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(2,256)	(2,313)
Unearned Restricted Stock Award common stock	(2,279)	(2,271)
Common stock held by Benefit Maintenance Plan ("BMP")	(9,353)	(9,354)
Treasury stock, at cost (15,927,603 and 15,954,761 shares at March 31, 2016 and December 31, 2015, respectively)	(197,913)	(198,251)
Total Stockholders' Equity	539,907	493,947
Total Liabilities and Stockholders' Equity	$5,517,359	$ 5,032,872

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2016	2015
Interest income:		
Loans secured by real estate	$45,651	$41,788
Other loans	24	24
Mortgage-backed securities	2	181
Investment securities	173	169
Federal funds sold and other short-term investments	661	650
Total interest income	46,511	42,812
Interest expense:		
Deposits and escrow	6,794	5,220
Borrowed funds	5,086	7,498
Total interest expense	11,880	12,718
Net interest income	34,631	30,094
Credit for loan losses	(21)	(172)
Net interest income after credit for loan losses	34,652	30,266
Non-interest income:		
Service charges and other fees	685	750
Net mortgage banking income	28	72
Net gain on securities and other assets	46	1,450
Net gain on the sale of premises held for sale	68,187	-
Income from BOLI	560	606
Other	235	423
Total non-interest income	69,741	3,301
Non-interest expense:		
Salaries and employee benefits	8,830	5,900
Stock benefit plan amortization expense	878	941
Occupancy and equipment	2,627	2,944
Data processing costs	1,195	875
Federal deposit insurance premiums	739	551
Other	3,600	2,653
Total non-interest expense	17,869	13,864
Income before income taxes	86,524	19,703
Income tax expense	36,487	7,925
Net income	$50,037	$11,778
Earnings per Share:		
Basic	$1.37	$0.33
Diluted	$1.36	$0.33

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

Net Income	$50,037	$11,778
Amortization and reversal of net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of tax expense of $5 and $11 during the three months ended March 31,	6	13

2016 and 2015, respectively		
Reduction in non-credit component of other than temporary impairment ("OTTI"), net of deferred taxes of $4 during the three months ended both March 31, 2016 and 2015	4	4
Reclassification adjustment for securities sold during the period, net of income tax benefit of $(624) during the three months ended March 31, 2015 (reclassified from net gain on securities and other assets)	-	(762)
Net unrealized securities gains arising during the period, net of deferred tax expense of $7 and $19 during the three months ended March 31, 2016 and 2015, respectively	8	24
Change in pension and other postretirement obligations, net of deferred tax expense (benefit) of $191 and $(268) during the three months ended March 31, 2016 and 2015, respectively	234	(329)
Total other comprehensive income (loss)	252	(1,050)
Comprehensive Income	$50,289	$10,728

See notes to unaudited 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)

	Three Months Ended March 31, 2016	2015
Common Stock (Par Value $0.01):		
Balance at beginning of period	$533	$529
Shares issued in exercise of options	-	-
Balance at end of period	533	529
Additional Paid-in Capital:		
Balance at beginning of period	262,798	254,358
Stock options exercised	-	149
Excess tax benefit related to stock benefit plans	-	(27)
Amortization of excess fair value over cost – ESOP stock and stock options expense	273	270
Release from treasury stock for equity awards, net of return of shares to treasury for forfeited shares	135	-
Balance at end of period	263,206	254,750
Retained Earnings:		
Balance at beginning of period	451,606	427,126
Net income for the period	50,037	11,778
Cash dividends declared and paid	(5,125)	(5,041)
Balance at end of period	496,518	433,863
Accumulated Other Comprehensive Loss, Net of Deferred Taxes:		
Balance at beginning of period	(8,801)	(8,547)
Other comprehensive (loss) income recognized during the period, net of tax	252	(1,050)
Balance at end of period	(8,549)	(9,597)
Unallocated Common Stock of ESOP:		
Balance at beginning of period	(2,313)	(2,545)
Amortization of earned portion of ESOP stock	57	58
Balance at end of period	(2,256)	(2,487)
Unearned Equity Awards:		
Balance at beginning of period	(2,271)	(3,066)
Amortization of earned portion of restricted stock awards	438	494
Release from treasury stock for equity awards, net of return of shares to treasury for forfeited shares	(446)	-
Balance at end of period	(2,279)	(2,572)
Common Stock Held by BMP:		
Balance at beginning of period	(9,354)	(9,164)
Award distribution	1	-
Release from treasury stock for equity awards, net of return of shares to treasury for forfeited shares	-	-
Balance at end of period	(9,353)	(9,164)
Treasury Stock, at cost:		
Balance at beginning of period	(198,251)	(198,966)
Treasury shares repurchased (20,000 shares during the three months ended March 31, 2015)	-	(300)
Release from treasury stock for equity awards, net of return of shares to treasury for forfeited shares (27,158 shares)	338	-
Balance at end of period	(197,913)	(199,266)

TOTAL STOCKHOLDERS' EQUITY AT THE END OF PERIOD	$539,907	$466,056

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$50,037	$11,778
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain on investment and mortgage backed securities sold	-	(1,388)
Net gain recognized on trading securities	(6)	(62)
Net gain on the sale of OREO	(40)	-
Net gain on the sale of premises held for sale	(68,187)	-
Net depreciation, amortization and accretion	536	834
Stock plan compensation (excluding ESOP)	438	517
ESOP compensation expense	357	305
Credit for loan losses	(21)	(172)
Increase in cash surrender value of BOLI	(560)	(606)
Deferred income tax provision	456	1,532
Excess tax benefit from stock benefit plans	-	27
Changes in assets and liabilities:		
Decrease(Increase) in other assets	317	(1,452)
Increase(Decrease) in other liabilities	23,921	(884)
Net cash provided by Operating Activities	7,248	10,429
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities held-to-maturity	-	84
Proceeds from sales of investment securities available-for-sale	-	70
Proceeds from sale of mortgage backed securities available for sale	-	24,307
Purchases of investment securities available-for-sale	(17)	(8)
Purchases of mortgage backed securities available-for-sale	-	-
Acquisition of trading securities	(161)	(126)
Principal collected on mortgage backed securities available-for-sale	14	1,551
Proceeds from the sale of loans	-	2,330
Purchases of loans	(152,637)	-
Loans originated, net of repayments	(207,214)	(118,021)
Net proceeds from the sale of premises held for sale	75,899	-
Proceeds from the sale of OREO	170	-
Net Disposals (Purchases) of fixed assets	523	(257)
(Purchase) Redemption of FHLBNY capital stock	(4,968)	5,625
Net cash used in Investing Activities	(288,391)	(84,445)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in due to depositors	255,446	182,642
Increase in escrow and other deposits	49,185	22,555
Repayments of FHLBNY advances	(1,367,500)	(563,000)
Proceeds from FHLBNY advances	1,477,900	438,000
Proceeds from exercise of stock options	-	149
Excess tax benefit from stock benefit plans	-	(27)
Treasury shares repurchased	-	(300)
Cash dividends paid to stockholders	(5,125)	(5,041)

Net cash provided by Financing Activities	409,906	74,978
INCREASE IN CASH AND CASH EQUIVALENTS	128,763	962
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	64,154	78,437
CASH AND CASH EQUIVALENTS, END OF PERIOD	$192,917	$79,399
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$9,050	$4,457
Cash paid for interest	11,861	12,887
Loans transferred to OREO	-	130
Transfer of premises to held for sale	1,379	-
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	11	24
Net decrease in non-credit component of OTTI	8	8

See notes to unaudited condensed consolidated financial statements.

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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 March 31, 2016 and December 31, 2015, the results of operations and statements of comprehensive income for the three-month periods ended March 31, 2016 and 2015, and the changes in stockholders' equity and cash flows for the three-month periods ended March 31, 2016 and 2015. The results of operations for the three-month periods ended March 31, 2016 are not necessarily indicative of the results of operations for the remainder of the year ending December 31, 2016. 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, 2015 and notes thereto.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in ASU 2016-01 also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. For the Company, ASU 2016-01 is effective for fiscal years and interim periods beginning after December 31, 2017. The Company is currently evaluating ASU 2016-01 to determine the impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which requires lessees to recognize assets and liabilities related to certain operating leases on the balance sheet. ASU 2016-02 also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. For the Company, ASU 2016-02 is effective for fiscal years and interim periods beginning after December 31, 2018. The Company is currently evaluating ASU 2016-02 to determine the impact on its consolidated financial statements.

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In March 2016, the FASB issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which eliminates the Additional Paid in Capital pool for excess tax benefits and requires that all excess tax benefits and tax deficiencies be recognized as an income tax benefit or expense in the income statement. All excess tax benefits and deficiencies are to be recognized in the period they are deducted on the income tax return, and shall not be anticipated when determining the annual estimated effective tax rate. Excess tax benefits are instead considered discrete items in the reporting period in which they occur. Under ASU 2016-09, entities can elect to either continue to apply current GAAP to forfeitures, or reverse compensation cost of forfeited awards when they occur, and can withhold up to the maximum individual statutory tax rate in the applicable jurisdiction and classify the entire award as equity. For the Company, ASU 2016-09 is effective for fiscal years and interim periods beginning after December 31, 2016. The Company is currently evaluating ASU 2016-09 to determine the impact on its consolidated financial statements.

In March 2016, the FASB issued an update (ASU No. 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations.) The amendments in this update affect the guidance in ASU 2014-09, Revenue from Contracts with Customers. The amendments do not change the core principal of the guidance, but rather clarify the implementation guidance on principal versus agent considerations. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is currently evaluating the impact on the consolidated financial statements and related disclosures.

4. TREASURY STOCK

There were no treasury stock repurchases during the three months ended March 31, 2016. The Holding Company repurchased 20,000 shares of its common stock into treasury during the three months ended March 31, 2015 at a weighted average cost of $15.00 per share.

On March 24, 2016, 28,044 shares of the Holding Company's common stock were released from treasury in order to satisfy potential future performance-based equity awards. The closing price of the Holding Company's common stock on that date was $17.35, 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 periods ended both March 31, 2016 and 2015.

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 and other assets in the accompanying condensed consolidated statements of income.

	Pre-tax Amount	Tax Expense (Benefit)	After tax Amount
Three Months Ended March 31, 2016			
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	11	5	6
Total securities held-to-maturity and transferred securities	19	9	10
Securities available-for-sale:			
Change in net unrealized gain during the period	15	7	8
Total securities available-for-sale	15	7	8
Defined benefit plans:			

Reclassification adjustment for expense included in salaries and employee benefits expense	425	191	234
Change in the net actuarial gain or loss	-	-	-
Total defined benefit plans	425	191	234
Total other comprehensive income	$459	$ 207	$252
Three Months Ended March 31, 2015			
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	24	11	13
Total securities held-to-maturity and transferred securities	32	15	17
Securities available-for-sale:			
Reclassification adjustment for net gains included in net gain on securities and other assets	(1,388)	(626)	(762)
Change in net unrealized gain during the period	43	19	24
Total securities available-for-sale	(1,345)	(607)	(738)
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	(1,064)	(478)	(586)
Total defined benefit plans	(597)	(268)	(329)
Total other comprehensive loss	$(1,910)	$ (860)	$(1,050)

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Activity in accumulated other comprehensive income (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 Loss
Balance as of January 1, 2016	$ (760)	$ (122)	$(7,919)	$ (8,801)
Other comprehensive income before reclassifications	10	8	-	18
Amounts reclassified from accumulated other comprehensive loss	-	-	234	234
Net other comprehensive income during the period	10	8	234	252
Balance as of March 31, 2016	$ (750)	$ (114)	$(7,685)	$ (8,549)
Balance as of January 1, 2015	$ (826)	$ 736	$(8,457)	$ (8,547)
Other comprehensive income (loss) before reclassifications	17	(762)	257	(488)
Amounts reclassified from accumulated other comprehensive loss	-	24	(586)	(562)
Net other comprehensive income (loss) during the period	17	(738)	(329)	(1,050)
Balance as of March 31, 2015	$ (809)	$ (2)	$(8,786)	$ (9,597)

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 and diluted EPS for the periods presented:

	Three Months Ended March 31,	
	2016	2015
Net income per the Consolidated Statements of Income	$50,037	$11,778
Less: Dividends paid and earnings allocated to participating securities	(31)	(41)
Income attributable to common stock	$50,006	$11,737
Weighted average common shares outstanding, including participating securities	36,813,347	36,275,586
Less: weighted average participating securities	(223,605)	(288,400)
Weighted average common shares outstanding	36,589,742	35,987,186
Basic EPS	$1.37	$0.33
Income attributable to common stock	$50,006	$11,737
Weighted average common shares outstanding	36,589,742	35,987,186
Weighted average common equivalent shares outstanding	73,209	66,273
Weighted average common and equivalent shares outstanding	36,662,951	36,053,459
Diluted EPS	$1.36	$0.33

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 124,622 and 205,710 weighted-average stock options outstanding for the three-month periods ended March 31, 2016 and 2015, 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 periods ended both March 31, 2016 and 2015, 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 14 to the Company's audited consolidated financial statements for the year ended December 31, 2015, and which are subject to the accounting requirements of ASC 505-50 and ASC 718.

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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 March 31,	
	2016	2015
Options outstanding – beginning of period	465,246	979,916
Options granted	-	-
Options exercised	-	(14,776)
Options that expired prior to exercise	-	(59,360)
Options outstanding – end of period	465,246	905,780
Intrinsic value of options exercised	$-	$84
Compensation expense recognized	-	23
Remaining unrecognized compensation expense	-	8
Intrinsic value of outstanding options at period end	1,323	1,459
Intrinsic value of vested options at period end	1,323	1,446
Weighted average exercise price of vested options – end of period	14.87	14.69

There were no grants of stock options during the three-month periods ended March 31, 2016 or 2015.

Restricted Stock Awards

Prior to June 2014, the Company issued restricted stock awards to outside directors and certain officers under the 2004 Stock Incentive Plan. Since that time, the Company has issued restricted stock awards periodically to outside directors and certain officers under the 2013 Equity and Incentive 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 Stock Incentive Plan or 2013 Equity and Incentive Plan during the periods indicated:

	At or for the Three Months Ended March 31,	
	2016	2015
Unvested allocated shares – beginning of period	223,894	289,660
Shares granted	-	-
Shares vested	(866)	(4,050)
Shares forfeited	(886)	-
Unvested allocated shares – end of period	222,142	285,610
Compensation recorded to expense	$438	$494

Performance Based Equity Awards

During the three months ended March 31, 2016, the Company established a long term incentive award program to certain officers that meets the criteria for equity-based accounting. For each award, threshold (50% of target), target (100% of target) and maximum (150% of target) payment opportunities are eligible to be earned over a three-year performance period based on the Company's relative performance on certain measurement goals that were established at the onset of the performance period and cannot be altered subsequently.

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The following table summarizes these awards as of the period indicated:

	At or for the Three Months Ended March 31, 2016
Weighted average grant date fair value of award shares	$17.35
Minimum aggregate share payout	-
Maximum aggregate share payout	28,044
Likely aggregate share payout	18,696
Compensation expense recognized	27

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 March 31, 2016 or December 31, 2015. All real estate loans not classified as Special Mention or Substandard were deemed pass loans at both March 31, 2016 and December 31, 2015.

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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 March 31, 2016 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	$-	$-	$ -	$ -	$ -	$-
Pass	71,626	4,067,608	381,538	494,339	-	5,015,111
Special Mention	940	8,003	1,613	4,583	-	15,139
Substandard	2,168	9,752	5,565	7,558	-	25,043
Doubtful	-	-	-	-	-	-
Total	$74,734	$4,085,363	$ 388,716	$ 506,480	$ -	$5,055,293

Grade	Balance at December 31, 2015 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)	$7,698	$-	$ -	$ -	$ -	$7,698
Pass	61,256	3,743,298	370,110	473,242	-	4,647,906
Special Mention	945	9,759	1,622	4,857	-	17,183
Substandard	2,196	6,850	5,543	7,810	-	22,399
Doubtful	-	-	-	-	-	-
Total	$72,095	$3,759,907	$ 377,275	$ 485,909	$ -	$4,695,186

(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 March 31, 2016	Balance at December 31, 2015
Performing	$ 1,354	$ 1,586

Non-accrual	-	4
Total	$ 1,354	$ 1,590

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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 March 31, 2016

	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	$43	$ -	$ 99	$1,102	$1,244	$73,490	$74,734
Multifamily residential and residential mixed use	2,127	-	4,294	287	6,708	4,078,655	4,085,363
Commercial mixed use real estate	121	-	320	53	494	388,222	388,716
Commercial real estate	-	-	-	-	-	506,480	506,480
Construction	-	-	-	-	-	-	-
Total real estate	$2,291	$ -	$ 4,713	$1,442	$8,446	$5,046,847	$5,055,293
Consumer	$5	$ -	$ -	$-	$5	$1,349	$1,354

[1] Includes all loans on non-accrual status regardless of the number of days such loans were delinquent as of March 31, 2016.

At December 31, 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	$127	$-	$ 625	$1,113	$1,865	$70,230	$72,095
Multifamily residential and residential mixed use	2,235	-	2,514	287	5,036	3,754,871	3,759,907
Commercial mixed use real estate	-	406	406	-	812	376,463	