

DIME COMMUNITY BANCSHARES INC
Form 10-Q
November 09, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010
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
(State or other jurisdiction of incorporation or
organization)

11-3297463
(I.R.S. employer identification
number)

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

11211
(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.

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Certain statements contained in this quarterly report on Form 10-Q that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), notwithstanding that such statements are not specifically identified as such. In addition, certain statements may be contained in future filings with the U.S. Securities and Exchange Commission (the "SEC"), press releases, and oral and written statements made by management or with its approval that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations of Dime Community Bancshares, Inc. and its subsidiaries (the "Company") or those of its management or board of directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements.

Forward-looking statements include information concerning possible or assumed future results of operations and statements preceded by, followed by or that include the words "believes," "expects," "feels," "anticipates," "intends," "plans," "estimates," "predicts," "projects," "potential," "outlook," "could," "will," "may" or similar expressions. Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions. Actual results may differ materially from those expressed in or implied by these forward-looking statements. Factors that could cause actual results to differ from these forward-looking statements include, but are not limited to, the following, as well as those discussed elsewhere in this report and the documents incorporated by reference herein:

- 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;

- changes in the interest rate environment may reduce interest margins;
- 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 banking industry, may be less favorable than currently anticipated;
- 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."

Undue reliance should not be placed on any forward-looking statements. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update them in light of new information or future events except to the extent required by Federal securities laws.

Item 1. Condensed Consolidated Financial Statements

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

	September 30, 2010	December 31, 2009
ASSETS:		
Cash and due from banks	\$70,761	\$39,338
Federal funds sold and other short-term investments	23,848	3,785
Investment securities held-to-maturity (estimated fair value of \$3,865 and \$5,330 at September 30, 2010 and December 31, 2009, respectively) (Fully unencumbered)	6,639	7,240
Investment securities available-for-sale, at fair value (\$52,935 and \$27,646 encumbered at September 30, 2010 and December 31, 2009, respectively)	64,675	43,162
Mortgage-backed securities available-for-sale, at fair value (\$159,535 and \$221,048 encumbered at September 30, 2010 and December 31, 2009, respectively)	165,221	224,773
Trading securities	1,420	-
Loans:		
One-to-four family and cooperative apartment	119,991	131,475
Multifamily residential and underlying cooperative	2,456,348	2,377,278
Commercial real estate	823,018	834,724
Construction and land acquisition	16,348	44,544
Unearned discounts and net deferred loan fees	4,526	4,017
Total real estate loans, net	3,420,231	3,392,038
Other loans	2,327	3,221
Less allowance for loan losses	(16,942)	(21,505)
Total loans, net	3,405,616	3,373,754
Loans held for sale	4,879	416
Premises and fixed assets, net	31,224	29,841
Federal Home Loan Bank of New York ("FHLBNY") capital stock	47,848	54,083
Other real estate owned ("OREO")	85	755
Goodwill	55,638	55,638
Other assets	118,914	119,489
Total Assets	\$3,996,768	\$3,952,274
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	\$2,260,700	\$2,110,387
Non-interest bearing deposits	119,966	106,449
Total deposits	2,380,666	2,216,836
Escrow and other deposits	91,965	65,895
Securities sold under agreements to repurchase	195,000	230,000
FHLBNY advances	904,525	1,009,675
Subordinated notes payable	-	25,000
Trust Preferred securities payable	70,680	70,680
Other liabilities	31,470	39,415
Total Liabilities	\$3,674,306	\$3,657,501

Commitments and Contingencies

Stockholders' Equity:

Preferred stock (\$0.01 par, 9,000,000 shares authorized, none issued or outstanding at September 30, 2010 and December 31, 2009)	-	-
Common stock (\$0.01 par, 125,000,000 shares authorized, 51,151,115 shares and 51,131,784 shares issued at September 30, 2010 and December 31, 2009, respectively, and 34,547,769 shares and 34,395,531 shares outstanding at September 30, 2010 and December 31, 2009, respectively)	\$511	\$511
Additional paid-in capital	224,239	214,654
Retained earnings	323,777	306,787
Accumulated other comprehensive loss, net of deferred taxes	(5,073)	(5,082)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(3,528)	(3,701)
Unearned Restricted Stock Award common stock	(3,226)	(2,505)
Common stock held by Benefit Maintenance Plan ("BMP")	(7,979)	(8,007)
Treasury stock, at cost (16,603,346 shares and 16,736,253 shares at September 30, 2010 and December 31, 2009, respectively)	(206,259)	(207,884)
Total Stockholders' Equity	\$322,462	\$294,773
Total Liabilities And Stockholders' Equity	\$3,996,768	\$3,952,274

See notes to condensed consolidated financial statements.

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

	Three Months		Nine Months Ended	
	Ended September 30,		September 30,	
	2010	2009	2010	2009
Interest income:				
Loans secured by real estate	\$50,648	\$48,422	\$151,839	\$144,412
Other loans	28	35	97	110
Mortgage-backed securities	1,846	2,748	6,199	8,997
Investment securities	290	76	1,009	515
Federal funds sold and other short-term investments	702	809	2,125	2,170
Total interest income	53,514	52,090	161,269	156,204
Interest expense:				
Deposits and escrow	7,383	9,156	22,986	35,086
Borrowed funds	11,855	13,965	38,036	41,720
Total interest expense	19,238	23,121	61,022	76,806
Net interest income	34,276	28,969	100,247	79,398
Provision for loan losses	667	3,769	7,948	8,661
Net interest income after provision for loan losses	33,609	25,200	92,299	70,737
Non-interest income:				
Total other than temporary impairment ("OTTI") losses	(1,858)	(675)	(2,594)	(7,939)
Less: Non-credit portion of OTTI recorded in other comprehensive income (before taxes)	219	119	282	1,457
Net OTTI recognized in earnings	(1,639)	(556)	(2,312)	(6,482)
Service charges and other fees	1,284	1,376	3,165	3,118
Net mortgage banking (loss) income	316	246	829	(66)
Net gain on securities and sales of other assets (1)	76	-	861	339
Income from bank owned life insurance	472	511	1,464	1,506
Other	559	527	2,028	1,500
Total non-interest income (loss)	1,068	2,104	6,035	(85)
Non-interest expense:				
Salaries and employee benefits	7,497	7,047	22,966	20,586
Stock benefit plan amortization expense	1,017	894	2,957	2,772
Occupancy and equipment	2,190	1,926	7,096	5,894
Federal deposit insurance premiums	1,116	960	3,099	4,531
Data processing costs	766	754	2,328	2,240
Provision for losses on OREO	65	-	422	-
Other	2,241	2,060	7,506	6,550
Total non-interest expense	14,892	13,641	46,374	42,573
Income before income taxes	19,785	13,663	51,960	28,079
Income tax expense	8,430	5,337	21,131	9,987
Net income	\$11,355	\$8,326	\$30,829	\$18,092
Earnings per Share:				
Basic	\$0.34	\$0.25	\$0.93	\$0.55
Diluted	\$0.34	\$0.25	\$0.93	\$0.55

(1) Amount includes periodic valuation gains or losses on trading securities.

STATEMENTS OF COMPREHENSIVE INCOME

Net Income	\$ 11,355	\$ 8,326	\$ 30,829	\$ 18,092
Amortization and reversal of net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of taxes of \$12 and \$51 during the three months ended September 30, 2010 and 2009, respectively, and \$41 and \$858 during the nine months ended September 30, 2010 and 2009, respectively	15	61	51	1,042
Reduction in non-credit component of OTTI charge, net of taxes of \$601 and \$217 during the three months ended September 30, 2010 and 2009, respectively, and \$905 and \$385 during the nine months ended September 30, 2010 and 2009, respectively	731	263	1,101	467
Non-credit component of OTTI charge recognized during the period, net of tax benefits of \$(99) and \$(54) during the three months ended September 30, 2010 and 2009, respectively, and \$(126) and \$(658) during the nine months ended September 30, 2010 and 2009, respectively	(120)	(65)	(156)	(799)
Reclassification adjustment for securities sold during the period, net of taxes of \$384 and \$127 during the nine months ended September 30, 2010 and 2009, respectively	-	-	(467)	(236)
Net unrealized securities gains arising during the period, net of taxes of \$(348) and \$1,166 during the three months ended September 30, 2010 and 2009, respectively, and \$131 and \$4,621 during the nine months ended September 30, 2010 and 2009, respectively	(422)	1,416	160	5,850
Defined benefit plan adjustments, net of tax benefits of \$(560) during the nine months ended September 30, 2010	-	-	(680)	-
Comprehensive Income	\$ 11,559	\$ 10,001	\$ 30,838	\$ 24,416

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2010	2009
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY		
Common Stock (Par Value \$0.01):		
Balance at beginning of period	\$511	\$511
Balance at end of period	511	511
Additional Paid-in Capital:		
Balance at beginning of period	214,654	213,917
Stock options exercised	165	43
Forfeited restricted stock award shares returned to treasury stock	3	-
Tax (expense) benefit of stock plans	88	(130)
BMP award distribution	(28)	-
BMP reclassification	8,007	-
Amortization of excess fair value over cost – ESOP stock and stock options expense	1,303	1,266
Release from treasury stock for restricted stock award shares	47	(842)
Balance at end of period	224,239	214,254
Retained Earnings:		
Balance at beginning of period	306,787	297,848
Net income for the period	30,829	18,092
Cash dividends declared and paid	(13,971)	(13,865)
Cumulative effect adjustment for the adoption of Accounting Standards Codification (“ASC”) 320-10-65, net of taxes of \$1,034	-	1,255
BMP reclassification	132	-
Balance at end of period	323,777	303,330
Accumulated Other Comprehensive Loss, net of tax:		
Balance at beginning of period	(5,082)	(11,111)
Cumulative effect adjustment for the adoption of ASC 320-10-65, net of taxes of \$1,034 during the nine months ended September 30, 2009	-	(1,255)
Amortization and reversal of net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of tax	51	1,042
Non-credit component of OTTI charge recognized during the period, net of tax	(156)	(799)
Reduction in non-credit component of OTTI during the period, net of tax	1,101	467
Decrease in unrealized loss on available-for-sale securities during the period	(307)	5,614
Adjustments related to defined benefit plans, net of tax	(680)	-
Balance at end of period	(5,073)	(6,042)
ESOP:		
Balance at beginning of period	(3,701)	(3,933)
Amortization of earned portion of ESOP stock	173	174
Balance at end of period	(3,528)	(3,759)
Unearned Restricted Stock Award Common Stock:		
Balance at beginning of period	(2,505)	(1,790)
Amortization of earned portion of restricted stock awards	954	775
Forfeited restricted stock award shares returned to treasury stock	149	-
Release from treasury stock for restricted stock award shares	(1,824)	(1,745)
Balance at end of period	(3,226)	(2,760)

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Treasury Stock, at cost:		
Balance at beginning of period	(207,884)	(210,471)
Forfeited restricted stock award shares returned to treasury stock	(152)	-
Release from treasury stock for restricted stock award shares	1,777	2,587
Balance at end of period	(206,259)	(207,884)
Common Stock Held by BMP:		
Balance at beginning of period	(8,007)	(8,007)
BMP award distribution	28	-
Balance at end of period	(7,979)	(8,007)
TOTAL STOCKHOLDERS' EQUITY	\$322,462	\$289,643

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30 ,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$30,829	\$18,092
Adjustments to reconcile net income to net cash provided by operating activities:		
Net loss on sale of OREO	10	92
Net gain on sale of loans originated for sale	(321)	(674)
Net gain on sale of investment securities available-for-sale	(609)	(431)
Net gain recognized on the transfer of securities from available-for-sale into trading	(242)	-
Net gain on trading securities	(20)	-
Net depreciation and amortization	1,892	1,932
ESOP compensation expense	740	590
Stock plan compensation (excluding ESOP)	1,690	1,625
Provision for loan losses	7,948	8,661
Provision for losses on OREO	422	-
Provision to increase the liability for loans sold with recourse	-	1,403
Recovery of write down of mortgage servicing asset	-	(60)
OTTI charge for investment securities recognized in earnings	2,312	