

DIME COMMUNITY BANCSHARES INC
Form 10-Q
May 10, 2007

**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, 2007
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)
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209 Havemeyer Street, Brooklyn, NY (Address of principal executive offices)	11211 (Zip Code)
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(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. LARGE ACCELERATED FILER ACCELERATED FILER NON-ACCELERATED FILER

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 9, 2007
\$.01 Par Value	35,957,036

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This Quarterly Report on Form 10-Q contains a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by use of words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "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 are 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 results to differ materially from future results 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;
- 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 financial condition or results of operations;
- general economic conditions, either nationally or locally in some or all areas in which the Bank conducts business, or conditions in the securities markets or 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; or
- 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.

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

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

(Dollars in thousands except share amounts)

	March 31,	December
	2007	31, 2006
ASSETS:		
Cash and due from banks	\$26,154	\$26,264
Federal funds sold and short-term investments (\$2,150 encumbered at March 31, 2007)	183,128	78,752
Encumbered investment securities held-to-maturity (estimated fair value of \$235 at both March 31, 2007 and December 31, 2006)	235	235
Unencumbered Investment securities available-for-sale, at fair value	28,506	29,548
Mortgage-backed securities available-for-sale, at fair value:		
Encumbered	145,090	147,765
Unencumbered	2,454	6,672
	147,544	154,437
Loans:		
Real estate, net	2,731,232	2,700,268
Other loans	2,058	2,205
Less allowance for loan losses	(15,558)	(15,514)
Total loans, net	2,717,732	2,686,959
Loans held for sale	2,134	1,200
Premises and fixed assets, net	22,962	22,886
Federal Home Loan Bank of New York capital stock	28,370	31,295
Goodwill	55,638	55,638
Other assets	87,141	86,163
Total Assets	\$3,299,544	\$3,173,377
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	\$2,072,230	\$1,913,317
Non-interest bearing deposits	96,760	95,215
Total deposits	2,168,990	2,008,532
Escrow and other deposits	80,017	46,373
Securities sold under agreements to repurchase	120,235	120,235
Federal Home Loan Bank of New York advances	506,500	571,500
Subordinated notes payable	25,000	25,000
Trust Preferred securities payable	72,165	72,165
Other liabilities	41,459	38,941
Total Liabilities	3,014,366	2,882,746
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock (\$0.01 par, 9,000,000 shares authorized, none issued or outstanding at March 31, 2007 and December 31, 2006)	-	-
Common stock (\$0.01 par, 125,000,000 shares authorized, 50,894,891 shares and 50,862,867 shares issued at March 31, 2007 and December 31, 2006, respectively, and 36,062,920 shares and 36,456,354 shares outstanding at March 31, 2007 and December 31, 2006,	509	509

respectively)

Additional paid-in capital	206,792	206,601
Retained earnings	284,643	285,420
Accumulated other comprehensive loss, net of deferred taxes	(6,525)	(7,100)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(4,338)	(4,395)
Unearned and unallocated common stock of Recognition and Retention Plan ("RRP") and Restricted Stock Awards	(3,386)	(3,452)
Common stock held by Benefit Maintenance Plan ("BMP")	(7,941)	(7,941)
Treasury stock, at cost (14,831,971 shares and 14,406,513 shares at March 31, 2007 and December 31, 2006, respectively)	(184,576)	(179,011)
Total Stockholders' Equity	285,178	290,631
Total Liabilities And Stockholders' Equity	\$3,299,544	\$3,173,377

See notes to condensed consolidated financial statements.

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DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands except per share amounts)

	Three Months	
	Ended March 31,	
	2007	2006
Interest income:		
Loans secured by real estate	\$40,250	\$37,839
Other loans	45	49
Mortgage-backed securities	1,512	1,845
Investment securities	442	482
Federal funds sold and other short-term investments	2,469	1,156
Total interest income	44,718	41,371
Interest expense:		
Deposits and escrow	18,161	11,496
Borrowed funds	8,671	9,434
Total interest expense	26,832	20,930
Net interest income	17,886	20,441
Provision for loan losses	60	60
Net interest income after provision for loan losses	17,826	20,381
Non-interest income:		
Service charges and other fees	1,355	1,497
Net gain on sales of loans	244	399
Net gain (loss) on sales and redemptions of securities and other assets	-	478
Income from Bank Owned Life Insurance	485	464
Other	406	322
Total non-interest income	2,490	3,160
Non-interest expense:		
Salaries and employee benefits	5,917	5,283
ESOP and RRP compensation expense	533	585
Occupancy and equipment	1,495	1,412
Federal deposit insurance premiums	62	69
Data processing costs	825	744
Other	2,416	2,355
Total non-interest expense	11,248	10,448
Income before income taxes	9,068	13,093
Income tax expense	3,251	4,685
Net income	\$5,817	\$8,408

Earnings per Share:

Basic	\$0.17	\$0.24
Diluted	\$0.17	\$0.24

See notes to condensed consolidated financial statements.

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DIME COMMUNITY BANCSHARES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND
COMPREHENSIVE INCOME

(Dollars in thousands)

	Three Months Ended March 31,	
	2007	2006
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY		
Common Stock (Par Value \$0.01):		
Balance at beginning of period	\$509	\$506
Shares issued in exercise of options	-	2
Balance at end of period	509	508
Additional Paid-in Capital:		
Balance at beginning of period	206,601	204,083
Stock options exercised	(11)	451
Tax benefit of benefit plans	-	29
RRP shares acquired from treasury	-	106
Amortization of excess fair value over cost - ESOP stock	202	227
Balance at end of period	206,792	204,896
Retained Earnings:		
Balance at beginning of period	285,420	274,579
Net income for the period	5,817	8,408
Cash dividends declared and paid	(4,890)	(4,966)
Cumulative effect adjustment for the adoption of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48")	(1,704)	-
Balance at end of period	284,643	278,021
Accumulated Other Comprehensive Income:		
Balance at beginning of period	(7,100)	(3,328)
Change in other comprehensive (loss) income during the period, net of deferred taxes	575	(699)
Balance at end of period	(6,525)	(4,027)
ESOP:		
Balance at beginning of period	(4,395)	(4,627)
Amortization of earned portion of ESOP stock	57	58
Balance at end of period	(4,338)	(4,569)
RRP and Restricted Stock Awards:		
Balance at beginning of period	(3,452)	(2,979)
Common stock acquired by RRP	-	(699)
Amortization of earned portion of RRP stock	66	82
Balance at end of period	(3,386)	(3,596)

Treasury Stock:

Balance at beginning of period	(179,011)	(168,579)
Common stock acquired by RRP	-	592
Purchase of treasury shares, at cost	(5,565)	(2,624)
Balance at end of period	(184,576)	(170,611)

Common Stock Held by BMP

Balance at beginning and end of period	(7,941)	(7,941)
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Total Stockholders Equity	285,178	292,681
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STATEMENTS OF COMPREHENSIVE INCOME

Net Income	\$5,817	\$8,408
Net unrealized securities (losses) arising during the period, net of taxes of \$490 and \$(595) during the three months ended March 31, 2007 and 2006, respectively	575	(699)
Comprehensive Income	\$6,392	\$7,709

See notes to condensed consolidated financial statements.

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

(Dollars In thousands)

	Three Months	
	Ended March 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$5,817	\$8,408
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net gain on the sale of investment securities and other assets	-	(478)
Net gain on sale of loans held for sale	(244)	(399)
Net depreciation and amortization	406	410
ESOP compensation expense	259	285
Stock plan compensation (excluding ESOP)	66	82
Provision for loan losses	60	60
Increase in cash surrender value of Bank Owned Life Insurance	(485)	(464)
Deferred income tax provision (credit)	(178)	(46)
Excess tax benefits of stock plans	-	29
Changes in assets and liabilities:		
Origination of loans held for sale	(20,195)	(36,321)
Proceeds from sale of loans held for sale	19,505	27,100
Increase in other assets	(793)	(846)
Increase in other liabilities	814	624
Net cash provided by (used in) operating activities	5,032	(1,556)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in federal funds sold and other short term investments	(104,376)	(8,632)
Proceeds from maturities of investment securities available-for-sale	1,000	14,575
Purchases of investment securities available-for-sale	-	-
Principal collected on mortgage backed securities held-to-maturity	-	-
Principal collected on mortgage backed securities available-for-sale	7,967	10,553
Net (increase) decrease in loans	(30,833)	(30,556)
Proceeds from the sale of investment property	-	908
Purchases of fixed assets, net	(461)	(78)
Redemption (Purchase) of Federal Home Loan Bank of New York capital stock	2,925	(1,575)
Net cash used in investing activities	(123,778)	(14,805)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in due to depositors	160,458	32,027
Net increase in escrow and other deposits	33,644	29,753
Decrease in securities sold under agreements to repurchase	-	(85,000)
(Decrease) Increase in FHLB NY advances	(65,000)	35,000
Cash dividends paid	(4,890)	(4,966)
Exercise of stock options	(11)	453
Excess tax benefits of stock plans	-	29
Purchase of treasury stock	(5,565)	(2,624)
Net cash provided by financing activities	118,636	4,672
DECREASE IN CASH AND DUE FROM BANKS	(110)	(11,689)
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	26,264	40,199

CASH AND DUE FROM BANKS, END OF PERIOD	\$26,154	\$28,510
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$3,206	\$4,066
Cash paid for interest	26,337	20,673
(Decrease) Increase in accumulated other comprehensive loss	575	(699)

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE OF OPERATIONS

Dime Community Bancshares, Inc. (The "Holding Company," and together with its direct and indirect subsidiaries, the "Company") is a Delaware corporation and parent company of The Dime Savings Bank of Williamsburgh (the "Bank"), a federally-chartered stock savings bank. The Holding Company's direct subsidiaries are the Bank, Dime Community Capital Trust 1 and 842 Manhattan Avenue Corp. The Bank's direct subsidiaries are Havemeyer Equities Corp. ("HEC"), Boulevard Funding Corp., Havemeyer Investments, Inc., DSBW Residential Preferred Funding Corp. and Dime Reinvestment Corp. HEC has one direct subsidiary, DSBW Preferred Funding Corporation.

The Bank maintains its headquarters in the Williamsburg section of Brooklyn, New York and operates twenty-one full service retail banking offices located in the New York City boroughs of Brooklyn, Queens, and the Bronx, and in Nassau County, New York. The Bank's principal business has been, and continues to be, gathering deposits from customers within its market area, and investing them primarily in multifamily residential, commercial real estate, one-to four-family residential, construction and consumer loans, as well as mortgage-backed securities ("MBS"), obligations of the U.S. Government and Government Sponsored Entities, and corporate debt and equity securities.

2. SUMMARY OF ACCOUNTING POLICIES

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Company's financial condition as of March 31, 2007, the results of operations and statements of comprehensive income for the three-month periods ended March 31, 2007 and 2006, and changes in stockholders' equity and cash flows for the three month periods ended March 31, 2007 and 2006. The results of operations for the three-months ended March 31, 2007 are not necessarily indicative of the results of operations for the remainder of the year ending December 31, 2007. 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 Securities and Exchange Commission ("SEC").

Preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in the accompanying financial statements where estimates are made include the allowance for loan losses, the valuation of mortgage servicing rights ("MSR"), asset impairment adjustments, the valuation of debt and equity securities, loan income recognition, and the realization of deferred tax assets.

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, 2006 and notes thereto.

3. TREASURY STOCK

During the three months ended March 31, 2007, the Holding Company repurchased 425,458 shares of its common stock into treasury. All shares repurchased were recorded at the acquisition cost, which totaled \$5.6 million during the period.

4. ACCOUNTING FOR GOODWILL

The Company has designated the last day of its fiscal year as its date for annual impairment testing. The Company performed an impairment test as of December 31, 2006 and concluded that no impairment of goodwill existed. No events have occurred nor circumstances changed subsequent to December 31, 2006 that would reduce the fair value of the Company's reporting unit below its carrying value. Such events or changes in circumstances would require the immediate performance of an impairment test in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets."

5. EARNINGS PER SHARE ("EPS")

EPS is calculated and reported in accordance with SFAS No. 128, "Earnings Per Share." SFAS No. 128 requires disclosure of basic EPS and diluted EPS for entities with complex capital structures on the face of the income statement, along with a reconciliation of the numerators and denominators of basic and diluted EPS.

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Basic EPS is computed by dividing net income by the weighted-average number of common shares outstanding during the period (weighted-average common shares are adjusted to exclude unvested RRP shares and unallocated ESOP shares). Diluted EPS is computed using the same method as basic EPS, however, the computation reflects the potential dilution that would occur if unvested RRP shares or restricted stock awards became vested and stock options were exercised and converted into common stock.

The following is a reconciliation of the numerator and denominator of basic EPS and diluted EPS for the periods presented:

	Three Months Ended March 31,	
	2007	2006
(Dollars in Thousands except share amounts)		
Numerator:		
Net Income per the Consolidated Statements of Operations	\$5,817	\$8,408
Denominator:		
Weighted-average number of shares outstanding utilized in the calculation of basic EPS	34,473,159	35,071,887
Unvested shares of RRP or Restricted Stock Awards	67,922	78,304
Common stock equivalents resulting from the dilutive effect of "in-the-money" stock options	113,650	337,003
Anti-dilutive effect of tax benefits associated with "in-the-money" stock options	(28,826)	(114,148)
Weighted average number of shares outstanding utilized in the calculation of diluted EPS	34,625,905	35,373,046

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

There were 1,077,676 and 1,083,863 weighted-average unexercised stock options for the three month periods ended March 31, 2007 and 2006, respectively, that were not considered in the calculation of diluted EPS since their exercise prices exceeded the average market price during the period.

6. ACCOUNTING FOR STOCK BASED COMPENSATION

During the three months ended March 31, 2007 and 2006, the Holding Company and Bank maintained the Dime Community Bancshares, Inc. 1996 Stock Option Plan for Outside Directors, Officers and Employees, the Dime Community Bancshares, Inc. 2001 Stock Option Plan for Outside Directors, Officers and Employees and the 2004 Stock Incentive Plan, (collectively the "Stock Plans"), as well as the RRP, which are discussed more fully in Note 15 to the Company's consolidated audited financial statements for the year ended December 31, 2006, and which are subject to the accounting requirements of SFAS No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123R"). SFAS 123R requires that share based payments be accounted for using a fair value based method and the recording of compensation expense in lieu of optional pro forma disclosure. The Company adopted SFAS 123R on January 1, 2006.

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On March 29, 2005, the SEC released Staff Accounting Bulletin No. 107 ("SAB No. 107"), providing guidance on several technical issues regarding the required adoption of SFAS 123R. The Company adopted SAB No. 107 on January 1, 2006 in conjunction with the adoption of SFAS 123R.

During the three months ended March 31, 2007, the 1996