

DIME COMMUNITY BANCSHARES INC
Form 10-Q
August 09, 2006

**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, 2006
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 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 August 8, 2006
\$.01 Par Value	36,711,635

PART I - FINANCIAL INFORMATION

	Page
Item 1.	<u>Condensed Financial Statements (Unaudited)</u>
	<u>Consolidated Statements of Financial Condition at June 30, 2006³</u>
	<u>and December 31, 2005</u>
	<u>Consolidated Statements of Operations for the Three-Month and⁴</u>
	<u>Six-Month Periods Ended June 30, 2006 and 2005</u>
	<u>Consolidated Statements of Changes in Stockholders' Equity for</u>
	<u>the Six Months Ended June 30, 2006 and 2005 and</u> 5
	<u>Statements of Comprehensive Income for the Three-Month</u>
	<u>and Six-Month Periods Ended June 30, 2006 and 2005</u>
	<u>Consolidated Statements of Cash Flows for the Six Months⁶</u>
	<u>Ended June 30, 2006 and 2005</u>
	<u>Notes to Consolidated Financial Statements</u> 7-14
Item 2.	<u>Management's Discussion and Analysis of Financial Condition¹⁴⁻³³</u>
	<u>and Results of Operations</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 33-34
Item 4.	<u>Controls and Procedures</u> 35

PART II - OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	35
Item 1A	<u>Risk Factors</u>	35
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
Item 3.	<u>Defaults Upon Senior Securities</u>	35
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	35-36
Item 5.	<u>Other Information</u>	36
Item 6.	<u>Exhibits</u>	36-38
	<u>Signatures</u>	38

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. 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 Company 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
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(Dollars in thousands except share amounts)

	June 30, December 2006 31, 2005	
ASSETS:		
Cash and due from banks	\$19,191	\$40,199
Federal funds sold and short-term investments	63,037	60,014
Encumbered investment securities held-to-maturity (estimated fair value of \$380 and \$456 at June 30, 2006 and December 31, 2005, respectively)	380	455
Investment securities available-for-sale, at fair value		
Encumbered	1,710	13,062
Unencumbered	29,666	31,770
	31,376	44,832
Mortgage-backed securities available-for-sale, at fair value:		
Encumbered	146,117	191,093
Unencumbered	24,155	2,360
	170,272	193,453
Loans:		
Real estate, net	2,657,953	2,608,854
Other loans	2,489	2,341
Less allowance for loan losses	(16,033)	(15,785)
Total loans, net	2,644,409	2,595,410
Loans held for sale	-	900
Premises and fixed assets, net	17,412	16,527
Federal Home Loan Bank of New York capital stock	32,420	29,917
Goodwill	55,638	55,638
Other assets	89,786	88,881
Total Assets	\$3,123,921	\$3,126,226
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	\$1,833,045	\$1,817,771
Non-interest bearing deposits	97,453	97,001
Total deposits	1,930,498	1,914,772
Escrow and other deposits	46,335	47,518
Securities sold under agreements to repurchase	120,380	205,455
Federal Home Loan Bank of New York advances	596,500	531,500
Subordinated notes payable	25,000	25,000
Trust Preferred securities payable	72,165	72,165
Other liabilities	39,954	38,102
Total Liabilities	2,830,832	2,834,512
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock (\$0.01 par, 9,000,000 shares authorized, none issued or outstanding at June 30, 2006 and December 31, 2005)	-	-

Edgar Filing: DIME COMMUNITY BANCSHARES INC - Form 10-Q

Common stock (\$0.01 par, 125,000,000 shares authorized, 50,808,468 shares and 50,633,881 shares issued at June 30, 2006 and December 31, 2005, respectively, and 36,790,735 shares and 36,956,907 shares outstanding at June 30, 2006 and December 31, 2005, respectively)	508	506
Additional paid-in capital	205,013	204,083
Retained earnings	282,132	274,579
Accumulated other comprehensive loss, net of deferred taxes	(5,020)	(3,328)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(4,511)	(4,627)
Unearned and unallocated common stock of Recognition and Retention Plan ("RRP")	(3,583)	(2,979)
Common stock held by Benefit Maintenance Plan ("BMP")	(7,941)	(7,941)
Treasury stock, at cost (14,017,733 shares and 13,676,974 shares at June 30, 2006 and December 31, 2005, respectively)	(173,509)	(168,579)
Total Stockholders' Equity	293,089	291,714
Total Liabilities And Stockholders' Equity	\$3,123,921	\$3,126,226
<u>See notes to consolidated financial statements.</u>		

-3-

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

(Dollars in thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Interest income:				
Loans secured by real estate	\$39,844	\$36,673	\$77,683	\$73,231
Other loans	45	63	94	119
Mortgage-backed securities	1,753	3,270	3,598	7,760
Investment securities	469	755	951	1,361
Other	1,522	1,887	2,678	2,841
Total interest income	43,633	42,648	85,004	85,312
Interest expense:				
Deposits and escrow	13,554	10,185	25,050	19,566
Borrowed funds	9,228	9,077	18,662	17,650
Total interest expense	22,782	19,262	43,712	37,216
Net interest income	20,851	23,386	41,292	48,096
Provision for loan losses	60	60	120	120
Net interest income after provision for loan losses	20,791	23,326	41,172	47,976
Non-interest income:				
Service charges and other fees	1,457	1,514	2,954	2,922
Net gain on sales of loans	253	152	652	287
Net gain (loss) on sales and redemptions of securities	1,064	(5,176)	1,542	(5,176)
Income from Bank owned life insurance	466	472	930	949
Other	453	620	775	920
Total non-interest income (loss)	3,693	(2,418)	6,853	(98)
Non-interest expense:				
Salaries and employee benefits	5,227	5,043	10,510	10,078
ESOP and RRP compensation expense	577	582	1,162	1,154
Occupancy and equipment	1,379	1,277	2,791	2,614
Federal deposit insurance premiums	63	83	132	167
Data processing costs	831	617	1,574	1,030
Other	2,451	2,331	4,807	4,648
Total non-interest expense	10,528	9,933	20,976	19,691
Income before income taxes	13,956	10,975	27,049	28,187
Income tax expense	4,896	3,717	9,581	10,058
Net income	\$9,060	\$7,258	\$17,468	\$18,129
Earnings per Share:				
Basic	\$0.26	\$0.21	\$0.50	\$0.52

Diluted \$0.26 \$0.20 \$0.50 \$0.51

See notes to consolidated financial statements.

-4-

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

(Dollars in thousands)

	Six Months Ended	
	June 30,	
	2006	2005
Common Stock (Par Value \$0.01):		
Balance at beginning of period	\$506	\$501
Shares issued in exercise of options	2	2
Balance at end of period	508	503
Additional Paid-in Capital:		
Balance at beginning of period	204,083	198,183
Stock options exercised	623	1,209
Tax (charge) benefit of benefit plans	(244)	35
Excess market over cost basis of treasury shares released	107	222
Amortization of excess fair value over cost - ESOP stock	444	558
Balance at end of period	205,013	200,207
Retained Earnings:		
Balance at beginning of period	274,579	258,237
Net income for the period	17,468	18,129
Cash dividends declared and paid	(9,915)	(9,947)
Balance at end of period	282,132	266,419
Accumulated Other Comprehensive Income:		
Balance at beginning of period	(3,328)	(3,228)
Change in other comprehensive loss during the period, net of deferred taxes	(1,692)	1,711
Balance at end of period	(5,020)	(1,517)
Employee Stock Ownership Plan:		
Balance at beginning of period	(4,627)	(4,749)
Amortization of earned portion of ESOP stock	116	47
Balance at end of period	(4,511)	(4,702)
Recognition and Retention Plan:		
Balance at beginning of period	(2,979)	(2,612)
Common stock acquired by RRP and BMP	(770)	(571)
Amortization of earned portion of RRP stock	166	89
Balance at end of period	(3,583)	(3,094)
Treasury Stock:		
Balance at beginning of period	(168,579)	(157,263)
Common stock acquired by RRP	592	862
Purchase of treasury shares, at cost	(5,522)	(5,947)

Balance at end of period	(173,509)	(162,348)
--------------------------	-----------	-----------

Common Stock Held by Benefit Maintenance Plan

Balance at beginning and end of period	(7,941)	(7,348)
Common stock acquired	-	(593)
	(7,941)	(7,941)

Statements of Comprehensive Income	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	2006	2005
Net Income	9,060	7,258	\$17,468	\$18,129
Reclassification adjustment for securities sold, net of (expense) benefit of \$(489) and \$2,143, respectively, during the three months ended June 30, 2006 and 2005 and \$(489) and \$2,143, respectively, during the six months ended June 30, 2006 and 2005	(575)	3,033	(575)	3,033
Net unrealized securities (losses) gains arising during the period, net of taxes of \$(356) and \$1,370 during the three months ended June 30, 2006 and 2005, respectively, and \$(952) and \$(1,126) during the six months ended June 30, 2006 and 2005, respectively	(418)	1,608	(1,117)	(1,322)
Comprehensive Income	\$8,067	\$11,899	\$15,776	\$19,840

See notes to consolidated financial statements.

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

	Six Months Ended	
	June 30, ,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$17,468	\$18,129
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Net (gain) loss on the sale of investment securities and other assets	(1,542)	5,176
Net gain on sale of loans held for sale	(652)	(287)
Net depreciation and amortization	831	1,444
ESOP compensation expense	561	605
Stock plan compensation (excluding ESOP)	165	89
Provision for loan losses	120	120
Increase in cash surrender value of Bank Owned Life Insurance	(930)	(949)
(Increase) Decrease in net deferred income tax asset	(220)	273
Changes in assets and liabilities:		
Origination of loans held for sale	(46,501)	(57,467)
Proceeds from sale of loans held for sale	48,053	59,812
Decrease in other assets	1,650	2,027
Increase in other liabilities	1,853	6,705
Net cash provided by operating activities	20,856	35,677
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in other short term investments	(3,019)	(122,573)
Proceeds from maturities of investment securities held-to-maturity	75	65
Proceeds from maturities of investment securities available-for-sale	14,575	-
Proceeds from sales of investment securities available-for-sale	3,032	36,421
Proceeds from sales of mortgage backed securities held-to-maturity	-	377
Proceeds from sales of mortgage backed securities available-for-sale	-	232,230
Purchases of investment securities available-for-sale	(4,029)	(51,980)
Principal collected on mortgage backed securities held-to-maturity	-	94
Principal collected on mortgage backed securities available-for-sale	20,873	57,671
Net increase in loans	(49,119)	(53,689)
Purchases of premises and equipment	(1,090)	(551)
Purchase of Federal Home Loan Bank stock	(2,503)	-
Net cash (used in) provided by investing activities	(21,205)	98,065
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in due to depositors	15,726	(124,707)
Net (decrease) increase in escrow and other deposits	(1,183)	8,452
Decrease in securities sold under agreements to repurchase	(85,075)	(64)
Increase in FHLBNY Advances	65,000	-
Cash dividends paid	(9,915)	(9,947)
Stock options exercised and tax benefits of stock plans	381	1,246
Acquisition of common stock by RRP and BMP	(71)	(80)

Edgar Filing: DIME COMMUNITY BANCSHARES INC - Form 10-Q

Purchase of treasury stock	(5,522)	(5,947)
Net cash used in financing activities		