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

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015
OR

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

For the transition period from to

Commission file number 0-27782

Dime Community Bancshares, Inc.
(Exact name of registrant as specified in its charter)

Delaware	11-3297463
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
209 Havemeyer Street, Brooklyn, NY	11211
(Address of principal executive offices)	(Zip Code)

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

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

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

YES NO

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

LARGE ACCELERATED FILER	ACCELERATED FILER	NON -ACCELERATED FILER	SMALLER REPORTING COMPANY

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Classes of Common Stock	Number of Shares Outstanding at May 6, 2015
$.01 Par Value	36,960,941

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. Condensed Consolidated Financial Statements

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

	March 31, 2015	December 31, 2014
ASSETS:		
Cash and due from banks	$79,149	$78,187
Federal funds sold and other short-term investments	250	250
Total cash and cash equivalents	79,399	78,437
Investment securities held-to-maturity (estimated fair value of $6,247 and $6,315 at March 31, 2015 and December 31, 2014, respectively)(fully unencumbered)	5,326	5,367
Investment securities available-for-sale, at fair value (fully unencumbered):	3,846	3,806
Mortgage-backed securities available-for-sale, at fair value (fully unencumbered):	485	26,409
Trading securities	8,747	8,559
Loans:		
Real estate, net	4,233,105	4,117,411
Consumer loans	1,612	1,829
Less allowance for loan losses	(18,237)	(18,493)
Total loans, net	4,216,480	4,100,747
Premises and fixed assets, net	24,485	25,065
Federal Home Loan Bank of New York ("FHLBNY") capital stock	52,782	58,407
Other real estate owned ("OREO")	148	18
Bank Owned Life Insurance ("BOLI")	83,220	82,614
Goodwill	55,638	55,638
Other assets	52,793	52,040
Total Assets	$4,583,349	$4,497,107
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	$2,645,332	$2,472,199
Non-interest bearing deposits	197,102	187,593
Total deposits	2,842,434	2,659,792
Escrow and other deposits	114,476	91,921
FHLBNY advances	1,048,725	1,173,725
Trust Preferred securities payable	70,680	70,680
Other liabilities	40,978	41,264
Total Liabilities	4,117,293	4,037,382
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock ($0.01 par, 9,000,000 shares authorized, none issued or outstanding at March 31, 2015 and December 31, 2014)	-	-
Common stock ($0.01 par, 125,000,000 shares authorized, 52,886,219 shares and 52,871,443 shares issued at March 31, 2015 and December 31, 2014, respectively, and 36,849,795 shares and 36,855,019 shares outstanding at March 31, 2015 and December 31, 2014, respectively)	529	529
Additional paid-in capital	254,750	254,358
Retained earnings	433,863	427,126

Accumulated other comprehensive loss, net of deferred taxes	(9,597)	(8,547)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(2,487)	(2,545)
Unearned Restricted Stock Award common stock	(2,572)	(3,066)
Common stock held by Benefit Maintenance Plan ("BMP")	(9,164)	(9,164)
Treasury stock, at cost (16,036,424 shares and 16,016,424 shares at March 31, 2015 and December 31, 2014, respectively)	(199,266)	(198,966)
Total Stockholders' Equity	466,056	459,725
Total Liabilities And Stockholders' Equity	$4,583,349	$4,497,107

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
Interest income:		
Loans secured by real estate	$41,788	$40,861
Other loans	24	25
Mortgage-backed securities	181	248
Investment securities	169	70
Federal funds sold and other short-term investments	650	522
Total interest income	42,812	41,726
Interest expense:		
Deposits and escrow	5,220	4,621
Borrowed funds	7,498	6,850
Total interest expense	12,718	11,471
Net interest income	30,094	30,255
(Credit) Provision for loan losses	(172)	281
Net interest income after provision for loan losses	30,266	29,974
Non-interest income:		
Service charges and other fees	750	655
Mortgage banking income	72	999
Net gain on securities	1,450	14
Net gain on the disposal of other assets	-	649
Income from BOLI	606	387
Other	423	356
Total non-interest income	3,301	3,060
Non-interest expense:		
Salaries and employee benefits	5,900	8,519
Stock benefit plan amortization expense	941	989
Occupancy and equipment	2,944	2,750
Data processing costs	875	838
Federal deposit insurance premiums	551	505
Other	2,653	2,222
Total non-interest expense	13,864	15,823
Income before income taxes	19,703	17,211
Income tax expense	7,925	7,177
Net income	$11,778	$10,034
Earnings per Share:		
Basic	$0.33	$0.28
Diluted	$0.33	$0.28

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

Net Income	$11,778	$10,034
Amortization and reversal of net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of taxes of $11 and $8 during the three months ended March 31, 2015	13	12

and 2014, respectively		
Reduction in non-credit component of other than temporary impairment ("OTTI"), net of taxes of $4 during the three months ended both March 31, 2015 and 2014	4	4
Reclassification adjustment for securities sold during the period, net of taxes of $(626) during the three months ended March 31, 2015 (reclassified to net gain on securities)	(762)	-
Net unrealized securities gains (losses) arising during the period, net of deferred taxes (expense) benefit of $19 and $(30) during the three months ended March 31, 2015 and 2014, respectively	24	(37)
Change in pension and other postretirement obligations, net of deferred tax (expense) benefit of $(268) and $118 during the three months ended March 31, 2015 and 2014, respectively	(329)	143
Comprehensive Income	$10,728	$10,156

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
Common Stock (Par Value $0.01):		
Balance at beginning of period	$529	$528
Shares issued in exercise of options	-	-
Balance at end of period	529	528
Additional Paid-in Capital:		
Balance at beginning of period	254,358	252,253
Stock options exercised	149	139
Excess tax expense related to stock benefit plans	(27)	(14)
Amortization of excess fair value over cost – ESOP stock and stock options expense	270	305
Return of shares to treasury for forfeited shares	-	(3)
Balance at end of period	254,750	252,680
Retained Earnings:		
Balance at beginning of period	427,126	402,986
Net income for the period	11,778	10,034
Cash dividends declared and paid	(5,041)	(5,011)
Balance at end of period	433,863	408,009
Accumulated Other Comprehensive Loss, Net of Deferred Taxes:		
Balance at beginning of period	(8,547)	(4,759)
Other comprehensive (loss) income recognized during the period, net of tax	(1,050)	122
Balance at end of period	(9,597)	(4,637)
Unallocated Common Stock of ESOP:		
Balance at beginning of period	(2,545)	(2,776)
Amortization of earned portion of ESOP stock	58	58
Balance at end of period	(2,487)	(2,718)
Unearned Restricted Stock Award Common Stock:		
Balance at beginning of period	(3,066)	(3,193)
Amortization of earned portion of restricted stock awards	494	495
Return of shares to treasury for forfeited shares	-	18
Balance at end of period	(2,572)	(2,680)
Common Stock Held by BMP:		
Balance at beginning of period	(9,164)	(9,013)
Award distribution	-	1
Balance at end of period	(9,164)	(9,012)
Treasury Stock, at cost:		
Balance at beginning of period	(198,966)	(200,520)
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	-	(15)
Balance at end of period	(199,266)	(200,535)
TOTAL STOCKHOLDERS' EQUITY AT THE END OF PERIOD	$466,056	$441,635

See notes to 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,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$11,778	$10,034
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	(62)	(14)
Net gain on the sale of loans	-	(27)
Net gain on the sale of OREO and other assets	-	(649)
Net depreciation, amortization and accretion	834	673
Stock plan compensation (excluding ESOP)	517	531
ESOP compensation expense	305	327
(Credit) Provision for loan losses	(172)	281
Credit to reduce the liability for loans sold with recourse		(1,040)
Increase in cash surrender value of BOLI	(606)	(387)
Deferred income tax provision (credit)	1,532	(29)
Excess tax expense from stock benefit plans	27	14
Changes in assets and liabilities:		
(Increase) Decrease in other assets	(1,452)	431
(Decrease) Increase in other liabilities	(884)	3,478
Net cash provided by Operating activities	10,429	13,623
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities held-to-maturity	84	52
Proceeds from calls and principal repayments of investment securities available-for-sale	-	15,000
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	(8)	(4)
Purchases of mortgage backed securities available-for-sale		(875)
Acquisition of trading securities	(126)	(112)
Principal collected on mortgage backed securities available-for-sale	1,551	1,682
Proceeds from the sale of loans	2,330	12,970
Purchases of loans	-	(221,924)
Net increase in loans	(118,021)	(36,898)
Proceeds from the sale of premises	-	4,273
Purchases of fixed assets	(257)	(653)
Redemption(Purchase) of FHLBNY capital stock	5,625	(5,542)
Net cash used in Investing Activities	(84,445)	(232,031)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in due to depositors	182,642	79,828
Increase in escrow and other deposits	22,555	40,658
Repayments of FHLBNY advances	(563,000)	(645,000)
Proceeds from FHLBNY advances	438,000	768,150
Proceeds from exercise of stock options	149	139
Excess tax expense from stock benefit plans	(27)	(14)
BMP benefit distribution	-	1
Treasury shares repurchased	(300)	-

Cash dividends paid to stockholders	(5,041)	(5,011)
Net cash provided by Financing Activities	74,978	238,751
INCREASE IN CASH AND CASH EQUIVALENTS	962	20,343
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	78,437	45,777
CASH AND CASH EQUIVALENTS, END OF PERIOD	$79,399	$66,120
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$4,457	$3,413
Cash paid for interest	12,887	11,144
Loans transferred to OREO	130	-
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	24	20
Net decrease in non-credit component of OTTI	8	8

See notes to 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. and 195 Havemeyer Corp.

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, 2015 and December 31, 2014, the results of operations and statements of comprehensive income for the three-month periods ended March 31, 2015 and 2014, and the changes in stockholders' equity and cash flows for the three-month periods ended March 31, 2015 and 2014. The results of operations for the three-month period ended March 31, 2015 are not necessarily indicative of the results of operations for the remainder of the year ending December 31, 2015. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to the rules and regulations of the U. S. Securities and Exchange Commission ("SEC').

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

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity"("ASU 2014-08"). ASU 2014-08 changes the criteria for reporting discontinued operations and provides financial statement users additional information related to the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 also seeks to both clarify existing confusion related to, and inconsistent financial reporting of, discontinued operations under existing GAAP guidance, and enhance convergence between GAAP and International Financial Reporting Standards. Under ASU 2014-08, only disposals that represent strategic shifts and have a major effect on the organization's operations and financial results are to be presented as discontinued operations. ASU 2014-08 further requires disclosure of the pretax income attributable to a disposal of a significant part of an organization that does not meet the criteria for discontinued operations reporting, providing users information about the ongoing trends in a reporting organization's results from continuing operations. Adoption of ASU 2014-08 is required for the quarterly period ended March 31, 2015, with early adoption permitted. Adoption of ASU 2014-08 did not have a material impact upon the Company's consolidated financial condition or results of operations.

4. TREASURY STOCK

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. There were no treasury repurchases during the three months ended March 31, 2014.

5. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Pre-tax Amount	Tax Expense (Benefit)	After tax Amount
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	(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)
Three Months Ended March 31, 2014			
Securities held-to-maturity and transferred securities:			
Change in non-credit component of OTTI	$8	$ 4	$4
Change in unrealized loss on securities transferred to held to maturity	20	8	12
Total securities held-to-maturity and transferred securities	28	12	16
Securities available-for-sale:			
Reclassification adjustment for net gains included in net gain on securities	-	-	-
Change in net unrealized gain during the period	(67)	(30)	(37)
Total securities available-for-sale	(67)	(30)	(37)
Defined benefit plans:			
Reclassification adjustment for expense included in salaries and employee benefits expense	261	118	143
Total defined benefit plans	261	118	143
Total other comprehensive income	$222	$ 100	$122

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

	Securities Held-to-Maturity and Transferred Securities	Securities Available-for-Sale	Defined Benefit Plans	Total Accumulated Other Comprehensive Gain (Loss)
Balance as of January 1, 2015	$ (826)	$ 736	$(8,457)	$ (8,547)
Other comprehensive income (loss) before reclassifications	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)
Balance as of January 1, 2014	$ (878)	$ 1,319	$(5,200)	$ (4,759)
Other comprehensive income (loss) before reclassifications	16	(37)	-	(21)
Amounts reclassified from accumulated other comprehensive loss	-	-	143	143
Net other comprehensive income (loss) during the period	16	(37)	143	122
Balance as of March 31, 2014	$ (862)	$ 1,282	$(5,057)	$ (4,637)

6. EARNINGS PER SHARE ("EPS")

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

The following is a reconciliation of the numerators and denominators of basic EPS and diluted EPS for the periods presented:

	Three Months Ended March 31,	
	2015	2014
Net income per the Consolidated Statements of Income	$11,778	$10,034
Less: Dividends paid and earnings allocated to participating securities	(41)	(45)
Income attributable to common stock	$11,737	$9,989
Weighted average common shares outstanding, including participating securities	36,275,586	36,094,495
Less: weighted average participating securities	(288,400)	(317,810)
Weighted average common shares outstanding	35,987,186	35,776,685
Basic EPS	$0.33	$0.28
Income attributable to common stock	$11,737	$9,989
Weighted average common shares outstanding	35,987,186	35,776,685
Weighted average common equivalent shares outstanding	66,273	112,899
Weighted average common and equivalent shares outstanding	36,053,459	35,889,584
Diluted EPS	$0.33	$0.28

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 205,710 and 364,715 weighted-average stock options outstanding for the three-month periods ended March 31, 2015 and 2014, respectively, which were not considered in the calculation of diluted EPS since their exercise prices exceeded the average market price during the period.

7. ACCOUNTING FOR STOCK BASED COMPENSATION

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

Stock Option Awards

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

	At or for the Three Months Ended March 31,	
	2015	2014
Options outstanding – beginning of period	979,916	1,615,771

Options granted	-	-
Options exercised	(14,776)	(8,480)
Options that expired prior to exercise	(59,360)	(618,895)
Options outstanding – end of period	905,780	988,396
Intrinsic value of options exercised	$84	$5
Compensation expense recognized	23	36
Remaining unrecognized compensation expense	8	105
Intrinsic value of outstanding options at period end	1,459	2,294
Intrinsic value of vested options at period end	1,446	2,177
Weighted average exercise price of vested options – end of period	14.69	14.76

There were no grants of stock options during the three-month periods ended March 31, 2015 and 2014.
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Restricted Stock Awards

The Company, from time to time, issues restricted stock awards to outside directors and certain officers under the 2004 Stock Incentive Plan or 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,	
	2015	2014
Unvested allocated shares – beginning of period	289,660	318,314
Shares granted	-	-
Shares vested	(4,050)	-
Shares forfeited	-	(1,261)
Unvested allocated shares – end of period	285,610	317,053
Compensation recorded to expense	$494	$495

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, 2015 or December 31, 2014. All real estate loans not classified as Special Mention or Substandard were deemed pass loans at both March 31, 2015 and December 31, 2014.

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

	Balance at March 31, 2015					
Grade	One- to Four-Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use Real Estate	Commercial Real Estate	Construction	Total Real Estate Loans
Not Graded(1)	$8,499	$-	$-	$-	$-	$8,499
Pass	59,088	3,373,334	327,641	408,437	-	4,168,500
Special Mention	1,362	19,043	3,242	6,164	-	29,811
Substandard	2,033	6,155	4,534	13,573	-	26,295
Doubtful	-	-	-	-	-	-
Total	$70,982	$3,398,532	$335,417	$428,174	$-	$4,233,105

(1) Amount comprised of fully performing one- to four-family residential and condominium and cooperative unit loans with balances equal to or less than the FNMA Limits.

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

(1) Amount comprised of fully performing one- to four-family residential and condominium and cooperative unit loans with balances equal to or less than the FNMA Limits.

For consumer loans, the Company evaluates credit quality based on payment activity. Consumer loans that are 90 days or more past due are placed on non-accrual status, while all remaining consumer loans are classified and evaluated as performing.

The following is a summary of the credit risk profile of consumer loans by internally assigned grade:

Grade	Balance at March 31, 2015	Balance at December 31, 2014
Performing	$1,608	$1,825
Non-accrual	4	4
Total	$1,612	$1,829

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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, 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	$47	$53	$-	$1,141	$1,241	$69,741	$70,982
Multifamily residential and residential mixed use	-	1,136	1,711	537	3,384	3,395,148	3,398,532
Commercial mixed use real estate	-	-	-	-	-	335,417	335,417
Commercial real estate	-	-	-	4,717	4,717	423,457	428,174
Construction	-	-	-	-	-	-	-
Total real estate	$47	$1,189	$1,711	$6,395	$9,342	$4,223,763	$4,233,105
Consumer	$3	$-	$-	$4	$7	$1,605	$1,612

[1] Includes all loans on non-accrual status regardless of the number of days such loans were delinquent as of March 31, 2015.

At December 31, 2014

	30 to 59 Days Past Due	60 to 89 Days Past Due	Loans 90 Days or More Past Due and Still Accruing Interest	Non-accrual [1]	Total Past Due	Current	Total Loans
Real Estate:							
One- to four-family residential, including condominium and cooperative apartment	$240	$-	$-	$1,310	$1,550	$71,950	$73,500
Multifamily residential and residential mixed use	1,187	-	2,922	167	4,276	3,294,172	3,298,448
Commercial mixed use real estate	-	-	411	-	411	328,256	328,667
Commercial real estate	-	-	-	4,717	4,717	412,079	416,796
Construction	-	-	-	-	-	-	-
Total real estate	$1,427	$-	$3,333	$6,194	$10,954	$4,106,457	$4,117,411
Consumer	$2	$-	$-	$4	$6	$1,823	$1,829

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

Accruing Loans 90 Days or More Past Due:

The Bank continued accruing interest on three real estate loans with an aggregate outstanding balance of $1,711 at March 31, 2015, and eight real estate loans with an aggregate outstanding balance of $3,333 at December 31, 2014, all of which were 90 days or more past due on their respective contractual maturity dates. These loans continued to make monthly payments consistent with their initial contractual amortization schedule exclusive of the balloon payments due at maturity. These loans were well secured and were expected to be refinanced, and, therefore, remained on accrual status and were deemed performing assets at the dates indicated above.

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Troubled Debt Restructurings ("TDRs").

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

	As of March 31, 2015		As of December 31, 2014	
	No. of Loans	Balance	No. of Loans	Balance
One- to four-family residential, including condominium and cooperative apartment	2	$603	2	$605
Multifamily residential and residential mixed use	4	1,092	4	1,105
Commercial mixed use real estate	1	4,400	1	4,400
Commercial real estate	3	8,192	4	13,707
Total real estate	10	$14,287	11	$19,817

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

	As of March 31, 2015		As of December 31, 2014	
	No. of Loans	Balance	No. of Loans	Balance
Outstanding principal balance at period end	10	$14,287	11	$19,817
TDRs on accrual status at period end	7	9,199	9	15,100
TDRs on non-accrual status at period end	3	5,088	2	4,717

Accrual status for TDRs is determined separately for each TDR in accordance with the Bank's policies for determining accrual or non-accrual status. At the time an agreement is entered into between the Bank and the borrower that results in the Bank's determination that a TDR has been created, the loan can be on either accrual or non-accrual status. If a loan is on non-accrual status at the time it is restructured, it continues to be classified as non-accrual until the borrower has demonstrated compliance with the modified loan terms for a period of at least six months. Conversely, if at the time of restructuring the loan is performing (and accruing), it will remain accruing throughout its restructured period, unless the loan subsequently meets any of the criteria for non-accrual status under the Bank's policy and agency regulations.

The Company has not restructured troubled consumer loans, as its consumer loan portfolio has not experienced any problem issues warranting restructuring. Therefore, all TDRs were collateralized by real estate at both March 31, 2015 and December 31, 2014.

There were no loan modifications during the three months ended March 31, 2015 or March 31, 2014 that met the definition of a TDR.

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

As of March 31, 2015 and December 31, 2014, the Bank had no loan commitments to borrowers with outstanding TDRs.

A TDR is considered to be in payment default once it is 90 days contractually past due under the modified terms. All TDRs are considered impaired loans and are evaluated individually for measurable impairment, if any.

There were no TDRs which defaulted within twelve months following the modification during the three months ended March 31, 2015 or the year ended December 31, 2014 (thus no significant impact to the allowance for loan losses during those periods).

Impaired Loans

A loan is considered impaired when, based on then current information and events, it is probable that all contractual amounts due will not be collected in accordance with the terms of the loan. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays or shortfalls generally are not classified as impaired. Management determines the significance of payment delays and shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Bank considers TDRs and non-accrual multifamily residential and commercial real estate loans, along with non-accrual one- to four-family loans in excess of the FNMA Limits, to be impaired. Non-accrual one-to four-family loans equal to or less than the FNMA Limits, as well as all consumer loans, are considered homogeneous loan pools and are not required to be evaluated individually for impairment unless considered a TDR.

Impairment is typically measured using the difference between the outstanding loan principal balance and either: 1) the likely realizable value of a note sale; 2) the fair value of the underlying collateral, net of likely disposal costs, if repayment is expected to come from liquidation of the collateral; or 3) the present value of estimated future cash flows (using the loan's pre-modification rate for some of the performing TDRs). If a TDR is substantially performing in accordance with its restructured terms, management will look to either the potential net liquidation proceeds of the underlying collateral or the present value of the expected cash flows from the debt service in measuring impairment (whichever is deemed most appropriate under the circumstances). If a TDR has re-defaulted, generally the likely realizable net proceeds from either a note sale or the liquidation of the collateral is considered when measuring impairment. Measured impairment is either charged off immediately or, in limited instances, recognized as an allocated reserve within the allowance for loan losses.

Please refer to Note 9 for tabular information related to impaired loans.

Loans Re-acquired from FNMA

Until February 20, 2014, the Bank serviced a pool of multifamily loans sold to FNMA, and retained an obligation (off-balance sheet contingent liability) to absorb a portion of any losses (as defined in the seller/servicer agreement) incurred by FNMA in connection with the loans sold (the "First Loss Position"). This pool of loans was re-acquired on February 20, 2014, and the First Loss Position was extinguished. Since re-acquisition, the credit quality of these loans has been evaluated in accordance with the policies and procedures discussed in this footnote.

The Company paid an aggregate premium of $13,163 on the real estate loans re-acquired from FNMA during the three months ended March 31, 2014. The premium is being amortized as an adjustment to interest income throughout the remaining estimated life of the loans.

9. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses may consist of specific and general components. The Bank's periodic evaluation of its allowance for loan losses (specific or general) is comprised of four primary components: (1) impaired loans; (2) non-impaired substandard loans; (3) non-impaired special mention loans; and (4) pass graded loans. Within these components, the Company has identified the following portfolio segments for purposes of assessing its allowance for loan losses (specific or general): (1) real estate loans; and (2) consumer loans. Within these segments, the Bank analyzes the allowance for loan losses based upon the underlying collateral type (classes). Consumer loans represent a nominal portion of the Company's loan portfolio, and were thus evaluated in aggregate as of both March 31, 2015 and December 31, 2014.

Impaired Loan Component

All multifamily residential, mixed use, commercial real estate and construction loans that are deemed to meet the definition of impaired are individually evaluated for impairment. In addition, all condominium or cooperative apartment and one- to four-family residential real estate loans in excess of the FNMA Limits are individually evaluated for impairment. Impairment is typically measured using the difference between the outstanding loan principal balance and either: (1) the likely realizable value of a note sale; (2) the fair value of the underlying collateral, net of likely disposal costs, if repayment is expected to come from liquidation of the collateral; or (3) the present value of estimated future cash flows (using the loan's pre-modification rate in the case of some performing TDRs). For impaired loans on non-accrual status, either of the initial two measurements is utilized.

All TDRs are considered impaired loans and are evaluated individually for measurable impairment, if any. If a TDR is substantially performing in accordance with its restructured terms, management will look to either the present value of the expected cash flows from the debt service or the potential net liquidation proceeds of the underlying collateral in measuring impairment (whichever is deemed most appropriate under the circumstances). If a TDR has re-defaulted, the likely realizable net proceeds from either a note sale or the liquidation of the collateral is generally considered when measuring impairment. While measured impairment is generally charged off immediately, impairment attributed to a reduction in the present value of expected cash flows of a performing TDR was reflected as an allocated reserve within the allowance for loan losses at December 31, 2014.

Smaller balance homogeneous real estate loans, such as condominium or cooperative apartment and one-to four-family residential real estate loans with balances equal to or less than the FNMA Limits, are collectively evaluated for impairment, and accordingly, are not separately identified for impairment disclosures.

Non-Impaired Substandard Loan Component

At both March 31, 2015 and December 31, 2014, the reserve allocated within the allowance for loan losses associated with non-impaired loans internally classified as Substandard reflected expected loss percentages on the Bank's pool of such loans that were derived based upon an analysis of historical losses over a measurement timeframe. The loss percentage resulting from this analysis was then applied to the aggregate pool of non-impaired Substandard loans at March 31, 2015 and December 31, 2014. Based upon this methodology, increases or decreases in the amount of either non-impaired Substandard loans or charge-offs associated with such loans, or a change in the measurement timeframe utilized to derive the expected loss percentage, would impact the level of reserves determined on non-impaired Substandard loans. As a result, the allowance for loan losses associated with non-impaired Substandard loans is subject to volatility.

The portion of the allowance for loan losses attributable to non-impaired Substandard loans was $122 at March 31, 2015 and $371 at December 31, 2014. The decline resulted from both a reduction of $5,370 in the balance of such loans from December 31, 2014 to March 31, 2015, as well as a lower average loss expectation derived as of March 31, 2015 compared to December 31, 2014.

All non-impaired Substandard loans were deemed sufficiently well secured and performing to have remained on accrual status both prior and subsequent to their downgrade to the Substandard internal loan grade.

Non-Impaired Special Mention Loan Component

At both March 31, 2015 and December 31, 2014, the reserve allocated within the allowance for loan losses associated with non-impaired loans internally classified as Special Mention reflected an expected loss percentage on the Bank's pool of such loans that was derived based upon an analysis of historical losses over a measurement timeframe. The loss percentage resulting from this analysis was then applied to the aggregate pool of non-impaired Special Mention loans at March 31, 2015 and December 31, 2014. Based upon this methodology, increases or decreases in the amount of either non-impaired Special Mention loans or charge-offs associated with such loans, or a change in the measurement timeframe utilized to derive the expected loss percentage, would impact the level of reserves determined on non-impaired Special Mention loans. As a result, the allowance for loan losses associated with non-impaired Special Mention loans is subject to volatility.

The portion of the allowance for loan losses attributable to non-impaired Special Mention loans declined from $228 at December 31, 2014 to $170 at March 31, 2015, due to both a reduction of $3,672 in the balance of such loans and a lower expected loss percentage applied to such loans at March 31, 2015 compared to December 31, 2014 under the methodology employed.

Pass Graded Loan Component

The Bank initially looks to the underlying collateral type when determining the allowance for loan losses associated with pass graded real estate loans. The following underlying collateral types are analyzed separately: 1) one- to four family residential and condominium or cooperative apartment; 2) multifamily residential and residential mixed use; 3) commercial mixed use real estate, 4) commercial real estate; and 5) construction and land acquisition. Within the analysis of each underlying collateral type, the following elements are additionally considered and provided weighting in determining the allowance for loan losses for pass graded real estate loans:

(i) Charge-off experience (including peer charge-off experience)
(ii) Economic conditions
(iii) Underwriting standards or experience
(iv) Loan concentrations
(v) Regulatory climate
(vi) Nature and volume of the portfolio
(vii) Changes in the quality and scope of the loan review function

The following is a brief synopsis of the manner in which each element is considered:

(i) Charge-off experience - Loans within the pass graded loan portfolio are segmented by significant common characteristics, against which historical loss rates are applied. The Bank also reviews and considers the charge-off experience of peer banks in its lending marketplace in order to determine whether there may exist potential losses that have taken a longer period to flow through its allowance for loan losses.

(ii) Economic conditions - At both March 31, 2015 and December 31, 2014, the Bank assigned a loss allocation to its entire pass graded real estate loan portfolio based, in part, upon a review of economic conditions affecting the local real estate market. Specifically, the Bank considered both the level of, and recent trends in: 1) the local and national unemployment rate, 2) residential and commercial vacancy rates, 3) real estate sales and pricing, and 4) delinquencies in the Bank's loan portfolio.

(iii) Underwriting standards or experience - Underwriting standards are reviewed to ensure that changes in the Bank's lending policies and practices are adequately evaluated for risk and reflected in its analysis of potential credit losses. Loss expectations associated with changes in the Bank's lending policies and practices, if any, are then incorporated into the methodology.

(iv) Concentrations of credit - The Bank regularly reviews its loan concentrations (borrower, collateral type and location) in order to ensure that heightened risk has not evolved that has not been captured through other factors. The risk component of loan concentrations is regularly evaluated for reserve adequacy.

(v) Regulatory climate – Consideration is given to public statements made by the banking regulatory agencies that have a potential impact on the Bank's loan portfolio and allowance for loan losses.

(vi) Nature and volume of the portfolio – The Bank considers any significant changes in the overall nature and volume of its loan portfolio.

(vii) Changes in the quality and scope of the loan review function – The Bank considers the potential impact upon its allowance for loan losses of any adverse change in the quality and scope of the loan review function.

Consumer Loans

Due to their small individual balances, the Bank does not evaluate individual consumer loans for impairment. Loss percentages are applied to aggregate consumer loans based upon both their delinquency status and loan type. These loss percentages are derived from a combination of the Company's historical loss experience and/or nationally published loss data on such loans. Consumer loans in excess of 120 days delinquent are typically fully charged off against the allowance for loan losses.

The following table presents data regarding the allowance for loan losses and loans evaluated for impairment by class of loan within the real estate loan segment as well as for the aggregate consumer loan segment:

At or for the Three Months Ended March 31, 2015

	Real Estate Loans						Consumer Loans
	One- to Four Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Beginning balance	$150	$13,852	$1,644	$2,823	$-	$18,469	$24

Provision (credit) for loan losses	61	322	(60)	(494)	-	(171)	(1)
Charge-offs	(102)	(1)	(37)	-	-	(140)	(1)
Recoveries	2	-	19	36	-	57	-
Ending balance	$111	$14,173	$1,566	$2,365	$-	$18,215	$22
Ending balance – loans individually evaluated for impairment	$603	$1,259	$4,400	$8,191	$-	$14,453	$-
Ending balance – loans collectively evaluated for impairment	70,379	3,397,273	331,017	419,983	-	4,218,652	1,612
Allowance balance associated with loans individually evaluated for impairment	-	-	-	-	-	-	-
Allowance balance associated with loans collectively evaluated for impairment	111	14,173	1,566	2,365	-	18,215	22
Total Ending balance	$111	$14,173	$1,566	$2,365	$-	$18,215	$22

At December 31, 2014

	Real Estate Loans						Consumer Loans
	One- to Four Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Ending balance – loans individually evaluated for impairment	$605	$1,272	$4,400	$13,707	$-	$19,984	$-
Ending balance – loans collectively evaluated for impairment	72,895	3,297,176	324,267	403,089	-	4,097,427	1,829
Allowance balance associated with loans individually evaluated for impairment	-	-	-	19	-	19	-
Allowance balance associated with loans collectively evaluated for impairment	150	13,852	1,644	2,804	-	18,450	24

At or for the Three Months Ended March 31, 2014

	Real Estate Loans						Consumer Loans
	One- to Four Family Residential, Including Condominium and Cooperative Apartment	Multifamily Residential and Residential Mixed Use	Commercial Mixed Use Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Beginning balance	$236	$13,840	$3,003	$3,047	$3	$20,129	$24
Provision (credit) for loan losses	49	338	(206)	102	(2)	281	1
Charge-offs	(9)	(37)	(30)	(108)	-	(184)	-
Recoveries	1	170	-	7	-	178	-

Ending balance $277	$14,311	$2,767	$3,048	$1	$20,404	$25

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The following tables summarize impaired real estate loans as of or for the periods indicated (by collateral type within the real estate loan segment):

	At March 31, 2015		
	Unpaid Principal Balance at Period End	Recorded Investment at Period End(1)	Reserve Balance Allocated within the Allowance for Loan Losses at Period End
One- to Four Family Residential, Including Condominium and Cooperative Apartment			
With no allocated reserve	$643	$ 603	$ -
With an allocated reserve	-	-	-
Multifamily Residential and Residential Mixed Use			
With no allocated reserve	1,259	1,259	-
With an allocated reserve	-	-	-
Commercial Mixed Use Real Estate			
With no allocated reserve	4,405	4,400	-
With an allocated reserve	-	-	-
Commercial Real Estate			
With no allocated reserve	10,289	8,191	-
With an allocated reserve	-	-	-
Construction			
With no allocated reserve	-	-	-
With an allocated reserve	-	-	-
Total			
With no allocated reserve	$16,596	$ 14,453	$ -
With an allocated reserve	$-	$ -	$ -

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

	At December 31, 2014		
	Unpaid Principal Balance at Period End	Recorded Investment at Period End(1)	Reserve Balance Allocated within the Allowance for Loan Losses at Period End
One- to Four Family Residential, Including Condominium and Cooperative Apartment			
With no allocated reserve	$646	$ 605	$ -
With an allocated reserve	-	-	-
Multifamily Residential and Residential Mixed Use			
With no allocated reserve	1,272	1,272	-
With an allocated reserve	-	-	-
Commercial Mixed Use Real Estate			
With no allocated reserve	4,425	4,400	-
With an allocated reserve	-	-	-
Commercial Real Estate			
With no allocated reserve	10,306	8,207	-
With an allocated reserve	5,500	5,500	19
Construction			
With no allocated reserve	-	-	-
With an allocated reserve	-	-	-
Total			
With no allocated reserve	$16,649	$ 14,484	$ -
With an allocated reserve	$5,500	$ 5,500	$ 19

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

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
One- to Four Family Residential, Including Condominium and Cooperative Apartment				
With no allocated reserve	$604	$ 12	$959	$ 15
With an allocated reserve	-	-	106	-
Multifamily Residential and Residential Mixed Use				
With no allocated reserve	1,265	15	2,377	22
With an allocated reserve	-	-	-	-
Commercial Mixed Use Real Estate				
With no allocated reserve	4,400	44	-	-
With an allocated reserve	-	-	4,400	-
Commercial Real Estate				
With no allocated reserve	8,199	36	7,198	185
With an allocated reserve	2,750	97	15,006	31
Construction				

With no allocated reserve	-	-	-	-
With an allocated reserve	-	-	-	-
Total				
With no allocated reserve	$14,468	$ 107	$10,534	$ 222
With an allocated reserve	$2,750	$ 97	$19,512	$ 31

Reserve Liability for First Loss Position

Until February 20, 2014, the Bank serviced a pool of loans that it sold to FNMA. Pursuant to the sale agreement with FNMA, the Bank retained an obligation (off-balance sheet contingent liability) to absorb a portion of any losses (as defined in the agreement) incurred by FNMA in connection with the loans sold (the "First Loss Position"). The Bank maintained a reserve liability in relation to the First Loss Position that reflected estimated losses on this loan pool. This reserve liability was recorded as a component of other liabilities, and was estimated using a similar methodology to the allowance for loan losses, with periodic increases or decreases recognized through provisions, charge-offs or recoveries. On February 20, 2014, the Bank repurchased the remaining loans within this pool of loans and extinguished both the First Loss Position and the remaining $1,040 related reserve liability.

10. INVESTMENT AND MORTGAGE-BACKED SECURITIES

The following is a summary of major categories of securities owned by the Company (excluding trading securities) at March 31, 2015:

	Purchase Amortized/ Historical Cost	Recorded Amortized/ Historical Cost (1)	Unrealized Gains	Unrealized Losses	Fair Value
Investment securities held-to-maturity:					
Pooled bank trust preferred securities ("TRUPS")	$15,589	$5,326	$1,077	$(156)	$6,247
Available-for-sale securities:					
Investment securities					
Registered Mutual Funds	3,868	3,868	34	(56)	3,846
MBS					
Pass-through MBS issued by GSEs	469	469	16	-	485

(1) Amount represents the purchase amortized / historical cost less any OTTI charges (credit or non-credit related) previously recognized. For the TRUPS, amount is also net of the $908 unamortized portion of the unrealized loss that was recognized in accumulated other comprehensive loss on September 1, 2008 (the day on which these securities were transferred from available-for-sale to held-to-maturity).

The following is a summary of major categories of securities owned by the Company (excluding trading securities) at December 31, 2014:

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

(1) Amount represents the purchase amortized / historical cost less any OTTI charges (credit or non-credit related) previously recognized. For the TRUPS, amount is also net of the $932 unamortized portion of the unrealized loss that was recognized in accumulated other comprehensive loss on September 1, 2008 (the day on which these securities were transferred from available-for-sale to held-to-maturity).

The held-to-maturity TRUPS had a weighted average term to maturity of 19.7 years at March 31, 2015. At March 31, 2015, the pass-through MBS issued by GSEs possessed a weighted average contractual maturity of 12.9 years. All of the pass-through MBS issued by GSEs possess an annual interest rate adjustment.

Proceeds from the sales of investment securities available-for-sale totaled $70 during the three months ended March 31, 2015. No gain or loss was recognized on these sales. Proceeds from the sales of MBS available-for-sale totaled $24,307 during the three months ended March 31, 2015. Gross gains of $1,395 and gross losses of $7 were recognized on these sales. There were no sales of investment securities or MBS available-for-sale during the three months ended March 31, 2014.

Tax provisions related to the gains on sales of investment securities and MBS available-for-sale recognized during the three months ended March 31, 2015 are disclosed in the condensed consolidated statements of comprehensive income.

As of each reporting period through March 31, 2015, the Company has applied the protocol established by ASC 320-10-65 in order to determine whether OTTI existed for its TRUPS and/or to measure, for TRUPS that have been determined to be other than temporarily impaired, the credit related and non-credit related components of OTTI. As of March 31, 2015, five TRUPS were determined to meet the criteria for OTTI based upon this analysis. At March 31, 2015, these five securities had credit ratings ranging from "C" to "Caa3."

The following table provides a reconciliation of the pre-tax OTTI charges recognized on the Company's TRUPS:

	At or for the Three Months Ended March 31, 2015			At or for the Three Months Ended March 31, 2014		
	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI	Credit Related OTTI Recognized in Earnings	Non-Credit OTTI Recognized in Accumulated Other Comprehensive Loss	Total OTTI
Cumulative pre-tax balance at the beginning of the period	$8,945	$569	$9,514	$8,945	$601	$9,546
Amortization of previously recognized OTTI	(150)	(8)	(158)	-	(8)	(8)
Cumulative pre-tax balance at end of the period	$8,795	$561	$9,356	$8,945	$593	$9,538

The following table summarizes the gross unrealized losses and fair value of investment securities as of March 31, 2015, aggregated by investment category and the length of time the securities were in a continuous unrealized loss position:

	Less than 12 Months Consecutive Unrealized Losses		12 Months or More Consecutive Unrealized Losses		Total	
	Fair Value	Gross Unrecognized/ Unrealized Losses	Fair Value	Gross Unrecognized/ Unrealized Losses	Fair Value	Gross Unrecognized/ Unrealized Losses
Held-to-Maturity Securities:						
TRUPS	$-	$-	$2,523	$156	$2,523	$156
Available-for-Sale Securities:						
Registered Mutual Funds	1,880	56	-	-	1,880	56

TRUPS That Have Maintained an Unrealized Holding Loss for 12 or More Consecutive Months

At March 31, 2015, impairment of two TRUPS was deemed temporary, as management believed that the full recorded balance of the investments would be realized. In making this determination, management considered the following:

- Based upon an internal review of the collateral backing the TRUPS portfolio, which accounted for current and prospective deferrals, the securities could reasonably be expected to continue making all contractual payments
- The Company does not intend to sell these securities prior to full recovery of their impairment
- There were no cash or working capital requirements nor contractual or regulatory obligations that would compel the Company to sell these securities prior to their forecasted recovery or maturity
- The securities have a pool of underlying issuers comprised primarily of banks
- None of the securities have exposure to real estate investment trust issued debt (which has experienced high default rates)
- The securities feature either a mandatory auction or a de-leveraging mechanism that could result in principal repayments to the Bank prior to the stated maturity of the security
- The securities are adequately collateralized

The following table summarizes the gross unrealized losses and fair value of investment securities as of December 31, 2014, aggregated by investment category and the length of time the securities were in a continuous unrealized loss position:

	Less than 12 Months Consecutive Unrealized Losses		12 Months or More Consecutive Unrealized Losses		Total	
	Fair Value	Gross Unrecognized/ Unrealized Losses	Fair Value	Gross Unrecognized/ Unrealized Losses	Fair Value	Gross Unrecognized/ Unrealized Losses
Held-to-Maturity Securities:						
TRUPS	$-	$-	$2,571	$163	$2,571	$163
Available-for-Sale Securities:						
Registered Mutual Funds	3,736	124	-	-	3,736	124

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy established under ASC 820-10 is summarized as follows:

Level 1 Inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Significant other observable inputs such as any of the following: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), or (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 Inputs – Significant unobservable inputs for the asset or liability. Significant unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Significant unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following tables present the assets that are reported on the consolidated statements of financial condition at fair value as of the date indicated segmented by level within the fair value hierarchy. Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets Measured at Fair Value on a Recurring Basis at March 31, 2015

		Fair Value Measurements Using		
Description	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Trading securities (Registered Mutual Funds):				
Domestic Equity Mutual Funds	$1,481	$1,481	$-	$-
International Equity Mutual Funds	174	174	-	-
Fixed Income Mutual Funds	7,092	7,092	-	-
Investment securities available-for-sale:				
Registered Mutual Funds:				

Domestic Equity Mutual Funds	2,229	2,229	-	-
International Equity Mutual Funds	440	440	-	-
Fixed Income Mutual Funds	1,177	1,177	-	-
Pass-through MBS issued by GSEs	485	-	485	-

Assets Measured at Fair Value on a Recurring Basis at December 31, 2014

Description	Total	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Trading securities (Registered Mutual Funds):				
Domestic Equity Mutual Funds	$1,399	$1,399	$-	$-
International Equity Mutual Funds	159	159	-	-
Fixed Income Mutual Funds	7,001	7,001	-	-
Investment securities available-for-sale:				
Agency notes	70	-	70	-
Registered Mutual Funds:				
Domestic Equity Mutual Funds	2,160	2,160	-	-
International Equity Mutual Funds	415	415	-	-
Fixed Income Mutual Funds	1,161	1,161	-	-
Pass-through MBS issued by GSEs	25,607	-	25,607	-
Private issuer pass through MBS	455	-	455	-
Private issuer CMOs	347	-	347	-

The Company's available-for-sale investment securities and MBS are reported at fair value, which were determined utilizing prices obtained from independent parties. The valuations obtained are based upon market data, and often utilize evaluated pricing models that vary by asset and incorporate available trade, bid and other market information. For securities that do not trade on a daily basis, pricing applications apply available information such as benchmarking and matrix pricing. The market inputs normally sought in the evaluation of securities include benchmark yields, reported trades, broker/dealer quotes (obtained only from market makers or broker/dealers recognized as market participants), issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. For certain securities, additional inputs may be used or some market inputs may not be applicable. Prioritization of inputs may vary on any given day based on market conditions.

The pass-through MBS issued by GSEs all possessed the highest possible credit rating published by at least one established credit rating agency as of March 31, 2015 and December 31, 2014. Obtaining market values as of March 31, 2015 and December 31, 2014 for these securities utilizing significant observable inputs was not difficult due to their considerable demand. The agency notes, private issuer pass through MBS, and private issuer CMOs owned by the Company at December 31, 2014 were sold during the three months ended March 31, 2015. For each security classification, the value received from the sale approximated the most recently obtained pricing utilizing the methodology indicated above.

Assets Measured at Fair Value on a Non-Recurring Basis at March 31, 2015

Description	Total	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Impaired loans:				
Commercial Mixed Use Real Estate	$4,400	$-	$ -	$4,400

Assets Measured at Fair Value on a Non-Recurring Basis at

December 31, 2014

Fair Value
Measurements
Using

Description