DIME COMMUNITY BANCSHARES INC
Form 10-Q
May 10, 2011

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

FORM 10-Q

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

For the quarterly period ended March 31, 2011
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 X 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 X 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 X	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 X

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, 2011
$.01 Par Value	34,931,523

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

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

- the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Company's control;
- there may be increases in competitive pressure among financial institutions or from non-financial institutions;
- changes in the interest rate environment may reduce interest margins;

- changes in deposit flows, loan demand or real estate values may adversely affect the business of The Dime Savings Bank of Williamsburgh (the "Bank");
- changes in accounting principles, policies or guidelines may cause the Company's financial condition to be perceived differently;
- changes in corporate and/or individual income tax laws may adversely affect the Company's business or financial condition;
- general economic conditions, either nationally or locally in some or all areas in which the Company conducts business, or conditions in the securities markets or banking industry, may be less favorable than currently anticipated;
- legislation or regulatory changes may adversely affect the Company's business;
- technological changes may be more difficult or expensive than the Company anticipates;
- success or consummation of new business initiatives may be more difficult or expensive than the Company anticipates;
- litigation or other matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than the Company anticipates; and
- the risks referred to in the section entitled "Risk Factors."

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

Item 1. Condensed Consolidated Financial Statements

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

	March 31, 2011	December 31, 2010
ASSETS:		
Cash and due from banks	$171,745	$86,193
Federal funds sold and other short-term investments	4,461	4,536
Investment securities held-to-maturity (estimated fair value of $6,558 and $4,408 at March 31, 2011 and December 31, 2010, respectively) (Fully unencumbered)	7,192	6,641
Investment securities available-for-sale, at fair value:		
Encumbered	88,492	80,229
Unencumbered	45,149	5,413
	133,641	85,642
Mortgage-backed securities available-for-sale, at fair value:		
Encumbered	123,960	139,192
Unencumbered	4,772	5,326
	128,732	144,518
Trading securities	1,541	1,490
Loans:		
Real estate, net	3,454,717	3,467,644
Other loans	2,070	2,540
Less allowance for loan losses	(19,663)	(19,166)
Total loans, net	3,437,124	3,451,018
Loans held for sale	1,721	3,308
Premises and fixed assets, net	32,381	31,613
Federal Home Loan Bank of New York ("FHLBNY") capital stock	51,718	51,718
Other real estate owned ("OREO")	-	-
Goodwill	55,638	55,638
Other assets	116,816	117,980
Total Assets	$4,142,710	$4,040,295
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	$2,267,024	$2,224,851
Non-interest bearing deposits	135,661	125,730
Total deposits	2,402,685	2,350,581
Escrow and other deposits	108,865	68,542
Securities sold under agreements to repurchase	195,000	195,000
FHLBNY advances	990,525	990,525
Trust Preferred securities payable	70,680	70,680
Other liabilities	37,933	36,233
Total Liabilities	$3,805,688	$3,711,561
Commitments and Contingencies		
Stockholders' Equity:		

Preferred stock ($0.01 par, 9,000,000 shares authorized, none issued or outstanding at March 31, 2011 and December 31, 2010)	-	-
Common stock ($0.01 par, 125,000,000 shares authorized, 51,309,559 shares and 51,219,609 shares issued at March 31, 2011 and December 31, 2010, respectively, and 34,683,130 shares and 34,593,180 shares outstanding at March 31, 2011 and December 31, 2010, respectively)	513	512
Additional paid-in capital	227,061	225,585
Retained earnings	336,060	329,668
Accumulated other comprehensive loss, net of deferred taxes	(6,299)	(6,352)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(3,412)	(3,470)
Unearned Restricted Stock Award common stock	(2,376)	(2,684)
Common stock held by Benefit Maintenance Plan ("BMP")	(7,979)	(7,979)
Treasury stock, at cost (16,626,429 shares at both March 31, 2011 and December 31, 2010, respectively)	(206,546)	(206,546)
Total Stockholders' Equity	$337,022	$328,734
Total Liabilities And Stockholders' Equity	$ 4,142,710	$ 4,040,295

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2011	2010
Interest income:		
Loans secured by real estate	$50,629	$50,122
Other loans	26	39
Mortgage-backed securities	1,452	2,271
Investment securities	316	407
Federal funds sold and other short-term investments	772	742
Total interest income	53,195	53,581
Interest expense:		
Deposits and escrow	6,785	7,593
Borrowed funds	11,367	13,222
Total interest expense	18,152	20,815
Net interest income	35,043	32,766
Provision for loan losses	1,426	3,447
Net interest income after provision for loan losses	33,617	29,319
Non-interest income:		
Total other than temporary impairment ("OTTI") losses	(63)	(216)
Less: Non-credit portion of OTTI recorded in other comprehensive income (before taxes)	-	50
Net OTTI recognized in earnings	(63)	(166)
Service charges and other fees	763	936
Net mortgage banking income	93	211
Net gain on securities and sales of other assets (1)	46	569
Income from bank owned life insurance	467	504
Other	604	456
Total non-interest income	1,910	2,510
Non-interest expense:		
Salaries and employee benefits	8,735	7,979
Stock benefit plan amortization expense	992	907
Occupancy and equipment	2,689	2,258
Federal deposit insurance premiums	1,224	992
Data processing costs	692	759
Provision for losses on OREO	-	200
Other	2,528	2,597
Total non-interest expense	16,860	15,692
Income before income taxes	18,667	16,137
Income tax expense	7,587	6,667
Net income	$11,080	$9,470
Earnings per Share:		
Basic	$0.33	$0.29
Diluted	$0.33	$0.28

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

STATEMENTS OF COMPREHENSIVE INCOME

Net Income	$11,080	$9,470
Amortization and reversal of net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of taxes of $12 during the three months ended both March 31, 2011 and 2010, respectively	14	15
Reduction in non-credit component of OTTI charge, net of taxes of $276 and $127 during the three months ended March 31, 2011 and 2010, respectively	336	154
Non-credit component of OTTI charge recognized during the period, net of tax benefit of $(22) during the three months ended March 31, 2010	-	(28)
Reclassification adjustment for securities sold during the period, net of taxes of $257 during the three months ended March 31, 2010	-	(312)
Net unrealized securities gains arising during the period, net of (tax benefits) taxes of $(267) and $240 during the three months ended March 31, 2011 and 2010, respectively	(324)	291
Defined benefit plan adjustments, net of taxes (tax benefits) of $23 and $(25) during the three months ended March 31, 2011 and 2010, respectively	27	(30)
Comprehensive Income	$11,133	$9,560

See notes to condensed consolidated financial statements.

4

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

	Three Months Ended March 31,	
	2011	2010
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY		
Common Stock (Par Value $0.01):		
Balance at beginning of period	$512	$511
Shares issued in exercise of options	1	-
Balance at end of period	513	511
Additional Paid-in Capital:		
Balance at beginning of period	225,585	214,654
Stock options exercised	903	-
Forfeited restricted stock award shares returned to treasury stock	-	3
Tax benefit (expense) of stock plans	111	(5)
BMP award distribution	-	(28)
BMP reclassification	-	8,007
Amortization of excess fair value over cost – ESOP stock and stock options expense	462	415
Balance at end of period	227,061	223,046
Retained Earnings:		
Balance at beginning of period	329,668	306,787
Net income for the period	11,080	9,470
Cash dividends declared and paid	(4,688)	(4,642)
BMP reclassification	-	133
Balance at end of period	336,060	311,748
Accumulated Other Comprehensive Loss, net of tax:		
Balance at beginning of period	(6,352)	(5,082)
Amortization and reversal of net unrealized loss on securities transferred from available-for- sale to held-to-maturity, net of tax	14	15
Reduction in non-credit component of OTTI charge, net of tax	336	154
Non-credit component of OTTI charge recognized during the period, net of tax	-	(28)
Increase in unrealized loss on available-for-sale securities during the period	(324)	(21)
Adjustments related to defined benefit plans, net of tax	27	(30)
Balance at end of period	(6,299)	(4,992)
ESOP:		
Balance at beginning of period	(3,470)	(3,701)
Amortization of earned portion of ESOP stock	58	57
Balance at end of period	(3,412)	(3,644)
Unearned Restricted Stock Award Common Stock:		
Balance at beginning of period	(2,684)	(2,505)
Amortization of earned portion of restricted stock awards	308	242
Forfeited restricted stock award shares returned to treasury stock	-	149
Balance at end of period	(2,376)	(2,114)
Treasury Stock, at cost:		
Balance at beginning of period	(206,546)	(207,884)

Forfeited restricted stock award shares returned to treasury stock	-	(152)
Balance at end of period	(206,546)	(208,036)
Common Stock Held by BMP:		
Balance at beginning of period	(7,979)	(8,007)
BMP award distribution	-	28
Balance at end of period	(7,979)	(7,979)
Total Stockholders' Equity	337,022	308,540

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,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$11,080	$9,470
Adjustments to reconcile net income to net cash provided by operating activities:		
Net loss (gain) on sale of loans originated for sale	66	(42)
Net gain on sale of investment securities available-for-sale	-	(327)
Net gain recognized on the transfer of securities from available-for-sale into trading	-	(242)
Net gain on trading securities	(46)	-
Net depreciation and amortization	881	649
ESOP compensation expense	293	223
Stock plan compensation (excluding ESOP)	535	491
Provision for loan losses	1,426	3,447
Provision for losses on OREO	-	200
Provision to increase the liability for loans sold with recourse	-	-
Recovery of write down of mortgage servicing asset	-	-
OTTI charge for investment securities recognized in earnings	63	166
Increase in cash surrender value of Bank Owned Life Insurance	(467)	(504)
Deferred income tax credit	(159)	(1,538)
Excess tax cost (benefit) of stock plans	(111)	5
Changes in assets and liabilities:		
Origination of loans held for sale	(2,037)	(1,102)
Proceeds from sale of loans held for sale	4,318	1,560
Decrease (Increase) in other assets	1,856	(5,849)
Increase in other liabilities	1,751	7,026
Net cash provided by operating activities	19,449	13,633
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in federal funds sold and other short term investments	75	(2,062)
Proceeds from principal repayments of investment securities held-to-maturity	32	32
Proceeds from maturities of investment securities available-for-sale	-	-
Proceeds from calls and principal repayments of investment securities available-for-sale	20,000	-
Proceeds from sales of investment securities available-for-sale	-	1,095
Purchases of investment securities available-for-sale	(67,911)	(12,000)
Purchases of trading securities	(5)	-
Principal collected on mortgage backed securities available-for-sale	15,080	24,056
Net decrease (increase) in loans	11,708	(93,120)
Proceeds from the sale of OREO	-	168
Purchases of fixed assets, net	(1,630)	(590)
Purchase of FHLBNY capital stock	-	(900)
Net cash used in investing activities	(22,651)	(83,321)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in due to depositors	52,104	95,774
Net increase in escrow and other deposits	40,323	33,292
Decrease in securities sold under agreements to repurchase	-	(35,000)

Increase in FHLBNY advances	-	55,000
Cash dividends paid	(4,688)	(4,642)
Exercise of stock options	904	-
Excess tax (cost) benefit of stock plans	111	(5)
Net cash provided by financing activities	88,754	144,419
INCREASE IN CASH AND DUE FROM BANKS	85,552	74,731
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	86,193	39,338
CASH AND DUE FROM BANKS, END OF PERIOD	$171,745	$114,069
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$6,103	$2,284
Cash paid for interest	18,279	20,247
Loans transferred to OREO	-	320
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	26	27
Net decrease in non-credit component of OTTI	(612)	(230)
Adjustments to other comprehensive income from defined benefit plans, net of tax	27	(30)

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") is a Delaware corporation and parent company of 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 Boulevard Funding Corp., Dime Insurance Agency Inc. (f/k/a Havemeyer Investments, 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-six 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 is gathering deposits from customers within its market area and via the internet, and investing them primarily in multifamily residential, commercial real estate, one- to four-family residential, construction and land acquisition, and consumer loans, as well as mortgage-backed securities ("MBS"), obligations of the U.S. Government and Government Sponsored Entities ("GSEs"), 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 necessary for a fair presentation of the Company's financial condition as of March 31, 2011, the results of operations and statements of comprehensive income for the three-month periods ended March 31, 2011 and 2010, and the changes in stockholders' equity and cash flows for the three months ended March 31, 2011 and 2010. The results of operations for the three-months ended March 31, 2011 are not necessarily indicative of the results of operations for the remainder of the year ending December 31, 2011. 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 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Please see "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 condensed consolidated financial statements where significant estimates are utilized.

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, 2010 and notes thereto.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-2, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring" ("ASU 2011-2"). ASU 2011-2 clarifies the guidance for determining whether a loan restructuring constitutes a troubled debt restructuring ("TDR") outlined in Accounting Standards Codification ("ASC") No. 310-40, "Receivables—Troubled Debt Restructurings by Creditors," by providing additional guidance to a creditor in making the following required assessments needed to determine whether a restructuring is a TDR: (i) whether or not a concession has been granted in a debt restructuring; (ii) whether a temporary or permanent increase in the contractual interest rate precludes the restructuring from being a TDR; (iii) whether a restructuring results in an insignificant delay in payment; (iv) whether a borrower that is not currently in payment default is experiencing financial difficulties; and (v) whether a creditor can use the effective interest rate test outlined in debtor's guidance on restructuring of payables (ASC Topic No. 470-60-55-10) when evaluating whether or not a restructuring constitutes a TDR. ASU 2011-2 is effective for interim periods beginning on or after June 15, 2011. Adoption of ASU 2011-2 is not expected to have a material effect upon the Company's consolidated financial condition or results of operations.

In July 2010. the FASB issued Accounting Standards Update No. 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses" ("ASU 2010-20"). ASU 2010-20 requires companies to provide a greater level of disaggregated information regarding: (1) the credit quality of their financing receivables; and (2) their allowance for credit losses. ASU 2010-20 further requires companies to disclose credit quality indicators, past due information, and modifications of their financing receivables. For public companies, ASU 2010-20 is effective for interim and annual reporting periods ending on or after December 15, 2010. ASU 2010-20 encourages, but does not require, comparative disclosures for earlier reporting periods that ended before initial adoption. Adoption of ASU 2010-20 did not have a material impact upon the Company's consolidated financial condition or results of operations.

In February 2010, the FASB issued ASU No. 2010-11, "Derivatives and Hedging (Topic 815) – Scope Exception Related to Embedded Credit Derivatives" ("ASU 2010-11"). ASU 2010-11 clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation (separate accounting) requirements, and addresses various accounting issues associated with subordination of one financial instrument to another. ASU 2010-11 affirms that a credit derivative feature related to the transfer of credit risk that is the only form of subordination of one financial instrument to another is not subject to the embedded derivative bifurcation requirement. Under ASU 2010-11, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may thus need to separately account for the embedded credit derivative feature. In initially adopting ASU 2010-11, an entity may elect the fair value option for any investment in a beneficial interest in a securitized financial asset. The election must be made on an instrument-by-instrument basis at the beginning of the fiscal quarter of initial adoption. However, an entity must perform an impairment analysis of the investment before the initial adoption. ASU 2010-11 was effective at the beginning of an entity's first fiscal quarter commencing after June 15, 2010. Adoption of ASU 2010-11 did not have a material effect upon the Company's financial condition or results of operations.

In January 2010, FASB issued Accounting Standards Update No. 2010-06, " Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" ("ASU 2010-6"). ASU 2010-6 required new disclosures related to transfers into and out of fair value hierarchy Levels 1 and 2, as well as certain activities for assets whose fair value is measured under the Level 3 hierarchy. ASU 2010-6 also provided amendments clarifying the level of disaggregation and disclosures about inputs and valuation techniques along with conforming amendments to the guidance on employers' disclosures about postretirement benefit plan assets. ASU 2010-6 was effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Adoption of ASU 2010-6 has not had, and is not expected to have, a material impact upon the Company's financial condition or results of operations.

4. TREASURY STOCK

The Company did not repurchase any shares of treasury stock during the three months ended March 31, 2011 and 2010.

5. 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, 2010 and concluded that no impairment of goodwill existed. No events or circumstances have occurred subsequent to December 31, 2010 that would, in management's opinion, reduce the fair value of the Company's reporting unit below its carrying value. Such events or circumstances would require the immediate performance of an impairment test in accordance with ASC 350.

6. EARNINGS PER SHARE ("EPS")

EPS is calculated and reported in accordance with ASC 260. For entities like the Company with complex capital structures, ASC 260 requires disclosure of basic EPS and diluted EPS on the face of the income statement, along with a reconciliation of their numerators and denominators.

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 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 outstanding in-the-money stock options were exercised and converted into common stock.

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,	
	2011	2010
	(Dollars in Thousands)	
Numerator:		
Net Income per the Condensed Consolidated Statements of Operations	$11,080	$9,470
Denominator:		
Weighted-average number of shares outstanding utilized in the calculation of basic EPS	33,467,483	33,169,263
Common stock equivalents resulting from the dilutive effect of "in-the-money" outstanding stock options	283,269	92,332
Anti-dilutive effect of tax benefits associated with "in-the-money" outstanding stock options	(25,026)	(12,513)
Weighted average number of shares outstanding utilized in the calculation of diluted EPS	33,725,726	33,249,082

8

Common stock equivalents 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 1,166,048 and 2,675,037 weighted-average stock options outstanding for the three-month periods ended March 31, 2011 and 2010, respectively, that 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, 2011 and 2010, the Holding Company and Bank maintained 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"), which are discussed more fully in Note 15 to the Company's audited consolidated financial statements for the year ended December 31, 2010, 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,	
	2011	2010
	(Dollars in Thousands Except Option Price Amounts)	
Options outstanding – beginning of period	3,213,007	3,266,920
Options granted	-	-
Weighted average exercise price of grants	-	-
Options exercised	116,319	-
Weighted average exercise price of exercised options	$11.20	-
Options forfeited	4,561	8,149
Weighted average exercise price of forfeited options	$16.73	$14.91