

DIME COMMUNITY BANCSHARES INC

Form 10-Q

May 12, 2008

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, 2008
OR

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

For the transition period from _____ to _____

Commission file number 0-27782

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

Delaware (State or other jurisdiction of incorporation or organization)	11-3297463 (I.R.S. employer identification number)
---	--

209 Havemeyer Street, Brooklyn, NY (Address of principal executive offices)	11211 (Zip Code)
--	---------------------

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

Indicate by check mark whether the registrant (1) has filed all the reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 <input type="checkbox"/>	ACCELERATED FILER <input checked="" type="checkbox"/>	NON -ACCELERATED FILER <input type="checkbox"/>	SMALLER REPORTING COMPANY <input type="checkbox"/>
--	--	---	--

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 8 , 2008
\$.01 Par Value	33,962,371

PART I - FINANCIAL INFORMATION

	Page
Item 1. Condensed Financial Statements (Unaudited)	
Consolidated Statements of Financial Condition at March 31, 2008 and December 31, 2007	3
Consolidated Statements of Operations for the Three-Month Periods Ended March 31, 2008 and 2007	4
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income for the Three Months Ended March 31, 2008 and 2007	5
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2008 and 2007	6
Notes to Consolidated Financial Statements	7-16
Management's Discussion and Analysis of Financial Condition and Results of Operations	16-28
Item 2. Operations	16-28
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28-29
Item 4. Controls and Procedures	30

PART II - OTHER INFORMATION

Item 1. Legal Proceedings	30
Item 1A. Risk Factors	30
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 3. Defaults Upon Senior Securities	30
Item 4. Submission of Matters to a Vote of Security Holders	30
Item 5. Other Information	31
Item 6. Exhibits	31-32
Signatures	33

This Quarterly Report on Form 10-Q contains a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by use of words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "outlook," "plan," "potential," "predict," "project," "should," "will," "would" and similar terms and phrases, including references to assumptions.

Forward-looking statements are based upon various assumptions and analyses made by Dime Community Bancshares, Inc. (the "Holding Company," and together with its direct and indirect subsidiaries, the "Company") in light of management's experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors (many of which are beyond the Company's control) that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These factors include, without limitation, the following:

- the timing and occurrence or non-occurrence of events may be subject to circumstances beyond the Company's control;
 - there may be increases in competitive pressure among financial institutions or from non-financial institutions;
 - changes in the interest rate environment may reduce interest margins;
- changes in deposit flows, loan demand or real estate values may adversely affect the business of The Dime Savings Bank of Williamsburgh (the "Bank");

- changes in accounting principles, policies or guidelines may cause the Company's financial condition to be perceived differently;
 - changes in corporate and/or individual income tax laws may adversely affect the Company's financial condition or results of operations;
- general economic conditions, either nationally or locally in some or all areas in which the Bank conducts business, or conditions in the securities markets or banking industry, may be less favorable than the Company currently anticipates;
 - legislation or regulatory changes may adversely affect the Company's business;
 - technological changes may be more difficult or expensive than the Company anticipates;
- success or consummation of new business initiatives may be more difficult or expensive than the Company anticipates; or
- litigation or other matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than the Company anticipates.

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

Item 1. Condensed Financial Statements (Unaudited)

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

	March 31, 2008 (Unaudited)	December 31, 2007
ASSETS:		
Cash and due from banks	\$123,412	\$101,708
Federal funds sold and other short-term investments	91,502	128,014
Encumbered investment securities held-to-maturity (estimated fair value of \$80 at both March 31, 2008 and December 31, 2007)	80	80
Investment securities available-for-sale, at fair value (fully unencumbered)	35,142	34,095
Mortgage-backed securities available-for-sale, at fair value:		
Encumbered	236,281	160,821
Unencumbered	18,888	1,943
Total mortgage backed securities available-for-sale	255,169	162,764
Loans:		
Real estate, net	2,930,532	2,873,966
Other loans	2,019	2,169
Less allowance for loan losses	(15,665)	(15,387)
Total loans, net	2,916,886	2,860,748
Loans held for sale	1,547	890
Premises and fixed assets, net	24,830	23,878
Federal Home Loan Bank of New York ("FHLBNY") capital stock	39,479	39,029
Other real estate owned	895	-
Goodwill	55,638	55,638
Other assets	95,721	94,331
Total Assets	\$3,640,301	\$3,501,175
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	\$2,106,126	\$2,091,600
Non-interest bearing deposits	87,510	88,398
Total deposits	2,193,636	2,179,998
Escrow and other deposits	84,273	52,209
Securities sold under agreements to repurchase	230,080	155,080
FHLBNY advances	716,500	706,500
Subordinated notes payable	25,000	25,000
Trust Preferred securities payable	72,165	72,165
Other liabilities	48,636	41,371
Total Liabilities	3,370,290	3,232,323
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock (\$0.01 par, 9,000,000 shares authorized, none issued or outstanding at March 31, 2008 and December 31, 2007)	-	-
	509	509

Common stock (\$0.01 par, 125,000,000 shares authorized, 50,920,141 shares and 50,906,278 shares issued at March 31, 2008 and December 31, 2007, respectively, and 33,872,765 shares and 33,909,902 shares outstanding at March 31, 2008 and December 31, 2007, respectively)		
Additional paid-in capital	209,036	208,369
Retained earnings	289,500	288,112
Accumulated other comprehensive loss, net of deferred taxes	(4,685)	(4,278)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(4,106)	(4,164)
Unearned restricted stock awards	(527)	(634)
Common stock held by Benefit Maintenance Plan ("BMP")	(7,941)	(7,941)
Treasury stock, at cost (17,047,376 shares and 16,996,376 shares at March 31, 2008 and December 31, 2007, respectively)	(211,775)	(211,121)
Total Stockholders' Equity	270,011	268,852
Total Liabilities And Stockholders' Equity	\$3,640,301	\$3,501,175

See notes to condensed consolidated financial statements.

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

(Dollars in thousands except per share amounts)

	Three Months Ended	
	March 31,	
	2008	2007
Interest income:		
Loans secured by real estate	\$43,066	\$40,250
Other loans	44	45
Mortgage-backed securities	2,216	1,512
Investment securities	708	442
Federal funds sold and other short-term investments	2,196	2,469
Total interest income	48,230	44,718
Interest expense:		
Deposits and escrow	17,968	18,161
Borrowed funds	11,031	8,671
Total interest expense	28,999	26,832
Net interest income	19,231	17,886
Provision for loan losses	60	60
Net interest income after provision for loan losses	19,171	17,826
Non-interest income:		
Service charges and other fees	1,248	1,355
Net gain on sales of loans	87	244
Income from bank owned life insurance	492	485
Other	340	406
Total non-interest income	2,167	2,490
Non-interest expense:		
Salaries and employee benefits	6,401	5,917
Stock benefit plan amortization expense	833	533
Occupancy and equipment	1,570	1,495
Federal deposit insurance premiums	65	62
Data processing costs	778	825
Other	2,633	2,416
Total non-interest expense	12,280	11,248
Income before income taxes	9,058	9,068
Income tax expense	3,101	3,251
Net income	\$5,957	\$5,817
Earnings per Share:		
Basic	\$0.18	\$0.17
Diluted	\$0.18	\$0.17

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2008	2007
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY		
Common Stock (Par Value \$0.01):		
Balance at beginning of period	\$509	\$509
Balance at end of period	509	509
Additional Paid-in Capital:		
Balance at beginning of period	208,369	206,601
Stock options exercised	180	(11)
Tax benefit of stock plans	16	-
Amortization of excess fair value over cost – ESOP stock and stock options expense	471	202
Balance at end of period	209,036	206,792
Retained Earnings:		
Balance at beginning of period	288,112	285,420
Net income for the period	5,957	5,817
Cash dividends declared and paid	(4,546)	(4,890)
Cumulative effect adjustment for the adoption of the transition requirements of Statement of Financial Accounting Standards ("SFAS")		
No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158")	(23)	-
Cumulative effect adjustment for the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes"		
	-	(1,704)
Balance at end of period	289,500	284,643
Accumulated Other Comprehensive Income:		
Balance at beginning of period	(4,278)	(7,100)
Cumulative effect adjustment for the adoption of the transition requirements of SFAS 158		
	(64)	-
Change in other comprehensive (loss) income during the period, net of deferred taxes	(343)	575
Balance at end of period	(4,685)	(6,525)
ESOP:		
Balance at beginning of period	(4,164)	(4,395)
Amortization of earned portion of ESOP stock	58	57
Balance at end of period	(4,106)	(4,338)
Unearned restricted stock awards and unallocated common stock of Recognition and Retention Plan ("RRP"):		
Balance at beginning of period	(634)	(3,452)
Amortization of earned portion of RRP stock	107	66
Balance at end of period	(527)	(3,386)

Treasury Stock:		
Balance at beginning of period	(211,121)	(179,011)
Purchase of treasury shares, at cost	(654)	(5,565)
Balance at end of period	(211,775)	(184,576)
Common Stock Held by BMP		
Balance at beginning and end of period	(7,941)	(7,941)
Total Stockholders' Equity	270,011	285,178

STATEMENTS OF COMPREHENSIVE INCOME

Net Income	\$5,957	\$5,817
Net unrealized securities (losses) gains arising during the period, net of (benefit) taxes of \$(292) and \$490 during the three months ended March 31, 2008 and 2007, respectively	(343)	575
Comprehensive Income	\$5,614	\$6,392

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,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$5,957	\$5,817
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net gain on sale of loans held for sale	(87)	(244)
Net depreciation and amortization (accretion)	189	406
ESOP compensation expense	290	259
Stock plan compensation (excluding ESOP)	346	66
Provision for loan losses	60	60
Increase in cash surrender value of Bank Owned Life Insurance	(492)	(485)
Deferred income tax credit	(222)	(178)
Excess tax benefits of stock plans	(16)	-
Changes in assets and liabilities:		
Origination of loans held for sale	(7,574)	(20,195)
Proceeds from sale of loans held for sale	7,004	19,505
Increase in other assets	(234)	(793)
Increase in other liabilities	7,106	814
Net cash provided by operating activities	12,327	5,032
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease (increase) in federal funds sold and other short term investments	36,512	(104,376)
Proceeds from maturities of investment securities available-for-sale	1,000	1,000
Proceeds from calls of investment securities available-for-sale	508	-
Purchases of investment securities available-for-sale	(4,428)	-
Principal collected on mortgage backed securities available-for-sale	9,845	7,967
Purchases of mortgage backed securities available-for-sale	(100,854)	-
Net increase in loans	(57,093)	(30,833)
Purchases of fixed assets, net	(1,361)	(461)
(Purchase) Redemption of FHLB NY capital stock	(450)	2,925
Net cash used in investing activities	(116,321)	(123,778)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in due to depositors	13,638	160,458
Net increase in escrow and other deposits	32,064	33,644
Increase in securities sold under agreements to repurchase	75,000	-
Increase (Decrease) in FHLB NY advances	10,000	(65,000)
Cash dividends paid	(4,546)	(4,890)
Exercise of stock options	180	(11)
Excess tax benefits of stock plans	16	-
Purchase of treasury stock	(654)	(5,565)
Net cash provided by financing activities	125,698	118,636
INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	21,704	(110)
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	101,708	26,264

CASH AND DUE FROM BANKS, END OF PERIOD	\$123,412	\$26,154
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$3,439	\$3,206
Cash paid for interest	28,259	26,337
Loans transferred to other real estate owned	895	-
Increase in accumulated other comprehensive loss	343	575

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE OF OPERATIONS

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

The Bank maintains its headquarters in the Williamsburg section of Brooklyn, New York and operates twenty-two full service retail banking offices located in the New York City boroughs of Brooklyn, Queens, and the Bronx, and in Nassau County, New York. The Bank's principal business has been, and continues to be, gathering deposits from customers within its market area, and investing them primarily in multifamily residential, commercial real estate, one-to four-family residential, construction and 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 (consisting only of normal recurring adjustments) necessary for a fair presentation of the Company's financial condition as of March 31, 2008, and the results of operations and statements of comprehensive income, changes in stockholders' equity and cash flows for the three month periods ended March 31, 2008 and 2007. The results of operations for the three-month period ended March 31, 2008 is not necessarily indicative of the results of operations for the remainder of the year ending December 31, 2008. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

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. Areas in the accompanying consolidated financial statements where estimates are significant include the allowance for loans losses, valuation of mortgage servicing rights, asset impairment adjustments related to the valuation of goodwill and other than temporary impairments of securities, loan income recognition, the valuation of financial instruments, recognition of deferred tax assets and unrecognized tax benefits and the accounting for defined benefit plans sponsored by the Company.

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, 2007 and notes thereto.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about (i) the manner in which and reason that an entity uses derivative instruments, with particular emphasis upon underlying risk, (ii) the manner in which derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (iii) (in tabular form) the manner in which derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 further requires enhanced disclosures of credit-risk-related contingent features of derivative instruments. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. Adoption of SFAS 161 is not expected to have a material impact upon the Company's consolidated financial condition or results of operations.

In February 2008, the FASB issued Staff Position FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions" ("FSP 140-3"). FSP 140-3 provides guidance on accounting for a transfer of a financial asset and repurchase financing. FSP 140-3 presumes that an initial transfer of a financial asset and a repurchase financing

are considered part of the same arrangement (linked transaction) under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 140"), however, if certain criteria are satisfied, the initial transfer and repurchase financing shall not be evaluated as a linked transaction and shall be evaluated separately under SFAS 140. Under FSP 140-3, a transferor and transferee shall not separately account for a transfer of a financial asset and a related repurchase financing unless; (i) the two transactions have a valid and distinct business or economic purpose for being entered into separately; and (ii) the repurchase financing does not result in the initial transferor regaining control over the financial asset. FSP 140-3 is effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the potential impact, if any, of the adoption of FSP 140-3 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"), which replaces FASB Statement No. 141. SFAS 141R establishes principles and requirements governing the manner in which an acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. SFAS 141R also establishes disclosure requirements intended to enable users to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for business combinations for which the acquisition date occurs during a fiscal year beginning after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of FAS 141R on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statement—amendments of ARB No. 51." ("SFAS 160"). SFAS 160 requires that, for purposes of accounting and reporting, minority interests be re-characterized as non-controlling interests and classified as a component of equity. SFAS 160 also requires financial reporting disclosures that clearly identify and distinguish between the interests of the parent and the non-controlling owners. SFAS 160 applies to all entities that prepare consolidated financial statements other than not-for-profit organizations, however, will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS 160 is effective for fiscal years beginning after December 15, 2008. Adoption of SFAS 160 is not expected to have a material impact upon the Company's consolidated financial condition or results of operations.

In November 2007, the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No. 109, "Written Loan Commitments Recorded at Fair Value Through Earnings." ("SAB 109"). SAB 109 provides guidance on accounting for loan commitments recorded at fair value under GAAP. SAB 109 supersedes SAB No. 105, "Application of Accounting Principles to Loan Commitments." SAB 109 requires that the expected net future cash flows related to the associated servicing of a loan be included in the measurement of all written loan commitments that are accounted for at fair value. The provisions of SAB 109 are applicable on a prospective basis to written loan commitments recorded at fair value that are issued or modified in fiscal quarters beginning after December 15, 2007. The Company adopted SAB 109 on January 1, 2008. Adoption of SAB 109 did not have a material impact on the Company's consolidated financial condition or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. SFAS 159 seeks to improve the overall quality of financial reporting by providing companies the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without requiring the application of complex hedge accounting provisions. The Company adopted SFAS 159 on January 1, 2008. The adoption of SFAS 159 did not have a material impact on the Company's consolidated financial condition or results of operations, as the Company did not elect to apply the fair value method of accounting to any of its assets or liabilities.

In September 2006, the Emerging Issues Task Force reached a consensus on Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" ("EITF

06-4"). Under EITF 06-4, an employer should recognize a liability for future benefits associated with an endorsement split-dollar life insurance arrangement based on the substantive agreement with the employee. If the substance of these benefits is deemed comparable to benefits of a postretirement benefit plan, the liability associated with the endorsement split-dollar life insurance arrangement should be measured in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"). If the endorsement split-dollar life insurance arrangement is, in substance, an individual deferred compensation contract, then the liability should be measured in accordance with Accounting Principles Board Opinion No. 12, "Omnibus Opinion-1967" ("APB 12").

-8-

Under EITF 06-4, if the employer has agreed to maintain life insurance during the employee's retirement, the cost of the insurance policy during the postretirement period should be accrued in accordance with either SFAS 106 or APB 12. Similarly, if the employer has agreed to provide the employee with a death benefit, the employer should accrue, over the service period, a liability for the actuarial present value of the future death benefit as of the employee's expected retirement date, in accordance with either SFAS 106 or APB 12. The Company adopted EITF 06-4 on January 1, 2008. The adoption of EITF 06-4 did not have a material impact on the Company's consolidated financial condition or results of operations.

In September 2006, the FASB issued SFAS 157, which defined fair value, established a framework for measuring fair value under GAAP, and expanded disclosures about fair value measurements. Other current accounting pronouncements that require or permit fair value measurements will require application of SFAS 157. SFAS 157 does not require any new fair value measurements, however, changes the definition of, and methods used to measure, fair value. SFAS 157 emphasizes fair value as a market-based, not entity-specific, measurement. Under SFAS 157, a fair value measurement should be based on the assumptions that market participants would use in pricing the asset or liability. SFAS 157 further establishes a fair value hierarchy that distinguishes between (i) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs), and (ii) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances. SFAS 157 also expands disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. The Company adopted SFAS 157 on January 1, 2008. Disclosures required as a result of the adoption of SFAS 157 are included in Note 7.

In February 2008, the FASB issued Staff Position FAS 157-2, "Effective Date of FASB Statement No. 157, Fair Value Measurements" ("FSP 157-2"). FSP 157-2 delays the effective date of SFAS 157 for all nonrecurring fair value measurements of non-financial assets and non-financial liabilities until fiscal years beginning after November 15, 2008.

4. TREASURY STOCK

During the three months ended March 31, 2008, the Holding Company repurchased 51,000 shares of its common stock into treasury. All shares repurchased were recorded at the acquisition cost, which totaled \$654,000 during the period.

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, 2007 and concluded that no impairment of goodwill existed. No events have occurred nor circumstances changed subsequent to December 31, 2007 that would reduce the fair value of the Company's reporting unit below its carrying value. Such events or changes in circumstances would require the immediate performance of an impairment test in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets."

6. EARNINGS PER SHARE ("EPS")

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

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

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

-9-

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,	
	2008	2007
	(Dollars in Thousands)	
Numerator:		
Net Income per the Consolidated Statements of Operations	\$5,957	\$5,817
Denominator:		
Weighted-average number of shares outstanding utilized in the calculation of basic EPS	32,464,132	34,473,159
Unvested RRP and Restricted Stock Award shares	62,348	67,922
Common stock equivalents resulting from the dilutive effect of "in-the-money" outstanding stock options	214,180	