DIME COMMUNITY BANCSHARES INC
Form 10-Q
May 09, 2012

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, 2012

OR

r 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 x NO r

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 r

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 r	ACCELERATED FILER x	NON -ACCELERATED FILER r	SMALLER REPORTING COMPANY r

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES r 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 7, 2012
$.01 Par Value	35,322,121

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This Quarterly Report on Form 10-Q contains a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by use of words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "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 the Company (as defined subsequently herein) 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;
- 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 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.

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, 2012	December 31, 2011
ASSETS:		
Cash and due from banks	$124,749	$43,309
Federal funds sold and other short-term investments	-	951
Total cash and cash equivalents	124,749	44,260
Investment securities held-to-maturity (estimated fair value of $5,662 and $4,924 at March 31, 2012 and December 31, 2011, respectively) (Fully unencumbered)	6,225	6,511
Investment securities available-for-sale, at fair value:		
Encumbered	88,805	124,282
Unencumbered	35,945	50,586
	124,750	174,868
Mortgage-backed securities available-for-sale, at fair value:		
Encumbered	78,442	90,164
Unencumbered	27,872	3,713
	106,314	93,877
Trading securities	1,886	1,774
Loans:		
Real estate, net	3,417,672	3,458,416
Other loans	2,063	2,449
Less allowance for loan losses	(19,468)	(20,254)
Total loans, net	3,400,267	3,440,611
Loans held for sale	1,445	3,022
Premises and fixed assets, net	32,485	32,646
Federal Home Loan Bank of New York ("FHLBNY") capital stock	47,014	49,489
Goodwill	55,638	55,638
Other assets	118,085	118,484
Total Assets	$4,018,858	$4,021,180
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Due to depositors:		
Interest bearing deposits	$2,238,967	$2,202,622
Non-interest bearing deposits	148,162	141,079
Total deposits	2,387,129	2,343,701
Escrow and other deposits	109,974	71,812
Securities sold under agreements to repurchase ("REPOS")	155,000	195,000
FHLBNY advances	884,775	939,775
Trust Preferred securities payable	70,680	70,680
Other liabilities	42,931	39,178
Total Liabilities	$3,650,489	$3,660,146
Commitments and Contingencies		
Stockholders' Equity:		

Preferred stock ($0.01 par, 9,000,000 shares authorized, none issued or outstanding at March 31, 2012 and December 31, 2011)	-	-
Common stock ($0.01 par, 125,000,000 shares authorized, 51,627,345 shares and 51,566,098 shares issued at March 31, 2012 and December 31, 2011, respectively, and 35,170,103 shares and 35,109,045 shares outstanding at March 31, 2012 and December 31, 2011, respectively)	516	516
Additional paid-in capital	232,506	231,521
Retained earnings	363,559	358,079
Accumulated other comprehensive loss, net of deferred taxes	(9,335)	(9,709)
Unallocated common stock of Employee Stock Ownership Plan ("ESOP")	(3,181)	(3,239)
Unearned Restricted Stock Award common stock	(2,599)	(3,037)
Common stock held by Benefit Maintenance Plan ("BMP")	(8,655)	(8,655)
Treasury stock, at cost (16,457,242 shares and 16,457,053 shares at March 31, 2012 and December 31, 2011, respectively)	(204,442)	(204,442)
Total Stockholders' Equity	$368,369	$361,034
Total Liabilities And Stockholders' Equity	$4,018,858	$4,021,180

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,	
	2012	2011
Interest income:		
Loans secured by real estate	$50,513	$50,629
Other loans	20	26
Mortgage-backed securities	947	1,452
Investment securities	315	316
Federal funds sold and other short-term investments	674	772
Total interest income	52,469	53,195
Interest expense:		
Deposits and escrow	5,726	6,785
Borrowed funds	13,349	11,367
Total interest expense	19,075	18,152
Net interest income	33,394	35,043
Provision for loan losses	1,457	1,426
Net interest income after provision for loan losses	31,937	33,617
Non-interest income:		
Total other than temporary impairment ("OTTI") losses	(187)	(63)
Less: Non-credit portion of OTTI recorded in other comprehensive income (before taxes)	6	-
Net OTTI recognized in earnings	(181)	(63)
Service charges and other fees	795	763
Net mortgage banking income	121	93
Net gain on sales of securities and other assets	106	46
Income from bank owned life insurance	421	467
Other	528	604
Total non-interest income	1,790	1,910
Non-interest expense:		
Salaries and employee benefits	8,984	8,735
Stock benefit plan amortization expense	951	992
Occupancy and equipment	2,471	2,689
Federal deposit insurance premiums	599	1,224
Data processing costs	731	692
Provision for losses on other real estate owned ("OREO")	-	-
Other	2,672	2,528
Total non-interest expense	16,408	16,860
Income before income taxes	17,319	18,667
Income tax expense	7,072	7,587
Net income	$10,247	$11,080
Earnings per Share:		
Basic	$0.30	$0.33
Diluted	$0.30	$0.33
STATEMENTS OF COMPREHENSIVE INCOME		
Net Income	$10,247	$11,080

Amortization and reversal of net unrealized loss on securities transferred from available-for-sale to held-to-maturity, net of taxes of $21 and $12 during the three months ended March 31, 2012 and 2011, respectively	25	14
Reduction in non-credit component of OTTI charge, net of taxes of $5 and $276 during the three months ended March 31, 2012 and 2011, respectively	5	336
Non-credit component of OTTI charge recognized during the period, net of tax benefit of $(3) during the three months ended March 31, 2012	(3)	-
Net unrealized securities gains arising during the period, net of (tax benefits) taxes of $27 and $(267) during the three months ended March 31, 2012 and 2011, respectively	35	(324)
Defined benefit plan adjustments, net of taxes of $256 and $23 during the three months ended March 31, 2012 and 2011, respectively	312	27
Comprehensive Income	$10,621	$11,133

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2012	2011
Common Stock (Par Value $0.01):		
Balance at beginning of period	$516	$512
Shares issued in exercise of options	-	1
Balance at end of period	516	513
Additional Paid-in Capital:		
Balance at beginning of period	231,521	225,585
Stock options exercised	592	903
Forfeited restricted stock award shares returned to treasury stock	-	-
Tax benefit of stock plans	91	111
BMP award distribution	-	-
BMP reclassification	-	-
Amortization of excess fair value over cost – ESOP stock and stock options expense	302	462
Balance at end of period	232,506	227,061
Retained Earnings:		
Balance at beginning of period	358,079	329,668
Net income for the period	10,247	11,080
Cash dividends declared and paid	(4,767)	(4,688)
BMP reclassification	-	-
Balance at end of period	363,559	336,060
Accumulated Other Comprehensive Loss, net of tax:		
Balance at beginning of period	(9,709)	(6,352)
Amortization and reversal of net unrealized loss on securities transferred from available-for- sale to held-to-maturity, net of tax	25	14
Reduction in non-credit component of OTTI charge, net of tax	5	336
Non-credit component of OTTI charge recognized during the period, net of tax	(3)	-
Decrease (Increase) in unrealized loss on available-for-sale securities during the period	35	(324)
Adjustments related to defined benefit plans, net of tax	312	27
Balance at end of period	(9,335)	(6,299)
ESOP:		
Balance at beginning of period	(3,239)	(3,470)
Amortization of earned portion of ESOP stock	58	58
Balance at end of period	(3,181)	(3,412)
Unearned Restricted Stock Award Common Stock:		
Balance at beginning of period	(3,037)	(2,684)
Amortization of earned portion of restricted stock awards	438	308
Forfeited restricted stock award shares returned to treasury stock	-	-
Balance at end of period	(2,599)	(2,376)
Treasury Stock, at cost:		
Balance at beginning of period	(204,442)	(206,546)
Forfeited restricted stock award shares returned to treasury stock	-	-
Balance at end of period	(204,442)	(206,546)
Common Stock Held by BMP:		
Balance at beginning of period	(8,655)	(7,979)

BMP award distribution	-	-
Balance at end of period	(8,655)	(7,979)
Total Stockholders' Equity	$368,369	$337,022

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,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$10,247	$11,080
Adjustments to reconcile net income to net cash provided by operating activities:		
Net (gain) loss on sale of loans originated for sale	(2)	66
Net gain on sale of investment securities available-for-sale	-	-
Net gain recognized on the transfer of securities from available-for-sale into trading	-	-
Net gain on trading securities	(106)	(46)
Net depreciation and amortization	677	881
ESOP compensation expense	275	293
Stock plan compensation (excluding ESOP)	523	535
Provision for loan losses	1,457	1,426
Provision for losses on OREO	-	-
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	181	63
Increase in cash surrender value of Bank Owned Life Insurance	(421)	(467)
Deferred income tax credit	(93)	(159)
Excess tax benefit of stock plans	(91)	(111)
Changes in assets and liabilities:		
Origination of loans held for sale	(1,137)	(2,037)
Proceeds from sale of loans held for sale	3,716	4,318
Decrease in other assets	697	1,856
Increase in other liabilities	4,322	1,751
Net cash provided by operating activities	20,245	19,449
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from principal repayments of investment securities held-to-maturity	176	32
Proceeds from maturities of investment securities available-for-sale	-	-
Proceeds from calls and principal repayments of investment securities available-for-sale	90,320	20,000
Proceeds from sales of investment securities available-for-sale	-	-
Purchases of investment securities available-for-sale	(39,758)	(67,911)
Purchases of mortgage backed securities available-for-sale	(23,186)	-
Purchases of trading securities	(6)	(5)
Principal collected on mortgage backed securities available-for-sale	10,335	15,080
Purchases of loans	(2,178)	-
Proceeds from the sale of portfolio loans	12,664	-
Net decrease in loans	27,401	11,708
Proceeds from the sale of OREO	-	-
Purchases of fixed assets, net	(505)	(1,630)
Purchase of FHLBNY capital stock	2,475	-
Net cash provided by (used in) investing activities	77,738	(22,726)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in due to depositors	43,428	52,104
Net increase in escrow and other deposits	38,162	40,323

Decrease in securities sold under agreements to repurchase	(40,000)	-
Repayment of FHLBNY advances	(55,000)	-
Cash dividends paid	(4,767)	(4,688)
Exercise of stock options	592	904
Excess tax benefit of stock plans	91	111
Net cash (used in) provided by financing activities	(17,494)	88,754
INCREASE IN CASH AND DUE FROM BANKS	80,489	85,457
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	44,260	90,729
CASH AND DUE FROM BANKS, END OF PERIOD	$124,749	$176,206
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$8,200	$6,103
Cash paid for interest	18,696	18,279
Loans transferred to held for sale	1,000	-
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	46	26
Net decrease in non-credit component of OTTI	(3)	(612)
Adjustments to other comprehensive income from defined benefit plans, net of tax	312	27

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in Thousands Except Per Share Amounts)

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. All of the Bank's lending occurs in the greater New York City 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, 2012 and December 31, 2011, the results of operations and statements of comprehensive income for the three-month periods ended March 31, 2012 and 2011, and the changes in stockholders' equity and cash flows for the three months ended March 31, 2012 and 2011. The results of operations for the three-months ended March 31, 2012 are not necessarily indicative of the results of operations for the remainder of the year ending December 31, 2012. 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, 2011 and notes thereto.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-08, "Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment." ("ASU 2011-08"). Under ASU 2011-08, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a

reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing additional impairment testing is unnecessary. However, if an entity concludes otherwise, then it is required to calculate the fair value of the reporting unit and compare the fair value with the carrying amount of the reporting unit, as described in the accounting guidance. This guidance is effective for fiscal years beginning after December 15, 2011 and interim periods within those years. While early adoption was permitted, the Company did not elect to early adopt ASU 2011-08. Adoption of ASU 2011-08 did not have a material impact upon the Company's consolidated financial condition or results of operations.

In June 2011, FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." ("ASU 2011-05") ASU 2011-05 permits an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In either option, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the presentation of the components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU 2011-05 does not change the items that must be reported in other comprehensive income or the timing in which an item of other comprehensive income must be reclassified to net income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Since the

Company's presentation of periodic comprehensive income already complied with the provisions of ASU 2011-05, adoption of ASU 2011-05 did not materially impact the Company's consolidated financial condition or results of operations or related disclosures.

4. TREASURY STOCK

The Company did not repurchase any of its common stock into treasury during the three months ended March 31, 2012 or 2011.

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, 2011 and concluded that no impairment of goodwill existed. No events or circumstances have occurred subsequent to December 31, 2011 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 FASB Accounting Standards Codification ("ASC") reference number 350.

6. EARNINGS PER SHARE ("EPS")

Basic EPS is computed by dividing net income 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 reference number 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,	
	2012	2011
Numerator:		
Net Income per the Condensed Consolidated Statements of Operations	$10,247	$11,080
Denominator:		
Weighted-average number of shares outstanding utilized in the calculation of basic EPS	34,045,353	33,467,483
Common stock equivalents resulting from the dilutive effect of "in-the-money" outstanding stock options	107,112	283,269
Anti-dilutive effect of tax benefits associated with "in-the-money" outstanding stock options	(10,890)	(25,026)
Weighted average number of shares outstanding utilized in the calculation of diluted EPS	34,141,575	33,725,726

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 1,282,607 and 1,166,048 weighted-average stock options outstanding for the three-month periods ended March 31, 2012 and 2011, 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-months ended March 31, 2012 and 2011, 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, 2011, and which are subject to the accounting requirements of ASC reference numbers 505-50 and 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,	
	2012	2011
Options outstanding – beginning of period	2,893,760	3,213,007
Options granted	-	-
Weighted average exercise price of grants	-	-
Options exercised	61,247	116,319
Weighted average exercise price of exercised options	$9.67	$11.20
Options forfeited	-	4,561
Weighted average exercise price of forfeited options	-	$16.73
Options outstanding – end of period	2,832,513	3,092,127
Weighted average exercise price of outstanding options at the end of period	$15.25	$14.75
Remaining options available for grant	412,588	553,738
Exercisable options at end of period	2,620,909	2,671,554
Weighted average exercise price of exercisable options at the end of period	$15.43	$15.08
Cash received for option exercise cost	-	-
Income tax benefit recognized	91	-
Compensation expense recognized	85	227
Remaining unrecognized compensation expense	459	403
Weighted average remaining years for which compensation expense is to be recognized	2.6	2.0

The range of exercise prices and weighted-average remaining contractual lives of options outstanding, vested and unvested, under the Stock Plans were as follows:

	Outstanding Options		Vested Options	
Exercise Prices	Amount	Weighted Average Contractual Years Remaining	Amount	Weighted Average Contractual Years Remaining
$8.34	105,537	7.1	48,307	7.1
$12.75	87,541	8.1	46,345	8.1
$13.16	493,453	0.8	493,453	0.8
$13.74	863,375	5.1	863,375	5.1
$14.92	34,425	5.9	25,818	5.9
$15.10	318,492	3.2	318,492	3.2
$15.46	91,583	9.1	-	9.1
$16.45	76,320	2.8	76,320	2.8
$16.73	51,943	6.3	38,955	6.3
$18.18	80,000	6.2	80,000	6.2
$19.90	629,844	1.8	629,844	1.8
Total	2,832,513	3.7	2,620,909	3.4

There were no grants of stock options during the three months ended March 31, 2012 or 2011, respectively.

Restricted Stock Awards

The Company, from time to time, issues restricted stock awards to outside directors and officers under the 2004 Stock 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- or five-year period.

The following is a summary of activity related to the restricted stock awards granted under the 2004 Stock Incentive Plan during the periods indicated:

	At or for the Three Months Ended March 31,	
	2012	2011
Unvested allocated shares – beginning of period	324,454	309,783
Shares granted	-	-
Shares vested	-	2,000
Shares forfeited	-	-
Unvested allocated shares – end of period	324,454	307,783
Unallocated shares - end of period	-	-
Compensation recorded to expense	$439	$308
Income tax benefit recognized	-	-

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 (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 apartment loans in excess of the Fannie Mae ("FNMA") conforming loan limits for high-cost areas such as the Bank's primary lending area (the "FNMA Limits"). 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.

All loans not classified as Special Mention, Substandard or Doubtful were deemed pass loans at both March 31, 2012 and December 31, 2011.

The Bank had no loans classified as Doubtful at March 31, 2012 or December 31, 2011.

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

	Balance at March 31, 2012					
Grade	One- to Four-Family Residential and Cooperative Unit	Multifamily Residential and Residential Mixed Use	Mixed Use Commercial Real Estate	Commercial Real Estate	Construction	Total
Pass	$71,601	$2,569,536	$ 321,766	$351,737	$ -	$3,314,640
Special Mention	1,357	10,261	10,789	8,379	-	30,786
Substandard	1,846	4,713	2,394	43,100	592	52,645
Total real estate loans individually assigned a credit grade	$74,804	$2,584,510	$ 334,949	$403,216	$ 592	$3,398,071
Real estate loans not individually assigned a credit grade (1)	$19,601	-	-	-	-	$19,601

(1) Amount comprised of fully performing one- to four-family residential and cooperative unit loans with balances equal to or less than the FNMA Limits. The credit quality of these loans was instead evaluated based upon payment activity.

	Balance at December 31, 2011					
Grade	One- to Four-Family Residential and Cooperative Unit	Multifamily Residential and Residential Mixed Use	Mixed Use Commercial Real Estate	Commercial Real Estate	Construction	Total
Pass	$66,949	$2,587,573	$ 320,556	$364,462	$ -	$3,339,540
Special Mention	1,133	7,101	10,562	9,244	2,576	30,616
Substandard	2,635	8,245	7,152	39,610	623	58,265
Total real estate loans individually assigned a credit grade	$70,717	$2,602,919	$ 338,270	$413,316	$ 3,199	$3,428,421
Real estate loans not individually assigned a a credit grade (1)	$29,995	-	-	-	-	$29,995

(1) Amount comprised of fully performing one- to four-family residential and cooperative unit loans with balances equal to or less than the FNMA Limits. The credit quality of these loans was instead evaluated based upon payment activity.

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, 2012	Balance at December 31, 2011
Pass	$2,060	$2,445
Substandard (non-accrual)	3	4
Total	$2,063	$2,449

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, 2012						
	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 and cooperative unit	$201	$-	-	$1,206	$1,407	$92,998	$94,405
Multifamily residential and residential mixed use	1,742	-	$501	4,253	6,496	2,578,014	2,584,510
Mixed use commercial real estate	3,681	-	-	840	4,521	330,428	334,949
Commercial real estate	100	-	5,317	8,506	13,923	389,293	403,216
Construction	-	-	-	-	-	592	592
Total real estate	$5,724	-	$5,818	$14,805	$26,347	3,391,325	$3,417,672
Consumer	$2	$1	-	$3	$6	$2,057	$2,063

(1) Includes all loans on non-accrual status regardless of the number of days such loans were delinquent as of March 31, 2012.

	At December 31, 2011						
	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 and cooperative unit	$1,221	$-	-	$2,205	$3,426	$97,286	$100,712
Multifamily residential and residential mixed use	2,589	-	$946	7,069	10,604	2,592,315	2,602,919
Mixed use commercial real estate	4,976	-	-	5,591	10,567	327,703	338,270
Commercial real estate	478	-	2,874	11,083	14,435	398,881	413,316
Construction	-	-	-	-	-	3,199	3,199
Total real estate	$9,264	-	$3,820	$25,948	$39,032	$3,419,384	$3,458,416
Consumer	$12	$5	-	$4	$21	$2,428	$2,449

(1) Includes all loans on non-accrual status regardless of the number of days such loans were delinquent as of December 31, 2011.

Accruing Loans 90 Days or More Past Due:

At March 31, 2012, the Bank owned four real estate loans totaling $5,818 that were 90 days or more past due on their contractual balloon principal payment that continued to make monthly payments consistent with their initial contractual amortization schedule exclusive of the balloon payment. In April 2012, the Company formally extended the maturity on one of these loans with an outstanding balance of $2,872. The loan-to-value ratio on the remaining loans totaling $2,944 was estimated to be below 60% as of March 31, 2012, and management expects that each of these loans will either be satisfied or formally re-financed in the future. As a result, these loans remained on accrual status at March 31, 2012 and were deemed performing assets. At December 31, 2011, the Bank owned five real estate loans totaling $3,820 that were 90 days or more past due on their contractual balloon principal payment that continued to make monthly payments consistent with their initial contractual amortization schedule exclusive of the balloon payment. These loans remained on accrual status at December 31, 2011 and were deemed performing assets. With the exception of one loan with an outstanding balance of $2,872, the remaining four loans were either fully re-financed or satisfied during the three months ended March 31, 2012, or are expected to execute a re-financing agreement during the three months ending June 30, 2012.

Troubled Debt Restructured Loans ("TDRs").

At March 31, 2012, the Bank had twenty-three loans totaling $52,060 with terms that were modified in a manner that met the criteria for a TDR. Thirteen of these TDRs totaling $47,839 were commercial real estate loans, two loans totaling $1,140 were mixed-use commercial real estate loans, six loans totaling $2,457 were multifamily residential and residential mixed-use real estate loans and the remaining two loans totaling $623 were mixed use loans with four units or less. At December 31, 2011, the Bank had twenty-two loans totaling $48,753 with terms that were modified in a manner that met the criteria for a TDR. Twelve of these TDRs totaling $44,458 were commercial real estate loans, three loans totaling $1,657 were mixed-use commercial real estate loans, five loans totaling $2,013 were multifamily residential and residential mixed-use real estate loans and the remaining two loans totaling $625 were mixed use loans with four units or less. (See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Asset Quality – TDRs" for a discussion of the criteria assessed in determining whether a loan modification has resulted a TDR).

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

	As of March 31, 2012		As of December 31, 2011	
	No. of Loans	Balance	No. of Loans	Balance
Outstanding principal balance at period end	23	$52,060	22	$48,753
TDRs that re-defaulted subsequent to being modified (at period end):	2	6,310	4	7,853
TDRs on accrual status at period end	20	44,194	17	40,688
TDRs on non-accrual status at period end	3	7,866	5	8,065

The Company has not restructured troubled consumer loans, as its consumer loan portfolio has not had any problem issues warranting restructuring. Therefore, all TDRs were collateralized by real estate at both March 31, 2012 and December 31, 2011. The following table summarizes activity related to TDRs for the period indicated:

For the Three Months Ended March 31, 2012			
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Loan modifications during the period that met the definition of a TDR:			
Multifamily residential and residential mixed use	1	$459	$459
Commercial real estate	2	4,430	4,430
Concessions granted:			
Temporary deferral of principal payments	1	1,556	1,556
Temporary deferral of interest payments	1	1,556	1,556
Reduction in interest rate for the remainder of the term of the loan	1	1,556	1,556
Extension of maturity	2	3,334	3,334
TOTAL	3	$4,889	$4,889

For the Three Months Ended March 31, 2011		
	Number of Loans	Pre-Modification

		Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Loan modifications during the period that met the definition of a TDR:			
Multifamily residential and residential mixed use	1	$364	$364
Concessions granted:			
Temporary deferral of principal payments	-	-	-
Temporary deferral of interest payments	-	-	-
Reduction in interest rate for the remainder of the term of the loan	1	364	364
Extension of maturity	-	-	-
TOTAL	1	$364	$364

The Bank's allowance for loan losses at March 31, 2012 reflected $603 of allocated reserve associated with modifications identified as TDRs. The Bank's allowance for loan losses at December 31, 2011 reflected $1,851 of allocated reserve associated with modifications identified as TDRs as of December 31, 2011. The reduction in the aggregate balance of allocated reserve associated with TDRs from December 31, 2011 to March 31, 2012 reflected both the removal $1,013 of such reserve on nine TDRs, as the improvement

in the underlying conditions of these loans resulted in the determination that the allocated reserve was no longer warranted, as well as $154 of reserves that were charged-off upon the disposal of two TDRs during the three months ended March 31, 2012. Otherwise, there was no impact on the Bank's allowance for loan losses related to TDRs as of March 31, 2012 and December 31, 2011.

As of March 31, 2012, 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. The following table presents, as of March 31, 2012, TDRs by collateral type for which there was a payment default within twelve months following their respective modification date:

	At or for the Three Months Ended March 31, 2012	
TDRs that Subsequently Defaulted Within 12 Months of Modification:	No. of Loans	Recorded Investment
Commercial real estate	2	$6,310
Total real estate (including loans held for sale)	2	$6,310

All TDRs are considered impaired loans and are evaluated individually for measurable impairment, if any. There were no principal charge-offs recognized against the allowance for loan losses on loans described in the above table during the three months ended March 31, 2012. Aggregate principal charge-offs of $413 were recognized against the allowance for loan losses on the loans described in the above table during the three months ended March 31, 2011.

Impaired Loans

A loan is considered impaired when, based on 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.

Generally, the Bank considers non-accrual and TDR 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.

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 solely from liquidation of the collateral; or 3) the present value of estimated future cash flows using the loan’s existing rate. 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 property 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 collateral is considered when measuring impairment. While measured impairment on TDRs is typically charged off immediately, an allocated reserve within the allowance for loan losses

can be recognized in limited instances.

At March 31, 2012, the Bank had forty-one loans totaling $61,186 deemed impaired, compared to fifty loans totaling $70,384 as of December 31, 2011. The Bank disposed of twelve impaired loans with a recorded balance totaling $12,194 during the three months ended March 31, 2012, and received full repayment on two additional impaired loans totaling $548. Additionally during the three months ended March 31, 2012, one impaired loan with a recorded balance of $1,129 remained current on all contractual amounts owed for a time period deemed sufficient to warrant its removal from impaired status, two impaired loans totaling $1,000 were transferred to held for sale, principal charge-offs totaling $1,034 were recognized on six impaired loans, and one impaired loan with a recoded balance of $210 executed a re-finance agreement which warranted its removal from impaired status. Partially offsetting these declines were nine loans totaling $6,958 that were added to impaired status during the three months ended March 31, 2012. The Bank disposed of six impaired loans with a recorded balance totaling $5,100, and recognized write-downs of principal totaling $886 on impaired loans during the three months ended March 31, 2011.

At March 31, 2012, an aggregate balance of $603 was allocated within the allowance for loan losses for probable losses on impaired loans. At December 31, 2011, an aggregate balance of $2,175 was allocated within the allowance for loan losses for probable losses on impaired loans.

At March 31, 2012 and December 31, 2011, loans totaling $47,139 and $44,508, respectively, while on accrual status, were deemed impaired. These loans were comprised of one of the following as of the respective dates: I) accruing TDRs; 2) loans past due

90 days or more but still accruing; or 3) loans with sufficient weakness to warrant impaired designation but possessing payment history and collateralization sufficient to maintain accrual status.

Net interest income recognized on impaired loans totaled $846 and $454 during the three months ended March 31, 2012 and 2011, respectively.

At March 31, 2012 and December 31, 2011, approximately $757 and $75, respectively, of one- to four-family residential and cooperative apartment loans with a balance equal to or less than the FNMA Limits, and consumer loans were on non-accrual status, but were not included in the category of impaired loans, as these loans are considered homogeneous loan pools not individually analyzed for impairment.

Delinquent Serviced Loans Subject to the First Loss Position

As of March 31, 2012 and December 31, 2011, 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 agreement) incurred by FNMA in connection with these loans (the "First Loss Position").

Under the terms of its seller/servicer agreement with FNMA, the Bank is obligated to fund FNMA all monthly principal and interest payments under the original terms of the sold loans until the earlier of the following events: (1) the loans have been fully satisfied or enter OREO status; or (2) the First Loss Position is fully exhausted.

At March 31, 2012, within the pool of multifamily loans sold to FNMA, no loans were delinquent between 30 and 89 days, and one $1,338 loan was 90 days or more delinquent. At December 31, 2011, within the pool of multifamily loans sold to FNMA, one $1,342 loan was delinquent between 30 and 89 days, and one $757 loan was 90 days or more delinquent.

9. ALLOWANCE FOR LOAN LOSSES AND RESERVE FOR FIRST LOSS POSITION ON MULTIFAMILY LOANS SOLD TO FNMA

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) has traditionally been comprised of three primary components: (1) impaired loans; (2) special mention loans; and (3) 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 the segments, the Bank analyzes the allowance 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, 2012 and December 31, 2011.

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 cooperative unit and one- to four-family residential loans in excess of the FNMA Limits are individually evaluated for impairment. Impairment is 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 solely from liquidation of the collateral; or 3) the present value of estimated future cash flows using the loan's existing rate. 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

property 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 on TDRs is typically charged off immediately, impairment measured from 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 both March 31, 2012 and December 31, 2011.

At March 31, 2012, there was $603 of allocated reserve within the allowance for loan losses associated with impaired loans. At December 31, 2011, there was $2,175 of allocated reserve within the allowance for loan losses associated with impaired loans. Charge-offs recognized on impaired loans totaled $1,970 and $1,126 during the three months ended March 31, 2012 and 2011, respectively.

Large groups of smaller balance homogeneous real estate loans, such as cooperative unit 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.

Special Mention Component

At both March 31, 2012 and December 31, 2011, the reserve allocated within the allowance for loan losses associated with 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. At December 31, 2011, the loss percentage approximated 4.2%, and represented a loss history analysis on its pool of Special Mention loans during the measurement timeframe. The loss percentage resulting from this analysis was then applied to the aggregate pool of Special Mention loans at March 31, 2012. Based upon this methodology, increases or decreases in the amount of Special Mention loans will impact the estimated portion of the allowance for loan losses associated with such loans. As a result, the allowance for loan losses associated with Special Mention loans is subject to volatility. Should management elect to change its 12-month loss measurement timeframe, the magnitude of charge-offs recognized within the 12 months prior to the assessment date would also impact the level of reserves determined on Special Mention loans, subjecting it to greater volatility.

The portion of the allowance for loan losses attributable to Special Mention loans (excluding impaired loans internally designated as Special Mention) increased from $800 at December 31, 2011 to $835 at March 31, 2012, due to an increase of $852 in such Special Mention loans from December 31, 2011 to March 31, 2012.

Pass Graded Loans

The Bank initially looks to the underlying collateral type when determining the allowance for loan losses associated with performing real estate loans. The following underlying collateral types are analyzed separately: 1) one- to four family residential and cooperative unit; 2) multifamily residential and residential mixed use; 3) mixed use commercial 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 performing loans:

(i) Charge-off experience
(ii) Economic conditions
(iii) Underwriting standards or experience
(iv) Loan concentrations
(v) Loan seasoning

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

(i) Charge-off experience – Loans within the performing loan portfolio are segmented by significant common characteristics, against which historical loss rates are applied.

(ii) Economic conditions - At both March 31, 2012 and December 31, 2011, the Bank assigned a loss allocation to its entire performing mortgage 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. Different loss expectations are then incorporated into the methodology. The Bank modified only certain less critical underwriting practices during the years ended March 31, 2012 and December 31, 2011, and this component thus did not impact the methodology at either March 31, 2012 or December 31, 2011.

(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) Loan Seasoning – The Bank analyzes its charge-off history in order to determine whether loans that are over three years past their origination date (referred to as seasoned loans) have experienced lower loss levels, and would thus warrant a lower expected loss percentage. This element was given minimal consideration in the March 31, 2012 and December 31, 2011 evaluations. The minimal consideration resulted from an analysis of the loss experience recognized during the 2009 to 2011 recessionary period (to which the Company migrated late in 2010), which concluded that the age or seasoning of a loan did not inversely correlate to the Bank's loss experience.

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 these 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 activity in 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, 2012							
	Real Estate Loans						Consumer Loans
	One- to Four Family Residential and Cooperative Unit	Multifamily Residential and Residential Mixed Use	Mixed Use Commercial Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Beginning balance	$480	$14,313	$1,528	$3,783	$124	$20,228	$26
Charge-offs	(531)	(897)	(526)	(323)	(3)	(2,280)	(8)
Recoveries	1	23	-	1	-	25	-
Transfer from (to) reserve for loan commitments	-	33	(4)	(9)	-	20	-
Provision (reduction)	363	399	1,251	(441)	(121)	1,451	6
Ending balance	$313	$13,871	$2,249	$3,011	$-	$19,444	$24
Ending balance – loans individually evaluated for impairment	$1,072	$7,212	$1,980	$50,922	-	$61,186	$-
Ending balance – loans collectively evaluated for impairment	93,333	2,577,298	332,969	352,294	592	3,356,486	2,063
Allowance balance associated with loans individually evaluated for impairment	-	-	-	603	-	603	-
Allowance balance associated with loans collectively evaluated for impairment	313	13,871	2,249	2,408	-	18,841	24

At or for the Three Months Ended March 31, 2011							
	Real Estate Loans						Consumer Loans
	One- to Four Family	Multifamily Residential	Mixed Use Commercial	Commercial Real Estate	Construction	Total Real Estate	

	Residential and Cooperative Unit	and Residential Mixed Use	Real Estate				
Beginning balance	$409	$14,226	$1,331	$2,821	$345	$19,132	$34
Charge-offs	(75)	(366)	(203)	(557)	-	(1,201)	-
Recoveries	-	121	3	97	-	221	-
Transfer from (to) reserve for loan commitments	-	97	(39)	(15)	8	51	-
Provision (reduction)	(54)	347	(18)	1,186	(35)	1,426	-
Ending balance	$280	$14,425	$1,074	$3,532	$318	$19,629	$34

	As of December 31, 2011						
	Real Estate Loans						Consumer Loans
	One- to Four Family Residential and Cooperative Unit	Multifamily Residential and Residential Mixed Use	Mixed Use Commercial Real Estate	Commercial Real Estate	Construction	Total Real Estate	
Ending balance – loans individually evaluated for impairment	$2,547	$10,028	$6,739	$51,070	-	$70,384	$-
Ending balance – loans collectively evaluated for impairment	98,165	2,592,891	331,531	362,246	3,199	3,388,032	2,449
Allowance balance associated with loans individually evaluated for impairment	130	45	73	1,927	-	2,175	-
Allowance balance associated with loans collectively evaluated for impairment	350	14,268	1,455	1,856	124	18,053	26

The following tables summarize impaired real estate loans for the periods indicated (by collateral type within the real estate loan segment as of or for the periods indicated). For purposes of these tables, adjustments between the unpaid principal balance and recorded investment (including accrued interest receivable) are deemed to be immaterial:

	At March 31, 2012		
	Unpaid Principal Balance at Period End	Recorded Investment at Period End	Reserve Balance Allocated within the Allowance for Loan Losses at Period End
One- to Four Family Residential and Cooperative Unit			
With no allocated reserve	$1,072	$1,072	$-
With an allocated reserve	-	-	-
Multifamily Residential and Residential Mixed Use			
With no allocated reserve	7,212	7,212	-
With an allocated reserve	-	-	-
Mixed Use Commercial Real Estate			
With no allocated reserve	1,980	1,980	-
With an allocated reserve	-	-	-
Commercial Real Estate			
With no allocated reserve	35,590	35,590	-
With an allocated reserve	15,332	15,332	603
Construction			

With no allocated reserve	-	-	-
With an allocated reserve	-	-	-
Total			
With no allocated reserve	$45,854	$45,854	$-
With an allocated reserve	$15,332	$15,332	$603

At December 31, 2011			
	Unpaid Principal Balance at Period End	Recorded Investment at Period End	Reserve Balance Allocated within the Allowance for Loan Losses at Period End
One- to Four Family Residential and Cooperative Unit			
With no allocated reserve	$1,136	$1,136	$-
With an allocated reserve	1,411	1,411	130
Multifamily Residential and Residential Mixed Use			
With no allocated reserve	9,338	9,338	-
With an allocated reserve	690	690	45
Mixed Use Commercial Real Estate			
With no allocated reserve	5,780	5,780	-
With an allocated reserve	959	959	73
Commercial Real Estate			
With no allocated reserve	11,812	11,812	-
With an allocated reserve	39,258	39,258	1,927
Construction			
With no allocated reserve	-	-	-
With an allocated reserve	-	-	-
Total			
With no allocated reserve	$28,066	$28,066	$-
With an allocated reserve	$42,318	$42,318	$2,175

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
One- to Four Family Residential and Cooperative Unit				
With no allocated reserve	$1,104	$12	$1,828	$7
With an allocated reserve	706	-	-	-
Multifamily Residential and Residential Mixed Use				
With no allocated reserve	7,569	131	12,920	116
With an allocated reserve	1,050	-	-	-
Mixed Use Commercial Real Estate				
With no allocated reserve	3,880	24	3,731	36
With an allocated reserve	480	-	-	-
Commercial Real Estate				
With no allocated reserve	23,701	498	14,909	47
With an allocated reserve	27,295	190	5,846	157
Construction				
With no allocated reserve	-	-	3,392	91
With an allocated reserve	-	-	-	-

Total				
With no allocated reserve	$36,254	$665	$36,780	$297
With an allocated reserve	$29,531	$190	$5,846	$157

Reserve for First Loss Position

The Bank maintains a reserve liability in relation to the First Loss Position that reflects estimated losses associated with loans to which the First Loss Position applies at each period end. For performing loans within the FNMA serviced pool, the reserve recognized is the present value of the estimated losses calculated based upon the historical loss experience for comparable multifamily loans owned by the Bank. For problem loans within the pool, the estimated losses are determined in a manner consistent with impaired loans within the Bank's loan portfolio.

The following is a summary of the aggregate balance of multifamily loans serviced for FNMA, the period-end First Loss Position associated with these loans, and activity in the related reserve liability:

	At or for the Three Months Ended March 31,	
	2012	2011
Outstanding balance of multifamily loans serviced for FNMA at period end	$300,347	$360,971
Total First Loss Position at end of period	16,356	16,789
Reserve Liability on the First Loss Position		
Balance at beginning of period	$2,993	$2,993
Transfer of specific reserve for serviced loans re-acquired by the Bank	-	-
Provision for losses on problem loans(1)	-	-
Charge-offs and other net reductions in balance	(35)	-
Balance at period end	$2,958	$2,993

(1) Amount recognized as a component of mortgage banking income during the period.

The Bank has elected to periodically repurchase problematic or non-problematic loans from within the FNMA serviced loan pool. The repurchase of problematic loans is made in order to expedite their resolution and control losses. All such elections have been made on an individual loan/borrower basis. All repurchases from FNMA are made at par, and any reserves recognized on the re-acquired loan within the FNMA reserve analysis reduce the recorded balance of the loan when it is transferred to the Bank's portfolio. In most instances, all economic losses realized by the Bank on the re-acquired loans can be applied against the First Loss Position, and any material exceptions for individual loans are disclosed in the Company's public filings. Since the Bank is fully responsible for all losses on FNMA serviced loans up to the First Loss Position, it has greater incentive to minimize losses. Had the resolution of these loans been left to FNMA to manage, management believes that the ultimate losses recognized would have been greater. During the three months ended March 31, 2012, the Bank re-acquired one $757 problematic loan within the pool of loans serviced for FNMA. The Bank did not re-acquire any problematic loans within the pool of loans serviced for FNMA during the three months ended March 31, 2011.

10. INVESTMENT AND MORTGAGE-BACKED SECURITIES

The following is a summary of major categories of securities owned by the Company at March 31, 2012:

			Unrealized Gains or Losses Recognized in Accumulated Other Comprehensive Loss					
	Purchase Amortized /	Recorded Amortized/	Non-Credit OTTI	Unrealized Gains	Unrealized Losses	Book Value	Other Unrecognized Losses	Fair Value

	Historical Cost	Historical Cost (1)						
Investment securities held-to-maturity:								
Pooled bank trust preferred securities ("TRUPS")	$17,729	$8,574	$(926)	-	$(1,423)(2)	$6,225	$(563)	$5,662
Investment securities available for sale:								
Registered Mutual Funds	5,058	3,633	-	1,279	-	4,912	-	4,912
Agency notes	119,809	119,809	-	41	(12)	119,838	-	119,838
Pass-through MBS issued by GSEs	64,661	64,661	-	4,281	-	68,942	-	68,942
Collateralized mortgage obligations ("CMOs") issued by GSEs	34,529	34,529	-	174	(29)	34,674	-	34,674
Private issuer pass through MBS	1,503	1,503	-	-	(87)	1,416	-	1,416
Private issuer CMO	1,259	1,259	-	23	-	1,282	-	1,282
Total	$244,548	$233,968	$(926)	$5,798	$(1,551)	$237,289	$(563)	$236,726

(1) Amount represents the purchase amortized / historical cost less any credit-related OTTI charges recognized through earnings.

(2) Amount represents the 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 at December 31, 2011:

			Unrealized Gains or Losses Recognized in Accumulated Other Comprehensive Loss					
	Purchase Amortized / Historical Cost	Recorded Amortized/ Historical Cost (1)	Non-Credit OTTI	Unrealized Gains	Unrealized Losses	Book Value	Other Unrecognized Losses	Fair Value
Investment securities held-to-maturity:								
TRUPS	$17,884	$8,910	$(929)	-	$(1,470)(2)	$6,511	$(1,587)	$4,924
Investment securities available for sale:								
Registered Mutual Funds	5,049	3,624	-	935	-	4,559	-	4,559
Agency notes	170,362	170,362	-	37	(90)	170,309	-	170,309
Pass-through MBS issued by GSEs	71,008	71,008	-	4,554	-	75,562	-	75,562
CMOs issued by GSEs	15,128	15,128	-	261	-	15,389	-	15,389
Private issuer pass through MBS	1,614	1,613	-	-	(109)	1,504	-	1,504
Private issuer CMO	1,400	1,400	-	22	-	1,422	-	1,422
Total	$282,445	$272,045	$(929)	$5,809	$(1,669)	$275,256	$(1,587)	$273,669

(1) Amount represents the purchase amortized / historical cost less any credit-related OTTI charges recognized through earnings.
(2) Amount represents the 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).

At March 31, 2012, the agency note investments in the above table had contractual maturities as follows:

	Amortized Cost	Estimated Fair Value
One year or less	$19,992	$20,000
Due after one year through three years	84,747	84,757
Due after three years through five years	15,000	15,011
Due after five years through ten years	70	70
	$119,809	$119,838

The held-to-maturity TRUPS had a weighted average term to maturity of 22.7 years at March 31, 2012. At March 31, 2012, MBS available-for-sale (which include pass-through MBS issued by GSEs, CMOs issued by GSEs, one private issuer pass through MBS and one private issuer CMO) possessed a weighted average contractual maturity of 19.8 years and a weighted average estimated duration of 1.3 years. There were no sales of MBS available-for-sale during the three months ended March 31, 2012 or 2011.

There were no sales of investment securities available-for-sale during the three months ended March 31, 2012 and 2011.

As of each reporting period through March 31, 2012, the Company has applied the protocol established by ASC reference number 320-10-65 ("ASC 320-10-65") in order to determine whether OTTI existed for the 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, 2012, six TRUPS were determined to meet the criteria for OTTI based upon this analysis. At March 31, 2012, these six securities had credit ratings ranging from "D" 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, 2012			At or for the Three Months Ended March 31, 2011		
	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 balance at the beginning of the period	$8,974	$930	$9,904	$8,247	$2,203	$10,450
OTTI recognized on securities with previous OTTI	181	6	187	63	-	63
Reductions and transfers to credit-related OTTI	-	-	-	-	(605)	(605)
Amortization of previously recognized OTTI	-	(10)	(10)	-	(7)	(7)
Cumulative balance at end of the period	$9,155	$926	$10,081	$8,310	$1,591	$9,901

The remaining aggregate amortized cost of TRUPS potentially subject to future OTTI charges through earnings was $7,816 at March 31, 2012. Of this total, unrealized losses of $1.6 million have already been recognized as a component of accumulated other comprehensive loss.

The following table summarizes the gross unrealized losses and fair value of investment securities and MBS as of March 31, 2012, 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 (1)	-	-	$5,662	$2,912	$5,662	$2,912
Available-for-Sale Securities:						
Agency notes	19,988	12	-	-	19,988	12
Private issuer pass through MBS	-	-	1,416	87	1,416	87
CMOs issued by GSEs	23,157	29			23,157	29
TOTAL	$43,145	$41	$7,078	$2,999	$50,223	$3,040

(1) At March 31, 2012, the recorded balance of these securities was $6.2 million. This balance reflected both the remaining unrealized loss of $1.4 million 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) for two TRUPS that have not been deemed OTTI, and an unrealized loss of $926 that has been recognized in accumulated other comprehensive loss that represents the non-credit component of impairment for five TRUPS that have been deemed OTTI. In accordance with both ASC reference numbers 320-10-35-17 and 320-10-65, these unrealized losses are currently being amortized over the remaining estimated life of these securities.

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

At March 31, 2012, impairment of two of the TRUPS, with an amortized cost of $5,974, was deemed temporary. These securities remained in an unrealized loss for 12 or more consecutive months, and their cumulative unrealized loss was $2,496 at March 31, 2012, reflecting both illiquidity in the marketplace and concerns over future bank failures. At March 31, 2012, both of these securities had ratings ranging from "CC" to "Ba1." Despite the significant decline in market value and the duration of their impairment, management believed that the unrealized losses on these securities at March 31, 2012 were temporary, and that all contractual principal and interest payments were expected to be received by their respective contractual maturities. In reaching 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, both of the securities could reasonably be expected to continue making all contractual payments
• The Company has the intent and ability to hold these securities until they fully recover their impairment, evidenced by the election to reclassify them as held-to-maturity in 2008
• There were no cash or working capital requirements nor contractual or regulatory obligations that would compel the Company to sell either of these securities prior to their forecasted recovery or maturity
• Each security has a pool of underlying issuers comprised primarily of banks
• Each security featured 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 remaining six TRUPS, with an aggregate amortized cost of $2.6 million at March 31, 2012, have previously been determined to meet the OTTI criteria.

Private Issuer Pass Through MBS That Have Maintained an Unrealized Holding Loss for 12 or More Consecutive Months

At March 31, 2012, the Company owned one private label pass-through MBS that possessed unrealized losses for 12 or more consecutive months, with an amortized cost of $1,503 and an unrealized loss of $87. The Company's investment is in the most senior tranche (or repayment pool) of this security. Despite a challenging real estate marketplace, the private label pass-through MBS made contractual principal and interest payments that reduced its principal balance by approximately 29% during the twelve months ended March 31, 2012. At March 31, 2012, the Company performed an analysis of likely potential defaults of the real estate loans underlying this security in the then existing economic environment, and determined that it could reasonably be expected to continue making all contractual payments. The Company has no intent to sell this security and it is not likely that the Company will be required to sell it before the recovery of its remaining amortized cost.

The following summarizes the gross unrealized losses and fair value of investment securities and MBS as of December 31, 2011, aggregated by investment category and the length of time that 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 (1)	-	-	$4,924	$3,986	$4,924	$3,986
Available-for-Sale Securities:						
Agency notes	$114,885	$90	-	-	$114,885	$90
Private issuer pass through MBS	$-	$-	$1,505	$109	$1,505	$109
TOTAL	$114,885	$90	$6,429	$4,095	$121,314	$4,185

(1) At December 31, 2011, the recorded balance of these securities was $6,511. This balance reflected both the remaining unrealized loss of $1,470 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) for two TRUPS that have not been deemed OTTI, and an unrealized loss of $929 that has been recognized in accumulated other comprehensive loss that represents the non-credit component of impairment for six TRUPS that have been deemed OTTI. In accordance with both ASC reference numbers 320-10-35-17 and 320-10-65, these unrealized losses are currently being amortized over the remaining estimated life of these securities.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy established under ASC reference number 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 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, 2012			
		Fair Value Measurements Using	
Description	Total	Level 2	Losses for the

		Level 1 Inputs	Inputs	Level 3 Inputs	Three Months Ended March 31, 2012
Trading securities (Registered Mutual Funds):					
Domestic Equity Mutual Funds	$870	$870	$-	$-	$-
International Equity Mutual Funds	120	120	-	-	-
Fixed Income Mutual Funds	896	896	-	-	-
Investment securities available-for-sale:					-
Agency notes	119,838	-	119,838	-	-
Registered Mutual Funds:					
Domestic Equity Mutual Funds	3,469	3,469	-	-	-
International Equity Mutual Funds	348	348	-	-	-
Fixed Income Mutual Funds	1,095	1,095	-	-	-
MBS available-for-sale	106,313	-	106,313	-	-

Assets Measured at Fair Value on a Recurring Basis at December 31, 2011					
		Fair Value Measurements Using			
Description	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Losses for the Three Months Ended March 31, 2011
Trading Securities (Registered Mutual Funds)					
Domestic Equity Mutual Funds	$780	$780	$-	$-	$-
International Equity Mutual Funds	108	108	-	-	-
Fixed Income Mutual Funds	886	886	-	-	-
Investment securities available-for-sale:					
Agency notes-	170,309	-	170,309	-	-
Registered Mutual Funds:					
Domestic Equity Mutual Funds	3,162	3,162	-	-	-
International Equity Mutual Funds	315	315	-	-	-
Fixed Income Mutual Funds	1,082	1,082	-	-	-
MBS available-for-sale	93,877	-	93,877	-	-

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 Company's available-for-sale investment securities and MBS at March 31, 2012 were categorized as follows:

Description	Percentage of Total		Valuation Level
Agency notes	51.9	%	Two
Pass Through MBS or CMOs issued by GSEs	44.8		Two
Mutual fund investments	2.1		One
Private issuer MBS or CMOs	1.2		Two

The Company's available-for-sale investment securities and MBS at December 31, 2011 were categorized as follows:

Description	Percentage of Total		Valuation Level
Agency notes	63.4	%	Two
Pass Through MBS or CMOs issued by GSEs	33.8		Two
Mutual fund investments	1.7		One
Private issuer MBS or CMOs	1.1		Two

The agency notes owned by the Company possessed the highest possible credit rating published by at least one established credit rating agency as of both March 31, 2012 and December 31, 2011. Obtaining market values as of March 31, 2012 and December 31, 2011 for these securities utilizing significant observable inputs was not difficult due to their continued marketplace demand. The pass-through MBS and CMOs issued by GSEs all possessed the highest possible credit rating published by at least one established credit rating agency as of March 31, 2012 and December 31, 2011. Obtaining market values as of March 31, 2012 and December 31, 2011 for these securities utilizing significant observable inputs was not difficult due to their considerable demand.

As of March 31, 2012 and December 31, 2011, the Company owned one private issuer pass through MBS. This security had an amortized cost basis of $1,503 at March 31, 2012. The Company's investment is within the senior tranche of this security, and the contractual interest rate on the security was 5.0% at both March 31, 2012 and December 31, 2011. The assets underlying this security are a pool of 15-year fixed rate amortizing prime mortgages on residential properties located throughout the United States. The underlying mortgages were originated in 2005, and, as of March 31, 2012, had a weighted average coupon of 5.24% and a weighted average loan-to-value ratio of 42%. Approximately 20% of the underlying mortgages are located in California, while the remainder is diversified geographically, and less than 15% of the total underlying mortgage pool was delinquent at March 31, 2012. The credit ratings on this security ranged from Caa1 to CC at March 31, 2012. As a result of the overall credit quality of this investment, marketplace demand was deemed sufficient at March 31, 2012 to permit it to be valued utilizing estimated sales determined under

benchmarking and matrix pricing. The Company obtained such values from at least two credible independent market sources, and verified that the values were prepared utilizing significant observable inputs as defined under ASC reference number 820-10.

As of March 31, 2012 and December 31, 2011, the Company owned one private issuer CMO. This security had an amortized cost basis of $1,259 at March 31, 2012. The Company's investment is within the senior tranche of this security, and its weighted average contractual interest rate was 4.5% at both March 31, 2012 and December 31, 2011. The assets underlying this security are a pool of 15-year fixed rate amortizing prime mortgages on residential properties located throughout the United States. The underlying mortgages were originated in 2003, and, as of March 31, 2012, had a weighted average coupon of 5.39% and a weighted average loan-to-value ratio approximating 27%. Approximately 43% of the underlying mortgages are located in California, while the remainder is diversified geographically. Less than five percent of the total underlying mortgage pool was delinquent at March 31, 2012. This security possessed the highest possible credit rating published by at least one established credit rating agency at March 31, 2012. As a result of the overall credit quality of this investment, marketplace demand was deemed sufficient at March 31, 2012 to permit it to be valued utilizing estimated sales determined under benchmarking and matrix pricing. The Company obtained such values from at least two credible market sources, and verified that these values were prepared utilizing significant observable inputs as defined under ASC reference number 820-10.

Assets Measured at Fair Value on a Non-Recurring Basis at March 31, 2012					
		Fair Value Measurements Using			
Description	Total	Level 1	Level 2	Level 3	Losses for the Three Months Ended March 31, 2012
TRUPS(1)	$416	$-	$-	$416	$181
Impaired loans	10,342	-	5,500	4,842	1,970

(1) Amount represents the fair value of one TRUP that was deemed to have credit-related OTTI at March 31, 2012. At March 31, 2012, five additional TRUPS with an aggregate fair value of $1,768 were not carried at fair value despite previously meeting the OTTI criteria. Under ASC reference number 320-10-65, these held-to-maturity securities are only carried at fair value in the event that they incur additional credit-related impairment at period end, which did not occur at March 31, 2012. Losses for the period represent the total OTTI recognized on three TRUPS (credit or non-credit related) during the period.

(2) Amount represents charge-offs recognized on impaired loans during the three months ended March 31, 2012.

Assets Measured at Fair Value on a Non-Recurring Basis at December 31, 2011					
		Fair Value Measurements Using			
Description	Total	Level 1	Level 2	Level 3	Losses for the Three Months Ended March 31, 2011
TRUPS(1)	$285	$-	$-	$285	$63(1)
Impaired loans	15,377	-	5,500	9,877	980(2)

(1) Amount represents the fair value of one TRUP that was deemed to have credit-related OTTI at December 31, 2011. At December 31, 2011, four additional TRUPS with an aggregate fair value of $1,427 were not carried at fair value despite previously meeting the OTTI criteria. Under ASC reference number 320-10-65, these held-to-maturity securities are only carried at fair value in the event that they incur additional credit-related impairment at period end, which did not occur at December 31, 2011. Losses for the period represent the total OTTI recognized on three TRUPS (credit or non-credit related) during the period.

(2) Amount represents charge-offs recognized on impaired loans during the three months ended March 31, 2011.

TRUPS Held to Maturity – The fair value of all TRUPS held to maturity, irrespective of whether they were recorded at fair value as of March 31, 2012 or December 31, 2011, was determined in the manner documented commencing on page 27.

Impaired Loans - Loans with certain characteristics are evaluated individually for impairment. A loan is considered impaired under ASC reference number 310-10-35 when, based upon existing information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. The Bank's impaired loans at March 31, 2012 and December 31, 2011 were collateralized by real estate and were thus carried at the lower of the outstanding principal balance or the estimated fair value of the collateral. Fair value is estimated through either a negotiated note sale value (Level 2), or, more commonly, a recent real estate appraisal (Level 3). These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

An appraisal is generally ordered for all impaired multifamily residential, mixed use or commercial real estate loans for which the most recent appraisal is more than one year old. The Bank never adjusts independent appraisal data upward. Occasionally, management will adjust independent appraisal data downward based upon its own lending expertise and/or experience with the subject property, utilizing such factors as potential note sale values, or a more refined estimate of costs to repair and time to lease the property. Adjustments for potential disposal costs are also considered when determining the final appraised value.

As of March 31, 2012, impaired loans measured for impairment using the fair value of the collateral had an aggregate principal balance of $12,797, previously recognized principal charge-offs totaling $2,455, and a net recorded balance totaling $10,342.

The following table presents quantitative information about Level 3 fair value measurements for impaired loans measured at fair value on a non-recurring basis at March 31, 2012:

Fair Value Derived	Valuation Technique Utilized	Significant Unobservable Input(s)	Range of Values	Weighted Average Value
$1,312	Income approach only	Capitalization rate	7.5%-8.5%	8.1%
		Reduction in the expected net operating income	0.0%-13.0%	6.8%
		Reduction for planned expedited disposal	10.0%-30.0%	24.2%
3,530	Blended income and sales comparison approaches	Reduction to the sales comparison value to reconcile differences between comparable sales	0.0%-28.0%	15.2%
		Capitalization rate (income approach component)	7.3%-8.5%	7.9%
		Reduction in the expected net operating income (income approach component)	0.0%-18.0%	4.1%
		Reduction for planned expedited disposal	0.0%-40.0%	21.7%

The carrying amounts and estimated fair values of financial instruments at March 31, 2012 and December 31, 2011 were as follows:

		Fair Value at March 31, 2012 Using			
At March 31, 2012	Carrying Amount	Level 1	Level 2	Level 3	Total
Assets:					
Cash and due from banks	$124,749	$124,749	-	-	$124,749
Investment securities held to maturity (TRUPS)	6,225	-	-	5,662	5,662
Loans, net	3,400,267	-	5,500	3,516,663	3,522,163
Loans held for sale	1,445	-	1,052	393	1,445
Accrued interest receivable	14,979	-	287	14,692	14,979
Mortgage servicing rights ("MSR")	1,455	-	2,006	-	2,006
FHLBNY capital stock	47,014	N/A	N/A	N/A	N/A
Liabilities:					
Savings, money market and checking accounts	1,405,319	1,405,319	-	-	1,405,319
Certificates of Deposit ("CDs")	981,810	-	999,118	-	999,118
Escrow and other deposits	109,974	109,974	-	-	109,974
REPOS	155,000	-	179,841	-	179,841
FHLBNY Advances	884,775	-	933,450	-	933,450
Trust Preferred securities payable	70,680	-	67,853	-	67,853
Accrued interest payable	4,376	465	3,911	-	4,376

Commitments to extend credit	1,013	1,013	-	-	1,013

At December 31, 2011	Carrying Amount	Fair Value
Assets:		
Cash and due from banks	$43,309	$43,309
Federal funds sold and other short-term investments	951	951
Investment securities held to maturity (TRUPS)	6,511	4,924
Loans, net	3,440,611	3,578,599
Loans held for sale	3,022	3,022
Accrued interest receivable	15,469	15,469
MSR	1,604	2,139
FHLBNY capital stock	49,489	N/A
Liabilities:		
Savings, money market and checking accounts	1,366,150	1,366,150
CDs	977,551	996,022
Escrow and other deposits	71,812	71,812
REPOS	195,000	223,728
FHLBNY Advances	939,775	991,117
Trust Preferred securities payable	70,680	67,146
Accrued interest payable	3,997	3,997
Commitments to extend credit	917	917

Methods and assumptions used to estimate fair values for financial assets and liabilities other than those previously discussed) are summarized as follows:

Cash and Due From Banks - The fair value is assumed to be equal to their carrying value as these amounts are due upon demand (deemed a Level 1 valuation).

Federal Funds Sold and Other Short Term Investments – As a result of their short duration to maturity, the fair value of these assets, principally overnight deposits, is assumed to be equal to their carrying value due (deemed a Level 1 valuation).

TRUPS Held to Maturity – At March 31, 2012 and December 31, 2011, the Company owned eight TRUPS classified as held-to-maturity. Late in 2008, the market for these securities became illiquid, and continued to be deemed illiquid as of March 31, 2012. As a result, at both March 31, 2012 and December 31, 2011, their estimated fair value was obtained utilizing a blended valuation approach (Level 3 pricing). Under the blended valuation approach, the Bank utilized the following valuation sources: 1) broker quotations, which were deemed to meet the criteria of "distressed sale" pricing under the guidance of ASC reference number 820-10-65-4, were given a minor 10% weighting (deemed to be a Level 2 valuation); 2) an internally created cash flow valuation model that considered the creditworthiness of each individual issuer underlying the collateral pools, and utilized default, cash flow and discount rate assumptions determined by the Company's management (the "Internal Cash Flow Valuation"), was given a 45% weighting (deemed to be a Level 3 valuation); and 3) a minimum of two of three available independent cash flow model valuations were averaged and given a 45% weighting (deemed to be a Level 3 valuation for which the Company is not provided detailed information regarding the significant unobservable inputs utilized by the third party).

The major assumptions utilized in the Internal Cash Flow Valuation (each of which represents a significant unobservable input as defined by ASC reference number 820-10) were as follows:

(i) Discount Rate - Pursuant to ASC reference number 320-10-65, the Company utilized two different discount rates for discounting the cash flows for each of the eight TRUPS, as follows:

(1) Purchase discount rate – the rate used to determine the "credit" based valuation of the security. The purchase discount rates utilized to compute fair value as of March 31, 2012 ranged from 1.9% to 2.8%, with a weighted average value of 2.5%.

(2) Current discount rate - the current discount rate utilized was derived from the Bloomberg fair market value curve for debt offerings of similar credit rating. In the event that a security had a split investment rating, separate cash flow valuations were made utilizing the appropriate discount rate and were averaged in order to determine the Internal Cash Flow Valuation. In addition, the discount rate was interpolated from the Bloomberg fair market value curve for securities possessing a credit rating below "B." The current discount rates utilized to compute fair value as of March 31, 2012 ranged from 6.2% to 10.9%, with a weighted average value of 7.61%.

(ii) Defaults – The Company utilized the most recently published Fitch bank scores to estimate potential defaults in the collateral pool of performing issuers underlying the eight securities. Using a rating scale of 1 to 5 (best-to-worst), all underlying issuers

with a Fitch bank rating of 5.0 were assumed to default. Underlying issuers with a Fitch bank rating of 3.5 through 4.5 were assumed to default at levels ranging from 5% to 75% based upon both their rating as well as whether they had been granted approval to receive funding under the U.S. Department of Treasury's Troubled Asset Relief Program Capital Purchase Program. Based upon the application of this methodology, the computed default rates utilized in the determination of the fair value of the TRUPS as of March 31, 2012 ranged from 0% to 5.8% of the performing security pool balance, with a weighted average value of 2.3%. In addition to the defaults derived from the Fitch bank scores, the Company utilized a standard default rate of 1.2% every three years, which was applied uniformly.

(iii) Cash Flows - The expected payments for the tranche of each security owned by the Company, as adjusted to assume that all estimated defaults occur immediately. The cash flows further assumed an estimated recovery rate of 10% per annum to occur one year after initial default, which was applied uniformly.

As discussed above, in addition to the Internal Cash Flow Valuation and broker quotations, the Company utilizes a minimum of two of three additional cash flow model valuations in order to estimate the fair value of TRUPS. Two of the three independent cash flow model valuations utilized a methodology similar to the Internal Cash Flow Valuation, differing only in the underlying assumptions deriving estimated cash flows, individual bank defaults and discount rate. The third independent cash flow valuation was derived from a different methodology in which the actual cash flow estimate based upon the underlying collateral of the securities (including default estimates) was not considered. Instead, this cash flow valuation utilized a discount rate determined from the Bloomberg fair market value curve for similar assets that continued to trade actively, with adjustments made for the illiquidity of the TRUPS market. Because of the significant judgment underlying each of the pricing assumptions, management elected to recognize each of the independent valuations and apply a weighting system to all of the valuations, including the Internal Cash Flow Valuation, as all of these valuations were determined utilizing a valid and objective pricing methodology. The Company is not provided detailed information regarding significant unobservable inputs utilized in these valuations.

Loans, Net - The fair value of impaired loans is determined in the manner described commencing on page 25. The fair value of the remaining loans receivable is determined by discounting anticipated future cash flows of the loans, net of anticipated prepayments, using a discount rate reflecting current market rates for loans with similar terms to borrowers of similar credit quality. For adjustable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. This valuation method does not necessarily represent an exit price valuation methodology as defined under ASC reference number 820. However, since the valuation methodology is deemed to be akin to a Level 3 valuation methodology, the fair value of the remaining loans receivable is shown under the Level 3 valuation column.

Accrued Interest Receivable - The estimated fair value of accrued interest receivable approximates its carrying amount, and is deemed to be valued at a comparable level as its underlying financial asset.

MSR - On a quarterly basis, the aggregate balance of the MSR is evaluated for impairment based upon the fair value of the rights as compared to their carrying amount. If the aggregate carrying amount of the MSR exceeds fair value, impairment is recorded on the MSR so that they are carried at fair value. Fair value is determined based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilizes assumptions that market participants would use in estimating future net servicing income and that can be validated against available market data (Level 2).

FHLBNY Capital Stock – It is not practicable to determine the fair value of FHLBNY capital stock due to restrictions placed on transferability.

Deposits - The fair value of savings, money market, and checking accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount), which has been deemed a Level 1

valuation. The fair value of CDs is based upon the present value of contractual cash flows using current interest rates for instruments of the same remaining maturity (deemed a Level 2 valuation).

Escrow and Other Deposits –The fair value of escrow and other deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount), which has been deemed a Level 1 valuation.

REPOS and FHLBNY Advances – REPOS are accounted for as financing transactions. Their fair value is measured by the discounted anticipated cash flows through contractual maturity or next interest repricing date, or an earlier call date if, as of the valuation date, the borrowing is expected to be called (deemed a Level 2 valuation). The carrying amount of accrued interest payable on REPOS and FHLBNY advances is its fair value.

Trust Preferred Securities Payable - The fair value of trust preferred securities payable was estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements (deemed a Level 2 valuation), and is provided to the Company quarterly independently by a market maker in the underlying security.

Accrued Interest Payable - The estimated fair value of accrued interest payable approximates its carrying amount, and is deemed to be valued at a comparable level as its underlying financial liability.

Commitments to Extend Credit - The fair value of commitments to extend credit is estimated as the fully refundable fees charged as of the valuation date to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties (deemed a Level 1 valuation). For fixed-rate loan commitments, fair value also considers the difference between current interest rates and the committed rates (deemed a Level 1 valuation).

12. RETIREMENT AND POSTRETIREMENT PLANS

The Holding Company or the Bank maintains the Retirement Plan of The Dime Savings Bank of Williamsburgh (the "Employee Retirement Plan"), the Retirement Plan for Board Members of Dime Community Bancshares, Inc. (the "Outside Director Retirement Plan"), the BMP, and the Postretirement Welfare Plan of The Dime Savings Bank of Williamsburgh ("Postretirement Plan"). Net expenses associated with these plans were comprised of the following components:

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011	
	BMP, Employee and Outside Director Retirement Plans	Postretirement Plan	BMP, Employee and Outside Director Retirement Plans	Postretirement Plan
Service cost	$-	$ 39	$-	$ 33
Interest cost	306	90	339	86
Actuarial adjustment to prior period interest cost and amortization	-	-	-	-
Expected return on assets	(363)	-	(361)	-
Unrecognized past service liability	-	-	-	-
Amortization of unrealized loss	541	75	312	29
Net periodic cost	$484	$ 204	$290	$ 148

The Company disclosed in its consolidated financial statements for the year ended December 31, 2011 that it expected to make contributions to, or benefit payments on behalf of, benefit plans during 2012 as follows: Employee Retirement Plan - $51, BMP - $435, Outside Director Retirement Plan- $213, and Postretirement Plan -$200. The Company made contributions of $13 to the Employee Retirement Plan during the three months ended March 31, 2012, and expects to make the remainder of the estimated $51 of net contributions during 2012. The Company made benefit payments of $32 on behalf of the Outside Director Retirement Plan during the three months ended March 31, 2012, and expects to make the remainder of the estimated $213 of net contributions or benefit payments during 2012. The Company made net benefit payments totaling $35 on behalf of the Postretirement Plan during the three months ended March 31, 2012, and expects to make the remainder of the estimated $200 of net contributions or benefit payments during 2012. The Company did not make any defined benefit contributions to, or benefit payments on behalf of, the BMP during the three months ended March 31, 2012, and does not currently expect to make the $435 of benefit payments on behalf of the BMP during 2012, since anticipated retirements that formed the basis for these expected benefit payments in 2012 are presently not expected to occur.

13. INCOME TAXES

During the three months ended March 31, 2012 and 2011, the Company's consolidated effective tax rates were 40.8% and 40.6%, respectively, approximating the expected 41% normalized rate for each period.

14. NET MORTGAGE BANKING INCOME

Net mortgage banking income presented in the condensed consolidated statements of operations was comprised of the following items:

	Three Months Ended March 31,	
	2012	2011
(Loss) Gain on the sale of loans held for sale	$1	$(67)
Credit (Provision) to the liability for First Loss Position	-	-
Recovery of write down of mortgage servicing asset	-	-
Mortgage banking fees	120	160
Net mortgage banking income	$121	$93

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Holding Company is a Delaware corporation and parent company of the Bank, a federally-chartered stock savings bank. 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 ("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, one- to four-family residential, construction and land acquisition, and consumer loans, MBS, obligations of the U.S. government and GSEs, and corporate debt and equity securities. All of the Bank's lending occurs in the greater NYC metropolitan area.

Executive Summary

The Holding Company's primary business is the ownership of the Bank. The Company's consolidated results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on interest-earning assets, such as loans and securities, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowings. The Bank additionally generates non-interest income such as service charges and other fees, as well as income associated with Bank Owned Life Insurance. Non-interest expense primarily consists of employee compensation and benefits, federal deposit insurance premiums, data processing costs, and occupancy and equipment, marketing and other operating expenses. The Company's consolidated results of operations are also significantly affected by general economic and competitive conditions (particularly fluctuations in market interest rates), government policies, changes in accounting standards and actions of regulatory agencies.

The Bank's primary strategy is generally to seek to increase its product and service utilization for each individual depositor, and increase its household and deposit market shares in the communities that it serves. In addition, the Bank's primary strategy includes the origination of, and investment in, mortgage loans, with an emphasis on NYC multifamily residential and mixed-use real estate loans. Since 2008, the Company has restricted growth based upon the desire to retain higher capital levels.

The Company believes that multifamily residential and mixed-use loans in and around NYC provide advantages as investment assets. Initially, they offer a higher yield than investment securities of comparable maturities or terms to repricing. In addition, origination and processing costs for the Bank's multifamily residential and mixed use loans are lower per thousand dollars of originations than comparable one-to four-family loan costs. Further, the Bank's market area has generally provided a stable flow of new and refinanced multifamily residential and mixed-use loan originations. In order to address the credit risk associated with multifamily residential and mixed use lending, the Bank has developed underwriting standards that it believes are reliable in order to maintain consistent credit quality for its loans.

The Bank also strives to provide a stable source of liquidity and earnings through the purchase of investment grade securities; seeks to maintain the asset quality of its loans and other investments; and uses appropriate portfolio and asset/liability management techniques in an effort to manage the effects of interest rate volatility on its profitability and capital.

The years ended December 31, 2009, 2010 and 2011 were dominated by a global real estate and economic recession fueled by significant weakness and/or failure in many of the world's largest financial institutions, coupled with ongoing economic and political turmoil in various parts of the world. These events led to historically high dislocations in credit markets, creating favorable origination spreads from the benchmark origination interest rates

during the period. This increase, coupled with the continuation of historically low benchmark short-term interest rates by the Federal Open Market Committee ("FOMC") (which greatly impact the pricing of the Bank's retail deposits), benefited both the net interest spread and net interest margin during the years ended December 31, 2009 and 2010 and 2011, thus favorably impacting the Company's consolidated earnings. Partially offsetting this benefit were credit costs on Bank-owned loans during 2010 and 2011. During the three months ended March 31, 2012, the FOMC prolonged its monetary policy actions aimed at maintaining both short-term and long-term interest rates at historically low levels. This continued to benefit the Company's funding costs during the three months ended March 31, 2012, while adversely impacting the average yield on its interest earning assets.

During the year ended December 31, 2011 and the three months ended March 31, 2012, the Company experienced an increased level of prepayment and satisfaction activity, as management elected not to pursue loans that were either: 1) unfavorable from an interest rate repricing standpoint; or 2) required underwriting criteria in excess of management's risk tolerance. Should such levels of prepayment continue, they would reduce the average yield (exclusive of contractual prepayment charges) of the Bank's loan portfolio, which would likely adversely impact the Company's net interest margin in future periods.

During the period January 1, 2009 through March 31, 2012, credit costs remained higher than the levels experienced prior to 2009.

Recent Developments

In January 2012, the FOMC announced its intention to maintain its accommodative monetary policy (that has largely contributed to historically low marketplace interest rates) through December 31, 2014, in a continued effort to assist the recovery of the U.S. economy from its deep recession. In April 2012, the FOMC announced its decision to maintain the target range for the federal funds rate at 0 to 1/4%, stating its belief that economic conditions are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. Such policy actions are likely to impact the Company's management of its interest earning assets and interest bearing liabilities during the years ending December 31, 2012, 2013 and 2014.

On February 24, 2012, the Bank filed an application with the New York State Department of Financial Services ("NYSDFS") to convert from a federally-chartered stock savings bank to a New York State-chartered stock savings bank (the "Application"). The NYSDFS was created by combining the New York State Banking and Insurance Departments to modernize regulatory oversight of the State's financial services industry. If the Application is approved, the Bank will no longer be a federal savings bank subject to the regulation and examination of the Office of the Comptroller of the Currency ("OCC") and will become a New York State chartered savings bank subject to the regulation and examination of the NYSDFS. The Bank would remain subject to regulation and examination by the Federal Deposit Insurance Corporation ("FDIC"), and the Holding Company would continue to be subject to regulation and examination by the Federal Reserve Bank of Philadelphia. The Company does not expect the change in regulatory framework to have a material effect on its business or operations.

Selected Financial Highlights and Other Data
(Dollars in Thousands Except Per Share Amounts)

	At or For the Three Months Ended March 31,			
	2012		2011	
Performance and Other Selected Ratios:				
Return on Average Assets	1.01	%	1.08	%
Return on Average Stockholders' Equity	11.22		13.31	
Stockholders' Equity to Total Assets	9.17		8.14	
Loans to Deposits at End of Period	143.32		143.94	
Loans to Earning Assets at End of Period	92.28		91.35	
Net Interest Spread	3.20		3.38	
Net Interest Margin	3.47		3.62	
Average Interest Earning Assets to Average Interest Bearing Liabilities	113.05		110.99	
Non-Interest Expense to Average Assets	1.62		1.65	
Efficiency Ratio	46.54		45.60	
Effective Tax Rate	40.83		40.64	
Dividend Payout Ratio	46.67		42.42	
Per Share Data:				
Reported EPS (Diluted)	$0.30		$0.33	
Cash Dividends Paid Per Share	0.14		0.14	
Stated Book Value	10.47		9.72	
Asset Quality Summary:				
Net Charge-offs	$2,263		$980	
Non-performing Loans	14,808		19,200	
Non-performing Loans/Total Loans	0.43	%	0.56	%
Non-performing Assets	$17,029		$19,770	

Non-performing Assets/Total Assets	0.42	%	0.48	%
Allowance for Loan Loss/Total Loans	0.57		0.57	
Allowance for Loan Loss/Non-performing Loans	131.47		102.41	
Earnings to Fixed Charges Ratios (1)				
Including Interest on Deposits	1.90	x	1.98	x
Excluding Interest on Deposits	2.27		2.52	

(1) Please refer to Exhibit 12.1 for further detail on the calculation of these ratios.

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Critical Accounting Policies

Various elements of the Company's accounting policies are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. The Company's policies with respect to the methodologies it uses to determine the allowance for loan losses (including reserves for loan commitments), the liability for the First Loss Position, the valuation of MSR, asset impairments (including the assessment of impairment of goodwill and other than temporary declines in the valuation of securities), the recognition of deferred tax assets and unrecognized tax positions, the recognition of loan income, the valuation of financial instruments, and accounting for defined benefit plans are its most critical accounting policies because they are important to the presentation of the Company's consolidated financial condition and results of operations, involve a significant degree of complexity and require management to make difficult and subjective judgments which often necessitate assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions or estimates could result in material variations in the Company's consolidated results of operations or financial condition.

The following are descriptions of the Company's critical accounting policies and explanations of the methods and assumptions underlying their application.

Allowance for Loan Losses and Reserve for Loan Commitments. The Bank's methods and assumptions utilized to periodically determine its allowance for loan losses are summarized in Note 9 to the Company's condensed consolidated financial statements. The reserve for loan commitments is determined based upon the historical loss experience of similar loans owned by the Bank at each period end. Any increases in this reserve are achieved via a transfer of reserves from the Bank's allowance for loan losses, with any subsequent resulting shortfall in the allowance for loan losses satisfied through the quarterly provision for loan losses. Any decreases in the loan commitment reserve are recognized as a transfer of reserve balances back to the allowance for loans losses at each period end.

Reserve Liability for the First Loss Position. The Bank's methods and assumptions utilized to periodically determine its reserve liability for the First Loss Position are summarized in Note 9 to the condensed consolidated financial statements.

Valuation of MSR. The proceeds received on mortgage loans sold with servicing rights retained by the Bank are allocated between the loans and the servicing rights based on their estimated fair values at the time of the loan sale. In accordance with GAAP, MSR are carried at the lower of cost or fair value and are amortized in proportion to, and over the period of, anticipated net servicing income. In accordance with ASC reference number 860-50-35, all separately recognized MSR are required to be initially measured at fair value, if practicable. The estimated fair value of MSR is determined by calculating the present value of estimated future net servicing cash flows, using estimated prepayment, default, servicing cost and discount rate assumptions. All estimates and assumptions utilized in the valuation of MSR are derived based upon actual historical results for the Bank, or, in the absence of such data, from historical results for the Bank's peers.

The fair value of MSR is sensitive to changes in assumptions. Fluctuations in prepayment speed assumptions have the most significant impact on the estimated fair value of MSR. In the event that actual loan prepayments exceed the assumed amount (generally due to increased loan refinancing), the fair value of MSR would likely decline. In the event that actual loan prepayments fall below the assumed amount (generally due to a decline in loan refinancing), the fair value of MSR would likely increase. Any measurement of the value of MSR is limited by the existing conditions and assumptions utilized at a particular point in time, and would not necessarily be appropriate if applied at a different point in time.

Assumptions utilized in measuring the fair value of MSR additionally include the stratification based on predominant risk characteristics of the underlying loans. Increases in the risk characteristics of the underlying loans from the assumptions would result in a decline in the fair value of the MSR. A valuation allowance is established in the event

the recorded value of an individual stratum exceeds its fair value for the full amount of the difference.

To the extent that the valuation of the MSR (as determined in the manner indicated above) falls below its recorded balance, an impairment charge is recognized through a valuation allowance, with any adjustments to such allowance reflected in periodic earnings.

Asset Impairment Adjustments. Certain assets are carried in the Company's consolidated statements of financial condition at fair value or at the lower of cost or fair value:

(i) Goodwill Impairment Analysis. Goodwill is accounted for in accordance with ASC reference number 805-10. ASC reference number 805-10 requires performance of an annual impairment test at the reporting unit level. Management annually performs analyses to test for impairment of goodwill. In the event an impairment of goodwill is determined to exist, it is recognized as a charge to earnings.

The Company identified a single reporting unit for purposes of its goodwill impairment testing, and thus performs its impairment test on a consolidated basis. The impairment test has two potential stages. In the initial stage, the Holding Company's market capitalization (reporting unit fair value) is compared to its outstanding equity (reporting unit carrying value). The Company utilizes closing price data for the Holding Company's common stock as reported on the Nasdaq National Market in order to compute market capitalization. The

Company has designated the last day of its fiscal year as the annual date for impairment testing. The Company performed its annual impairment test as of December 31, 2011 and concluded that no potential impairment of goodwill existed since the fair value of the Company's reporting unit exceeded its carrying value. No events or circumstances have occurred subsequent to December 31, 2011 that would 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 reference number 805-10.

(ii) Valuation of Financial Instruments and Analysis of OTTI Related to Investment Securities and MBS. Debt securities are classified as held-to-maturity, and carried at amortized cost, only if the Company has a positive intent and ability to hold them to maturity.

At March 31, 2012, the Company owned eight TRUPS classified as held-to-maturity. Late in 2008, the market for these securities became highly illiquid, and continued to be deemed as such as of March 31, 2012. As a result, at both March 31, 2012 and December 31, 2011, their estimated fair value was obtained utilizing a blended valuation approach (Level 3 pricing as described in Note 11 to the Company's condensed consolidated financial statements).

At March 31, 2012 and December 31, 2011, the Company had an investment in nine mutual funds totaling $1.9 million and $1.8 million, respectively, which were classified as trading. All changes in valuation of these securities are recognized in the Company's results of operations.

Debt securities that are not classified as either held-to-maturity or trading are classified as available-for-sale.

Available-for-sale debt and equity securities that have readily determinable fair values are carried at fair value. All of the Company's available-for-sale securities at March 31, 2012 and December 31, 2011 had readily determinable fair values, which were based on published or securities dealers' market values.

The Company conducts a periodic review and evaluation of its securities portfolio, taking into account the severity and duration of each unrealized loss, as well as management's intent and ability to hold the security until the unrealized loss is substantially eliminated, in order to determine if a decline in fair value of any security below its carrying value is either temporary or other than temporary. Unrealized losses on held-to-maturity securities that are deemed temporary are disclosed but not recognized. Unrealized losses on debt or equity securities available-for-sale that are deemed temporary are excluded from net income and reported net of deferred taxes as other comprehensive income or loss. All unrealized losses that are deemed other than temporary on either available-for-sale or held-to-maturity securities are recognized immediately as a reduction of the carrying amount of the security, with a corresponding decline in either net income or accumulated other comprehensive income or loss in accordance with ASC reference number 320-10-65. See Note 10 to the Company's condensed consolidated financial statements for a reconciliation of OTTI on securities during the three months ended March 31, 2012 and 2011.

Recognition of Deferred Tax Assets. Management reviews all deferred tax assets periodically. Upon such review, in the event that there is a greater than 50% likelihood that the deferred tax asset will not be fully realized, a valuation allowance is recognized against the deferred tax asset in the amount for which realization is determined to be more unlikely than likely to occur.

Unrecognized Tax Positions. Under current accounting rules, all tax positions adopted are subjected to two levels of evaluation. Initially, a determination is made, based on the technical merits of the position, as to whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes. In conducting this evaluation, management is required to presume that the position will be examined by the appropriate taxing authority possessing full knowledge of all relevant information. The second level of evaluation is the measurement of a tax position that satisfies the more-likely-than-not recognition threshold. This measurement is performed in order to determine the amount of benefit to recognize in the financial statements. The

tax position is measured at the largest amount of benefit that is greater than 50 percent likely to be realized upon ultimate settlement. The Company had no material uncertain tax positions as of March 31, 2012 and December 31, 2011.

Loan Income Recognition. Interest income on loans is recorded using the level yield method. Loan origination fees and certain direct loan origination costs are deferred and amortized as yield adjustments over the contractual loan terms.

Please refer to "Asset Quality - Monitoring and Collection of Delinquent Loans" for a discussion of management's policies for determining whether a loan is maintained on accrual or non-accrual status.

Accounting for Defined Benefit Plans. Defined benefit plans are accounted for in accordance with ASC reference number 715, which requires an employer sponsoring a single employer defined benefit plan to recognize the funded status of such benefit plan in its statements of financial condition, measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation. The Company utilizes the services of trained actuaries employed at an independent benefits plan administration entity in order to assist in measuring the funded status of its defined benefit plans.

Liquidity and Capital Resources

The Board of Directors of the Bank has approved a liquidity policy that it reviews and updates at least annually. Senior management is responsible for implementing the policy. The Bank's Asset-Liability Committee ("ALCO") is responsible for general oversight and strategic implementation of the policy, and management of the appropriate departments are assigned responsibility for implementing any strategies established by ALCO. On a daily basis, senior management receives a current cash position report and one-week forecast to ensure that all short-term obligations are timely satisfied and that adequate liquidity exists to fund future activities. On a monthly basis, reports detailing the Bank's liquidity reserves and forecasted cash flows are presented to both senior management and the Board of Directors. In addition, on a monthly basis, a twelve-month liquidity forecast is presented to ALCO in order to assess potential future liquidity concerns. A forecast of cash flow data for the upcoming 12 months is presented to the Board of Directors on an annual basis.

The Bank's primary sources of funding for its lending and investment activities include deposits, loan and MBS payments, investment security maturities, advances from