ANNUAL REPORT

December 31, 2002

Dime COMMUNITY Bancshares Inc.

Understanding Our Markets.

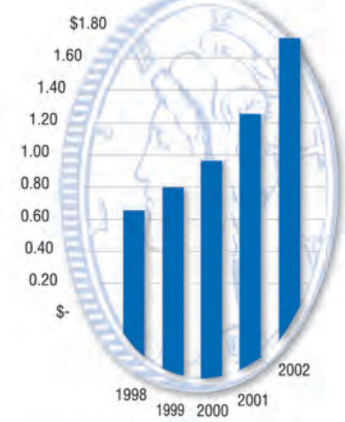
Deepening Our Relationships.

Staying Ahead of the Curve.

HIGHLIGHTS

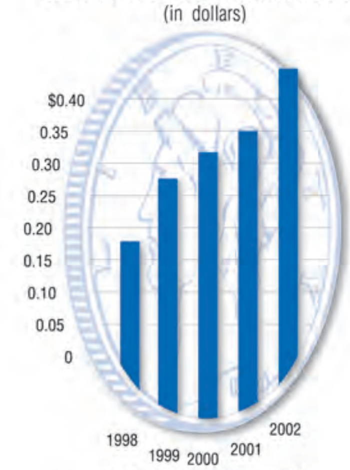
	At or for the 12 Months Ended December 31, 2002	2001	2000	1999	1998
Selected Financial Condition Data:					
Total assets	$2,946,374	$2,779,882	$2,586,684	$2,406,394	$1,829,675
Tangible Assets	2,886,962	2,716,919	2,524,910	2,345,403	1,805,337
Loans, net of allowance for loan losses	2,154,619	2,040,070	1,800,062	1,564,414	1,079,690
Allowance for loan losses	15,458	15,492	15,382	14,689	12,046
Loan originations	716,991	518,935	348,692	519,342	439,653
Investment and mortgage-backed securities	468,341	461,153	548,751	602,741	620,741
Deposits	1,927,175	1,595,362	1,264,664	1,204,781	1,023,992
Borrowings	675,541	872,547	1,016,954	953,170	579,554
Stockholders' equity	265,737	243,917	216,232	211,348	177,443
Tangible Stockholders' equity	206,325	180,954	154,458	150,357	153,105
Selected Operating Data:					
Interest income	$181,914	$185,676	$174,225	$152,515	$116,043
Interest expense	91,790	111,054	108,324	88,865	65,733
Net interest income	90,124	74,622	65,901	63,650	50,310
Provision for losses	240	240	740	240	705
Net interest income after provision for loan losses	89,884	74,382	65,161	63,410	49,605
Non-interest income	19,999	10,323	6,016	9,101	8,655
Non-interest expense	38,696	35,030	33,289	34,622	30,097
Income before income tax	71,187	49,675	37,888	37,889	28,163
Income tax expense	26,565	18,485	14,925	15,720	12,122
Net income	$44,622	$31,190	$22,963	$22,169	$16,041
Financial and Performance Ratios:					
Return on average assets	1.57%	1.15%	0.92%	0.98%	0.99%
Return on average stockholders' equity	17.65	13.69	10.96	10.58	8.80
Stockholders' equity to total assets at end of period	9.02	8.77	8.36	8.78	9.70
Tangible equity to tangible assets at end of period	7.15	6.66	6.12	6.41	8.48
Loans to deposits at end of period	112.60	128.85	143.55	131.07	106.62
Loans to interest-earning assets at end of period	77.85	78.13	74.31	69.48	61.89
Average interest rate spread	2.93	2.46	2.42	2.63	2.68
Net interest margin	3.33	2.91	2.82	2.99	3.23
Non-interest expense to average assets	1.36	1.30	1.34	1.53	1.85
Efficiency ratio	36.49	41.40	45.80	47.63	54.50
Dividend payout ratio	25.00	28.23	35.56	33.75	26.98
Per Share Data:					
Diluted earnings per share	$1.76	$1.24	$0.90	$0.80	$0.63
Cash dividends per share	0.44	0.35	0.32	0.27	0.17
Book value per share	10.36	9.46	8.44	7.54	6.85
Tangible book value per share	8.04	7.01	6.03	5.36	5.92
Asset Quality Ratios and Other Data:					
Total non-performing loans	$2,116	$1,899	$3,950	$2,967	$1,327
Other real estate owned, net	134	179	438	1,180	492
Non-performing loans to total loans	0.10%	0.09%	0.22%	0.19%	0.12%
Non-performing assets to total assets	0.08	0.07	0.17	0.17	0.10
Allowance for Loan Losses to:					
Non-performing loans	730.53%	815.80%	389.42%	495.08%	907.76%
Total loans	0.71	0.75	0.85	0.93	1.10
Regulatory Capital Ratios: (Bank only)					
Tangible capital	7.19%	6.69%	6.01%	5.66%	7.26%
Core capital	7.19	6.69	6.01	5.66	7.26
Risk-based capital	13.17	13.17	12.72	10.73	14.28

EARNINGS PER SHARE
(in dollars)

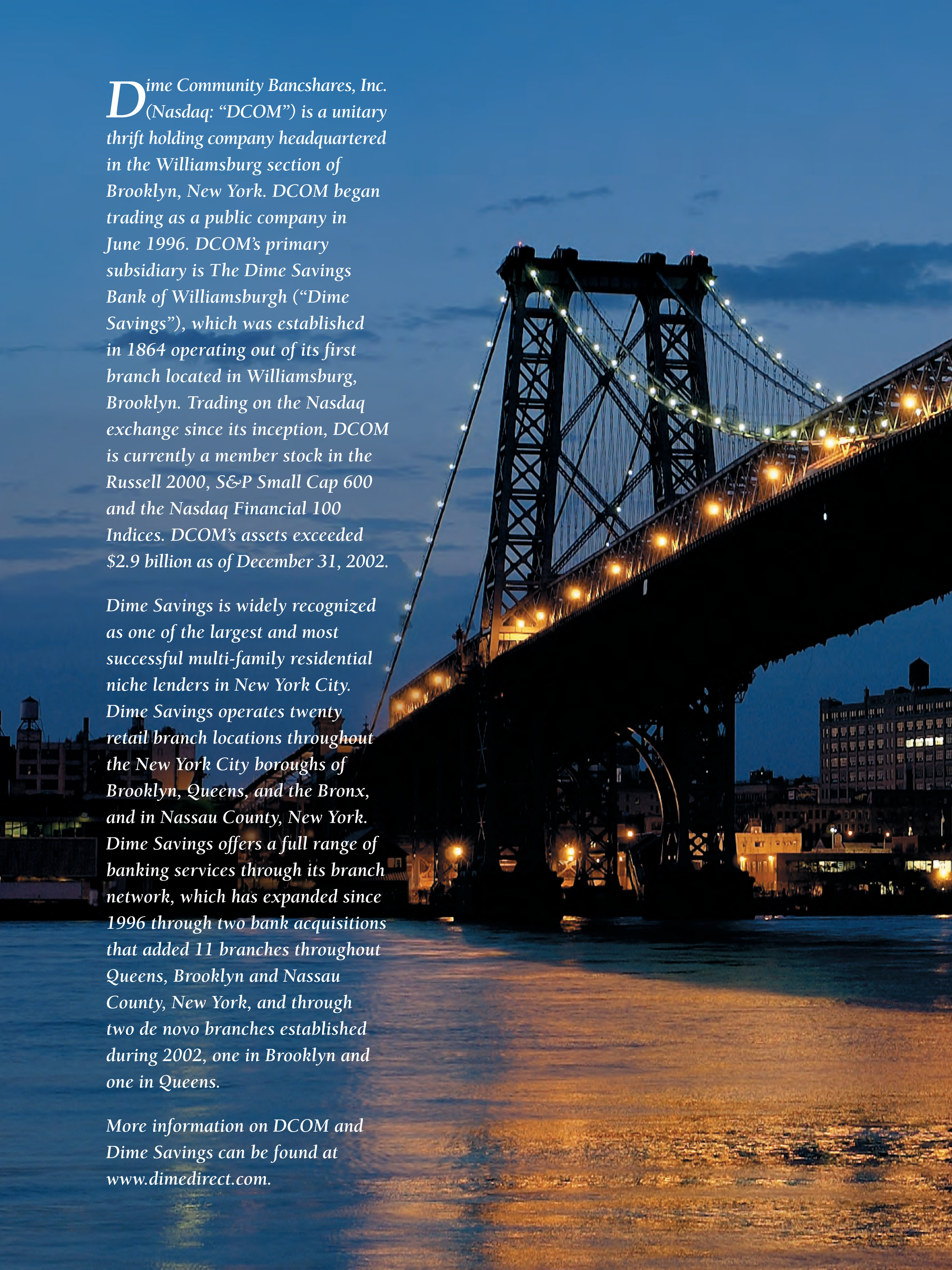


For the Year Ended December 31

CASH DIVIDENDS PER SHARE
(in dollars)



For the Year Ended December 31



Dime Community Bancshares, Inc. (Nasdaq: "DCOM") is a unitary thrift holding company headquartered in the Williamsburg section of Brooklyn, New York. DCOM began trading as a public company in June 1996. DCOM's primary subsidiary is The Dime Savings Bank of Williamsburgh ("Dime Savings"), which was established in 1864 operating out of its first branch located in Williamsburg, Brooklyn. Trading on the Nasdaq exchange since its inception, DCOM is currently a member stock in the Russell 2000, S&P Small Cap 600 and the Nasdaq Financial 100 Indices. DCOM's assets exceeded $2.9 billion as of December 31, 2002.

Dime Savings is widely recognized as one of the largest and most successful multi-family residential niche lenders in New York City. Dime Savings operates twenty retail branch locations throughout the New York City boroughs of Brooklyn, Queens, and the Bronx, and in Nassau County, New York. Dime Savings offers a full range of banking services through its branch network, which has expanded since 1996 through two bank acquisitions that added 11 branches throughout Queens, Brooklyn and Nassau County, New York, and through two de novo branches established during 2002, one in Brooklyn and one in Queens.

More information on DCOM and Dime Savings can be found at www.dimedirect.com.

Old Glory flew proudly over the last of the 2,985-foot suspension cables installed in the final phase of construction of the Williamsburg Bridge in December 1903. Today the very same flag commands a place of honor in Dime Savings' executive offices.

TRANSFER AGENT AND REGISTRAR

Inquiries regarding stockholder administration and services should be directed to:

Mellon Investor Services
Overpeck Centre
85 Challenger Road, Ridgefield Park, NJ 07660

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Two World Financial Center
New York, NY 10281

GENERAL COUNSEL

Conway Farrell Curtin & Kelly, P.C.
63 Wall Street
New York, NY 10005-3001

SPECIAL COUNSEL

Thacher Proffitt & Wood
11 West 42nd Street
New York, NY 10036

INVESTOR RELATIONS

Inquiries regarding Dime Community Bancshares, Inc. should be directed to:

Kenneth A. Ceonzo
Dime Community Bancshares, Inc.
209 Havemeyer Street
Brooklyn, NY 11211
718.782.6200 ext. 8279

ANNUAL MEETING OF SHAREHOLDERS

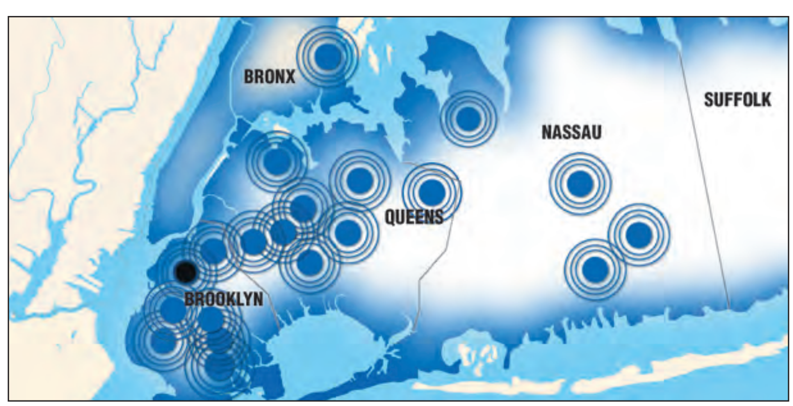
The Company's Annual Meeting of Shareholders will be held at 10 a.m. on May 15, 2003, at Giando on the Water, 400 Kent Avenue, Brooklyn, New York. Holders of common stock as of March 28, 2003 will be eligible to vote.

ANNUAL REPORT ON FORM 10-K

A copy of the Transition Report on Form 10-K for the period July 1, 2002 to December 31, 2002 (without exhibits), which was filed with the Securities and Exchange Commission, is available upon request to:

Investor Relations
209 Havemeyer Street
Brooklyn, NY 11211

BRANCH NETWORK



BRONX
1931 Turnbull Ave., Bronx, NY 10473

BROOKLYN
7524 Third Ave., Brooklyn, NY 11209
1545 86th St., Brooklyn, NY 11228
814 Manhattan Ave., Brooklyn, NY 11222
1902 Kings Hwy., Brooklyn, NY 11229
2172 Coyle St., Brooklyn, NY 11229
1600 Avenue M, Brooklyn, NY 11230
209 Havemeyer St., Brooklyn, NY 11211

NASSAU COUNTY
2412 Jerusalem Ave., Bellmore, NY 11710
1775 Merrick Ave., Merrick, NY 11566
1000 Pt. Washington Blvd., Pt. Washington, NY 11050
622 Old Country Rd., Westbury, NY 11590

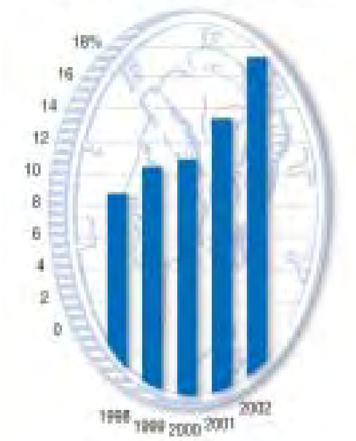
QUEENS
61-38 Springfield Blvd., Bayside, NY 11364
59-23 Main St., Flushing, NY 11355
253-15 Union Tpk., Glen Oaks, NY 11004
176-47 Union Tpk., Flushing, NY 11366
75-23 37th Ave., Jackson Heights, NY 11372
45-14 46th St., Long Island City, NY 11104
42-25 Queens Blvd., Sunnyside, NY 11104
24-44 Francis Lewis Blvd., Whitestone, NY 11357

A MESSAGE TO OUR SHAREHOLDERS

Dear Fellow Shareholders:

This Annual Report marks the official transition of Dime Community Bancshares, Inc.'s ("DCOM") fiscal year-end from June 30th to December 31st. Yet despite a change in fiscal year-end, we continue to focus upon our core business lines: 1) real estate lending, with an emphasis upon multi-family residential loans; and 2) retail banking in the New York City metropolitan area, widely recognized as the largest and most competitive banking market in the nation. This emphasis has generated record financial results in each of DCOM's fiscal periods since its initial fiscal year ended June 30, 1997. The combination of successful multi-family real estate lending and retail banking strategies and emphasis upon prudent asset, liability and capital management as well as operating efficiencies, have placed DCOM's financial measures among the best of its peer group.

5-YEAR RETURN ON AVERAGE STOCKHOLDERS' EQUITY



For the Year Ended December 31

First, looking back at the financial measures for the six-month transition period ended December 31, 2002, we are pleased to report that DCOM's earnings totaled $23.5 million during the period. This represented growth of 34% over the six-month period ended December 31, 2001. On a diluted per-share basis, earnings totaled $0.93 during the six months ended December 31, 2002, an increase of 33% over $0.70 recorded during the six months ended December 31, 2001.

Moving the measurement period back to January 1, 2002, earnings totaled $44.6 million during the twelve months ended December 31, 2002. This represented an increase of 43% over earnings of $31.2 million recorded during the twelve months ended December 31, 2001. On a diluted per-share basis, earnings totaled $1.76 during the twelve months ended December 31, 2002, compared to $1.24 during the twelve months ended December 31, 2001, an increase of 42% year-over-year.

As a result of this performance, DCOM's Board of Directors elected to increase the quarterly cash dividend in July 2002 by 20%, and recently declared an additional increase of 17% in the quarterly cash dividend. The combination of these increases has resulted in a 40% increase in the cash dividend rate from 10 cents per share at June 30, 2002 to 14 cents per share currently. Our quarterly cash dividend rate has now increased 600% since the initial payment of $0.02 per share in June 1997, as adjusted for stock splits.

Favorable Financial Measures

The following table presents significant financial measures achieved by DCOM during both the six months and twelve months ended December 31, 2002:

	At or For the Six Months Ended December 31, 2002	At or For the Twelve Months Ended December 31, 2002
Return on Average Assets	1.57%	1.54%
Return on Average Equity	18.17%	17.65%
Tangible Equity Generated from Operations as a Percentage of Average Tangible Equity	25.34%	25.02%
Allowance for Loan Losses as a Percentage of Nonperforming Loans	730.53%	730.53%
Nonperforming Assets as a Percentage of Total Assets	0.08%	0.08%
Nonperforming Loans as a Percentage of Total Loans	0.10%	0.10%
Efficiency Ratio	36.41%	36.49%
Loans as a Percentage of Deposits at Period-End	112.60%	112.60%

DCOM was included in the FSB 100 List of America's fastest-growing small companies in 2002.

We believe that these measures, when viewed in aggregate, compare favorably to any of our peers. Since our inception as a public company, we have emphasized measured balance sheet growth and a steady growth in earnings. We have always been careful not to over-emphasize one particular financial measure at the expense of others. What you see in the measures shown above is a direct reflection of this philosophy. While many in our peer group may outperform DCOM in one of the above measures, few, if any, outperform DCOM when all of these measures are viewed together.

As we mentioned in our previous report six months ago, our continually improving financial performance resulted in recognition by highly regarded financial and investment reporting indices. DCOM is included in the Russell 2000, Nasdaq Financial 100 and S&P Small Cap 600 Indices. DCOM also continues to be ranked among the Top 20 thrifts nationally in separate peer financial performance surveys conducted by both The American Banker and SNL Securities.

Making Continued Strides in Our Consumer Banking Franchise

We have always taken great pride in being a true community savings bank that offers personal interaction and the highest quality service to our deposit customers. We certainly continued this trend during 2002. During the first six months of the calendar year 2002, we added new retail banking offices in Bay Ridge, Brooklyn and Glen Oaks, Queens. We are proud to say that both branches currently operate profitably, and have gathered $82.5 million in deposits, in aggregate, as of December 31, 2002.

In addition, one of the great successes experienced by DCOM during both the six-month and twelve-month periods ended December 31, 2002 has been the development and strengthening of our Customer Relationship Management ("CRM") database marketing system. The CRM, now fully functional, provides critical data to our marketing program, and has helped us achieve impressive results.

From left to right: Kenneth J. Mahon, Vincent F. Palagiano, and Michael P. Devine, DCOM's senior executives, have over 85 years of combined experience with the Company.

Deposits totaled $1.93 billion at December 31, 2002, and have increased 21% during the 12 months ended December 31, 2002, and 17%, on an annualized basis, during the six months ended December 31, 2002. At December 31, 2002, the average services per household stood at 2.6. This number measured only 2.1 at December 31, 1999, prior to the establishment of the

CRM process. This growth links directly to our successful utilization of the CRM product. At December 31, 2002, average deposits per branch were $96.4 million, up from $88.6 million one year previous. Excluding the two de novo branches established during 2002, our average branch size exceeded $100 million at December 31, 2002. Over half of our branches possessed over $90 million in deposits at December 31, 2002. Also, at December 31, 2002, core (non-CD) deposits comprised 57% of total deposits. This percentage is up from 49% at December 31, 2000.

Lending For the Way New Yorkers Live

Both the six-month and twelve-month periods ended December 31, 2002 saw record levels of loan origination activity. Loan originations totaled $717.0 million during the twelve months ended December 31, 2002, 38% above the levels for the twelve months ended December 31, 2001. With interest rates at historic lows, property owners took advantage of the opportunity to refinance their mortgages. This was certainly true in our niche loan product, multi-family residential buildings.

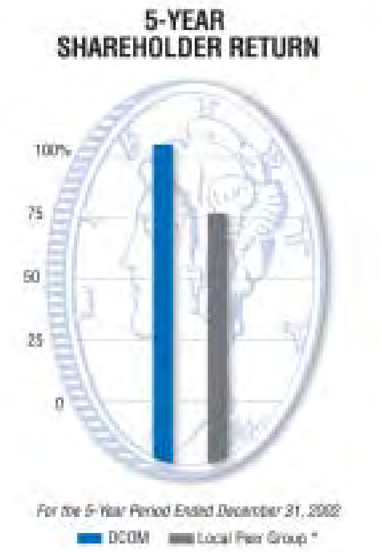
While origination levels were robust, the current market conditions certainly presented challenges. Average interest rates on new multi-family residential loans have been at historic lows. In addition, loan prepayments have run at historically high levels, putting even more pressure upon the average yield of our loan portfolio. However, as a committed multi-family lender, we feel it is essential to continue to meet the demands of our loan market, and to seek ways to keep the newly originated loan assets as nimble as possible in the event that interest rates rise.

Fannie Mae Seller / Servicer Agreement

In December 2002, our subsidiary, The Dime Savings Bank of Williamsburgh ("Dime Savings") entered into a multi-family seller/servicing pact with the Federal National Mortgage Association ("Fannie Mae"). The agreement envisions that Dime Savings will sell at least $200 million of loans to Fannie Mae over the 18-month period ending in May 2004. In December 2002, Dime Savings sold approximately $73.4 million of recently originated loans with an original term of over seven years, completing almost 37% of the initial target. Dime Savings has retained all loan servicing rights, and recorded a pre-tax gain of $2.0 million on this loan sale, adding approximately $0.04 to our diluted earnings per share during both the six-month and twelve-month periods ended December 31, 2002.

We are very excited to partner with Fannie Mae in the New York City multi-family market. This partnership should benefit us with an increase in fee income and less reliance on spread income. This partnership should also provide us additional lending

Vincent F. Palagiano addressing shareholders at the Company's most recent Annual Meeting.



*Component companies as follows: AF, FFIC, GPT, ICBC, NFB, NYB, RSLN and SIB. Average total return calculated as total return for each individual company weighted by the total market capitalization at December 31, 2002.

opportunities within our niche multi-family residential lending market, along with providing us critical asset management flexibility during the current low interest rate environment.

A Look to the Future – “Staying Ahead of the Curve”

While certainly not reflected in the performance of our stock, we generated record financial results during the six-month period ended December 31, 2002. We recognize that our primary challenges are to continue to maintain our profitability, and to outperform our peer group whether the current historic low interest rate environment continues or interest rates rise in the future. We have therefore taken several steps to ensure that DCOM continues to outperform its peer group in the event that either of these circumstances come about.

The primary action that we have undertaken to ensure our success is the continued growth of deposit funding, which we believe will offer average interest costs below that of borrowings in the current interest rate environment and will lag the repricing of alternative sources of funding in the event that interest rates rise. Growing our deposits and expanding our customer base also greatly enhances the value of DCOM’s retail banking franchise. Additionally, we have created the flexibility to sell longer-term loan originations made in the current low interest rate environment to Fannie Mae, while retaining servicing rights and improving non-interest income. Finally, during the six months ended December 31, 2002, we prepaid or restructured \$152.5 million in borrowed funds that had an average interest cost of 6.6% and an average term to next repricing of less than six months, and replaced them with \$132.5 million of new borrowings with an average cost of 3.3% and an average term to next repricing of 5.2 years. We believe that these actions go a long way toward protecting DCOM against either sustained low interest rates or a future increase in interest rates.

On behalf of the Board of Directors, we want to once again thank our dedicated staff for their continued efforts in implementing our proven business plan. Without their efforts, the success we achieved would not have been possible. We look forward to another successful and eventful year in 2003.

Michael P. Devine

Vincent F. Palagiano
Chairman of the Board and
Chief Executive Officer

Michael P. Devine
President and
Chief Operating Officer

REPORT FROM THE CFO

Dear Fellow Shareholder:

Once again, during the six months ended December 31, 2002, DCOM achieved record financial results, maintained superior credit quality and continued to have a sound financial structure.

Our results for the six months ended December 31, 2002 included several notable items: First, as a result of the historic low interest rate environment, we experienced record levels of loan originations and loan prepayments. During the six months ended December 31, 2002, loan originations totaled $426.5 million, up 61% from the six months ended December 31, 2001. While origination levels grew during the period, we also experienced increased loan amortization and prepayment levels during the period. Loan amortization totaled $299.4 million during the six months ended December 31, 2002, up 79% from the six months ended December 31, 2001. During the six months ended December 31, 2002, we received $4.2 million in prepayment fee income, up from $1.4 million during the six months ended December 31, 2001.

Second, we continued our strategy of emphasizing growth in deposit funding. Deposits increased by 17% on an annualized basis during the six months ended December 31, 2002, while borrowed funds decreased by over 10% on an annualized basis during the period. As we have mentioned previously, our successful retail banking strategy has resulted in less dependence upon borrowings for funding our asset growth.

In addition, we also continued our strategy of extending the maturities on our borrowings. During the six months ended December 31, 2002, we prepaid or restructured $152.5 million in Federal Home Loan Bank of New York advances that had an average interest cost of 6.6% and an average term to next repricing of less than six months and replaced them with $132.5 million of new borrowings with an average cost of 3.3% and an average term to next repricing of 5.2 years.

Finally, the Fannie Mae seller/servicer pact which we entered into during December 2002 provides additional flexibility in our overall asset/liability management strategy.

As a result of both our ongoing shift toward deposit funding and our restructuring of borrowings, our net interest margin, excluding borrowing prepayment costs, increased from January 2002 through December 2002. During the six months ended December 31, 2002, the net interest margin, excluding $3.6 million of non-recurring borrowing prepayment costs recorded as interest expense, expanded to 3.68 percent, an increase of 56 basis points from 3.12 percent during the six months ended December 31, 2001.

Finally, DCOM continues to rank as one of the most efficient companies nationally among its peer group. During the six months ended December 31, 2002, DCOM's efficiency ratio approximated 36%. Our emphasis on origination of multi-family residential loans that

2002 Financial Highlights

- *Earnings growth of 43% and EPS growth of 42%.*
- *Growth in core (non-certificate) deposits of 25%.*
- *Loan originations of $717 million.*
- *Growth in tangible equity to approximately 7.1% at December 31, 2002 from 6.7% at December 31, 2001.*
- *A decline in the loan-to-deposit ratio from 129% to 113%.*

Other 2002 Highlights

- *50% stock dividend paid to our shareholders.*
- *26% increase in cash dividend payments over 2001.*
- *23rd consecutive quarterly cash dividend paid in January 2003.*

Kenneth J. Mahon discusses the sound financial fundamentals and future outlook of the Company.

"I didn't realize it while growing up, but the ships built at the Navy Yard played a major role in the history of this country."

possess lower average servicing costs than comparable single-family loans, the tremendous density of our marketplace creating large average branch deposit balances, and our utilization of a targeted database marketing strategy, that helps generate deposit and "share of wallet" growth at reduced administrative costs, continued to help us optimize our operating efficiency.

In addition to the financial results shown above, we increased our quarterly cash dividend by 20% in July 2002. We further increased the quarterly cash dividend by an additional 17% in January 2003.

We also repurchased 382,716 shares of our common stock into treasury during the six months ended December 31, 2002, both expressing our continued confidence in our own stock as an investment, and providing needed support during periods of market weakness. At December 31, 2002, we still had approximately 830,500 shares eligible for future repurchase under our previously authorized stock repurchase program.

As we look to the upcoming years, our continued growth in core deposits, emphasis on deposit growth as our primary source for funding asset growth, and the recent restructuring of a substantial portion of our borrowed funds, give our balance sheet improved insulation from the effects of a possible increase in interest rates.

In addition, by growing our capital ratio over the past few years, we have provided ourselves the flexibility to obtain funding for asset growth in the event that interest rates increase and loan and mortgage-backed securities amortization levels decline.

Management continues to remain vigilant about the possibility and impact of future interest rate actions by the Federal Open Market Committee. We also continue to be focused on maintaining our mortgage loan portfolios outstanding credit quality, controlling costs, and building our banking franchise in order to extend DCOM's track record of growth and progress.

Brooklyn Borough President Marty Markowitz congratulates Mr. Mahon, along with Mr. Devine and Mr. Palagiano at Dime Savings' Bay Ridge grand opening.

Kenneth J. Mahon
Executive Vice President and
Chief Financial Officer

The Dime Savings Bank of Williamsburgh ("Dime Savings") operates a successful banking franchise in the neighborhoods of New York City, the world's financial capital. Our retail banking franchise, founded almost 140 years ago, has been built upon steadfast commitment to our customers and the communities in which they live. Additionally, over the past 30 years, we have built a successful multi-family residential real estate lending franchise that has served the New York City market. Both our retail banking and lending franchises reflect the character of our marketplace.

The dense population surrounding our branches dominates our retail banking landscape. Our primary customers are the local members of the varying ethnic communities that we serve. On average, our retail customer banks "in-store" and utilizes a full array of financial products and services. Today, Dime Savings provides consumer banking services to more than 74,000 households through a network of 20 branches. Our emphasis on service, convenience and the continual addition of new products has enabled us to deepen our relationships with these households.

What allows our Company to outperform our peers in this highly competitive marketplace is our experience, complete understanding of our marketplace and the depth of our relationships with our customers.

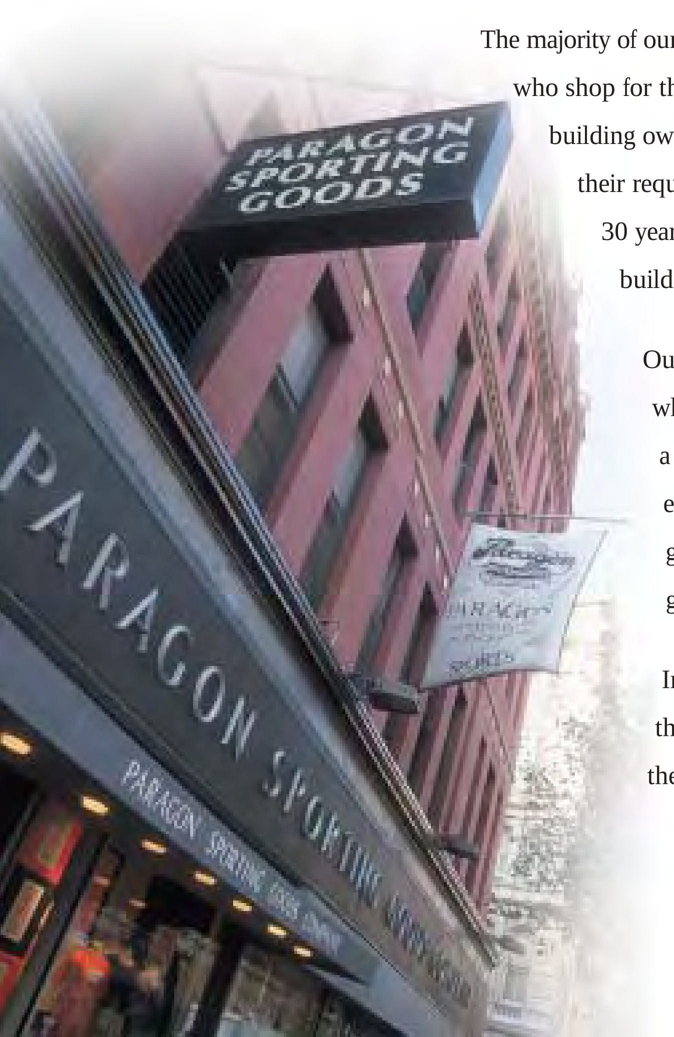
Our multi-family residential lending franchise also reflects the character of our market. In New York City, the majority of our fellow citizens live in apartment units. We continue to serve the needs of apartment building owners who finance both increases and improvements to the stock of apartment units throughout New York City. Today, buildings financed by Dime Savings provide homes to more than 250,000 of our fellow City residents. Many of those same buildings, in turn, are also home to a wide variety of businesses, ranging from restaurants and retailers to dry cleaners, shoe repair shops and national chains. They are the markets and meeting places that define our neighborhoods.

What allows our Company to outperform our peers in this highly competitive marketplace is our experience, complete understanding of our marketplace and the depth of our relationships with our customers. We execute a steady, measured business plan aimed at maximizing our profitability while operating as a niche community bank.

Dime Savings' Senior Vice President Group. From left to right: Michael Pucella, Finance; George Fuller, Systems; Vincent Martucci, Lending; Samuel Fritsky, Marketing; and Timothy King, Chief Investment Officer.

"Whenever I cross this bridge into New York, I always feel a little nostalgic – and I can't wait to cross it again on my way

Dime Savings provides commercial real estate loans on buildings housing countless community-based businesses throughout the New York City metropolitan area.



A Leader in Multi-family Residential Lending

Multi-family lending plays to our strength as a community bank with a strong local presence. Dime Savings leadership in multi-family residential lending has been built by an understanding of the dynamics of the multi-family residential real estate market in New York City. It has also been enhanced by the strong relationships that the members of our lending group have built with both real estate brokers and building owners throughout the local community.

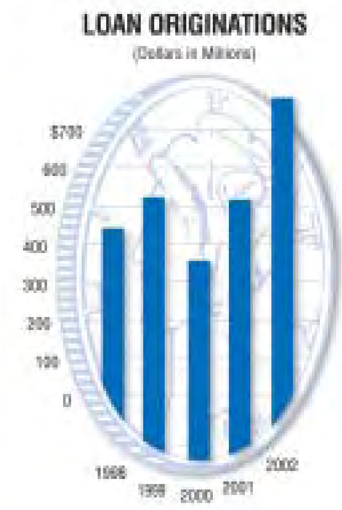
Multi-family residential lending is an attractive niche. These loans typically have lower servicing costs per loan than one- to four-family residential loans, and include built-in prepayment fees. All of this makes them less costly to originate and more resistant to price depreciation throughout the interest rate cycle. The relatively low costs associated with multi-family originations, combined with our focus on controlling costs throughout our operations, has made us one of the most efficient banking companies of our size in the nation.

Rent regulations are another favorable market dynamic and are a major influence in the New York City residential real estate market, where vacancy rates are always low. Approximately 55 percent of all rental units within New York City are subject to rent stabilization, while approximately 70 percent of Dime Savings' multi-family loan portfolio is secured by rent stabilized buildings. Rents in such buildings tend to be within reach of most families, including those with low to moderate incomes. This tends to promote stability in this segment of the market and lower vacancy levels in the event of downturns in the local real estate market.

The majority of our multi-family residential loan agreements are reached through broker intermediaries who shop for the best possible loan on behalf of the building owner. Occasionally, individual building owners will seek financing independently with the Bank, and we gladly respond to their requests. Having actively served our niche multi-family residential market for over 30 years, we recognize how important strong relationships with these brokers and building owners are to our continued success.

Our track record with both the brokerage firms and individual real estate owners to whom we lend has been, and continues to be, solid. What sets Dime Savings apart in a market where rates have become extremely competitive? Customer service. The efficient organization and execution of our underwriting process allows us to both generate rapid commitment offers to our prospective borrowers, and, subsequently generate timely turnaround in bringing accepted commitment offers to close.

In addition, as established business people in our local community, we recognize the importance of integrity. Our underwriters have an established reputation with their customers for honoring the terms of their initial commitment offer.



During the twelve months ended December 31, 2002, total loan originations were a record $717 million and represented 35 percent of the beginning loan portfolio. Multi-family residential and commercial real estate loans were well over 90 percent of calendar 2002 originations. The average size of our multi-family and commercial real estate loans approximates $1.4 million.

At Dime Savings, we believe that our underwriting standards are the cornerstone of our loan portfolio. Our stringent lending policies and procedures are based upon a frequent re-evaluation of economic conditions, trends and other factors that could impact real estate values. Our property valuation methodologies have been an effective tool in mitigating risk from changing real estate prices.

The best measure of our success has been the fact that the majority of our lending continues to come from existing customers.

The best measure of our success has been, and continues to be, the fact that the majority of our lending continues to come from existing customers.

The outstanding credit quality maintained by Dime Savings reflects our strong underwriting standards. Non-performing loans at December 31, 2002 were $2.1 million, or one-tenth of one percent of total loans. Non-performing assets remained at or below one-tenth of one percent of total assets throughout all of the calendar year 2002.

Multi-family residential buildings are Dime Savings' primary loan product, and relationships drive this successful lending niche.

In December 2002, Dime Savings entered into a multi-family seller/servicing pact with Fannie Mae. The agreement envisions that Dime Savings will sell at least $200 million of loans to Fannie Mae over the 18-month period ending in May 2004.

In December 2002, Dime Savings sold approximately $73.4 million of recently originated loans with an original term of over seven years, completing almost 37% of the initial target.

The partnership with Fannie Mae should provide Dime Savings additional lending opportunities within our niche multi-family residential lending market, helping us maintain our leadership position. The partnership will additionally provide critical asset management flexibility to Dime Savings during the current low interest rate environment. Finally, the partnership with Fannie Mae should provide Dime Savings with increased fee income and less reliance on spread income.

We truly believe that the combination of our proven niche lending expertise, our deep relationships with our lending customers (both brokers and building owners), and the benefits derived from our newly formed Fannie Mae partnership should continue to help position DCOM ahead of its peers in future performance.

" Family is the number-one priority in our neighbor-hood. Everyone looks out for everybody else, and our

Retail Banking

Dime Savings successfully serves the consumer banking needs of the people in our communities, who want and expect the right mix of products, high-quality service and convenience.

The neighborhoods that Dime Savings serves truly represent a cross section of the world's racial, ethnic and cultural groups. As a result, our markets are not one contiguous market, but many individual markets with different dynamics and needs. Success in serving our markets depends on much more than simply having a variety of products and services or having advanced technological tools. It requires a "non-commoditized" delivery mechanism to ensure that the products meet the diverse needs of our customers.

Relationship Bankers Edizon Pinos-Pinos and Ana Garcia review product alternatives with a customer at the Jackson Heights branch.

A critical element in advancing our overall retail banking strategy is our Customer Relationship Management ("CRM") system. The sophisticated CRM system is a versatile tool that helps us communicate with customers through any channel they prefer. The system is able to identify not only the products that will likely appeal to a customer, but whether they generally bank by ATM and telephone, the Internet, or in person at the branch. Through CRM, we can more effectively and efficiently target our marketing efforts. Our marketing outreach now includes email and direct mail as well as more traditional referrals made at the teller window. Because of the diversity of the people in our market and the population density surrounding our retail banking offices, it is imperative that we implement cost-effective ways to market the Bank's services to our "in-store" customers. CRM has proven to be a tremendous resource in this effort.

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Flushing Branch Manager Sylvia Duval answers questions from an "in-store" customer on Dime Savings' various products and services.

Dime Savings is both happy and proud to thank the customers of its many ethnic communities in their native language.

The inception-to-date results from the CRM system have been extremely encouraging. Recently, we were honored that the successful application of the CRM system was recognized by an analytical marketing services leader, which awarded Dime Savings its first-ever Innovator Award.

As important as the CRM tool has been and will continue to be to our future success, it only leverages the critical strengths of our retail banking franchise: 1) the dedicated service of our staff to their customers and local communities; and 2) the favorable mixture of products and services offered to our customers.

Our dedicated staff, the majority of whom live within the communities in which they serve, make every effort to both foster and further the spirit of all of the communities that Dime Savings serves. We truly understand our market because we interact regularly with our customers, and listen to what they want. As a result, we are able to utilize this knowledge base to develop the right products and services to meet their needs.

Our Deposit Market:
Kings, Queens, Nassau and Bronx Counties in New York*
- *Total population: 7.4 million.*
- *Approximately 40% of the total population of New York State.*
- *Total population of the four counties is larger than 38 of the remaining 49 States in the United States.*
- *Brooklyn, Bronx and Queens rank second, third and fourth respectively in county population density in all of the U.S. (Manhattan ranks first). Nassau County ranks in the top 20.*
- *The median annual income in Nassau County is approximately $72,000. This is more than 25% higher than the state with the highest median annual income in the U.S.*
- *Over one-third of the total population in these four counties is foreign born (46% in Queens — our largest deposit borough, and 38% in Brooklyn).*
- *The Asian population in Queens County alone is 636,000. This is larger than any state's total Asian population except California.*

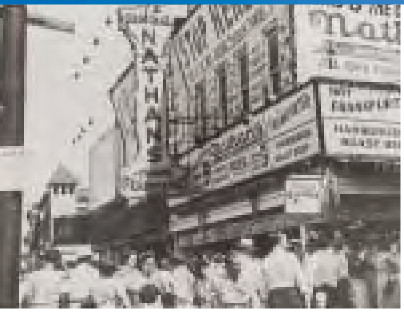
Our Lending Market:
- *There are over three million housing units in New York City.*
- *80% of the total housing units are located in Manhattan, Brooklyn, and Queens (75% of Dime Savings loans are on properties in these three boroughs).*
- *68% of total housing units are rental units.*
- *75% of rental units (approximately 1.5 million) are located in buildings with five or more rental units.*
- *4.8 million occupants live in rental units.*
- *Manhattan, Queens and Brooklyn house 80% of New York City's rental population.*
- *55% of rental units are rent-stabilized or rent-controlled.*

Rent-controlled and Rent-stabilized Units:
- *97 percent have been rent-controlled/stabilized since 1969.*
- *75 percent have been rent-controlled/stabilized since 1947.*

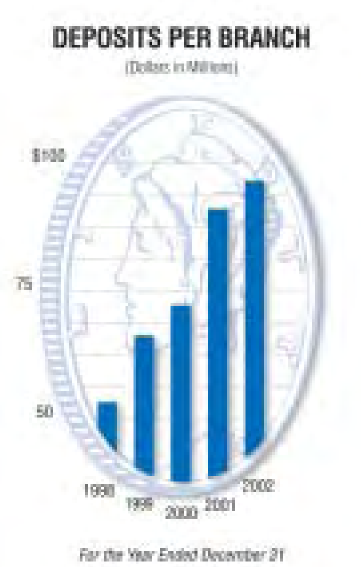
Sources: U.S. Census Bureau — New York City Housing and Vacancy Survey - 1999
** Kings County represents the New York City borough of Brooklyn.*

We are able to utilize the knowledge base of our Relationship Bankers who interact regularly with our customers to develop the right products and services to meet our customers' needs.

Our Relationship Bankers always take the time to review our products and services with our customers.



"Nathan's in Coney Island became more than a destination; it was a way of life."



In addition, over the past few years, we have introduced a package of products and services aimed at deepening our relationship with our customers.

Our MasterCard® debit card, launched in 2001, has more than 31,000 active users, up from 18,000 two years ago.

Internet Banking, launched in July 2001, has grown to 4,600 users as of December 31, 2002, of which 400, or 9%, utilize the online bill payment service.

Total Automated Banking Service ("TABS") has increasingly been accessed by customers, as they seek 24/7 access to their banking information. Besides providing convenience to banking customers, TABS also is cost-effective for us, as routine inquires such as balance inquiries and checks cashed are satisfied without the overhead cost of a relationship manager.

Effective direct marketing distinguished Dime Savings as a respected innovator in reaching target customers.

We have introduced a package of products and services aimed at deepening our relationship with our customers.

Regional Manager Dorene Finnegan (left) visits with a small-business owner in Glen Oaks.

The new products and services we have offered consumers have clearly prospered over the past few years, and we will continue to add new products and services to our customers as the market dictates.

The success of our retail banking strategy has truly been reflected in our results. We continue to gain "share of wallet" (the percentage of the total deposit funds of our customers). In addition, we continue to see growth in the number of bank services and

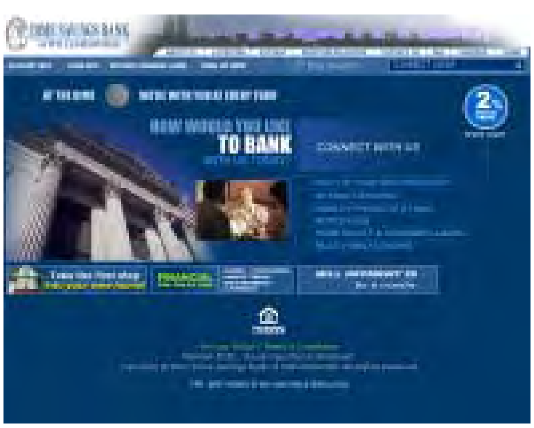
We're outpacing our peers in retail deposit growth.

accounts utilized by households. Two years ago, our cross-sell ratio was 2.4. By December 31, 2002, it had risen to 2.6, moving closer to our target of 3.0. All of these metrics reflect success in deepening relationships, and we believe that deeper relationships build customer loyalty and improve customer retention.

Continuity and creativity are evident throughout Dime Savings product and service offerings.

We're outpacing our peers in retail deposit growth. During the calendar year 2002, total branch deposits rose nearly 21 percent to $1.93 billion and core (non-certificate) deposits grew 25 percent. Over the past two years, average branch deposits have increased 37 percent to $96.4 million. Two new branches opened during 2002 have also exceeded our expectations. By December 31, 2002, the combined deposits of the Bay Ridge and Glen Oaks branches exceeded $80 million and both operated well above their respective profitability levels.

Growth in retail deposits is significant because it represents a significant source of low-cost funding for Dime Savings' lending activities, which



Dime Savings' interactive and informative Internet site brings community banking to everyone's home or office computer.

DimeDirect's Allen Grosser reviews results of database direct marketing.

" In many respects this was the heart of Brooklyn. Whatever took place in the rest of the world seemed insignificant, as long

enhances our net interest margins. Retail deposits are also expected to help insulate our overall interest costs in the event that interest rates rise.

We're always proud to be a part of the team, as evidenced by our sponsorship of community basketball tournaments.

As we look to the future, we remain focused on steadily expanding our consumer banking franchise. In order to achieve this goal, we will continue to do the very same things that have made us successful over the past few years, which are to: maintain deep ties with our communities and customers; develop and implement marketing campaigns aimed at gathering retail deposits; maximize the potential of our CRM system; continue our branch renovation program, launched during 2002; and add new product offerings and services to meet the changing needs of our customers.

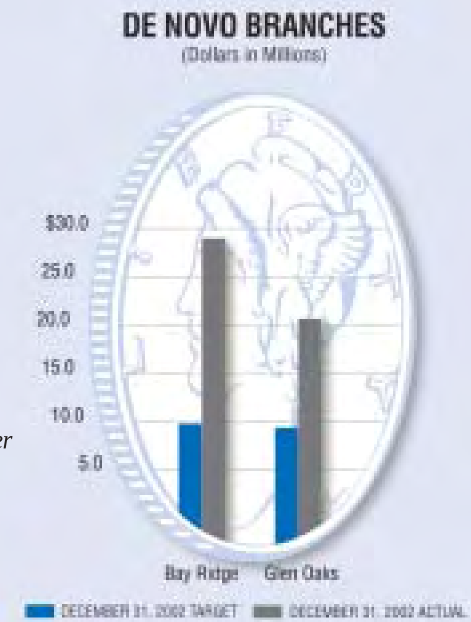
Relationship Banker Gerie Fairfull (left) and Branch Manager Jean-Marie Augugliaro contribute to the community spirit of the Annual Merrick Street Fair.

Growth in retail deposits is important because it represents a significant source of low-cost funding for Dime Savings' lending activities.

Glen Oaks and Bay Ridge both exceed growth expectations.

Having implemented a focused and highly effective retail banking strategy, we recently opened two de novo branches in Bay Ridge (Brooklyn), and Glen Oaks (Queens). The Bay Ridge branch represents a market extension of our Brooklyn branch network, complementing our Bensonhurst, Brooklyn branch approximately two miles away. The Glen Oaks branch is also situated strategically between our Bayside, Queens, and Port Washington (Nassau County) branch locations.

Our "start-up" costs associated with the two branch locations indicated that the Bay Ridge branch would reach profitability at the $20.0 million deposit level, and the Glen Oaks branch would reach profitability at the $27.5 million deposit level. Our initial forecasts anticipated that we would meet these targets approximately six months after opening. However, Bay Ridge met its deposit profitability target within three months of opening, and Glen Oaks met its deposit profitability target within two months of opening. Further, both branches continue to enjoy impressive growth trends.



Our community spirit was certainly alive at the Grand Opening of the Glen Oaks branch — and to a future depositor enjoying the festivities.

Most importantly, the two de novo branches provided us further opportunities to serve our retail banking communities. As a result, we did far more than simply open two new branches in two new neighborhoods. Instead, we welcomed ourselves into our new communities, inviting all to participate in our Grand Opening celebrations, and immediately establishing ourselves as a true community bank. We are most grateful to our dedicated staff that helped generate these successes. We hope to establish additional de novo branches as favorable opportunities arise, as we continually seek opportunities to serve our retail banking communities.

Marketing Manager Elizabeth Wrenn (center) and Branch Manager Robert Maisonet (far right) lend support to a community event.

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Stanley Meisels
Stockbroker with Ryan Beck & Co. and
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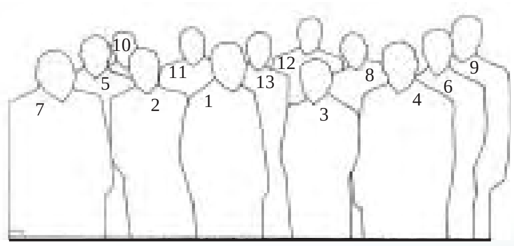

1. Vincent F. Palagiano
2. Michael P. Devine
3. Kenneth J. Mahon
4. Stanley Meisels
5. Joseph H. Farrell
6. Steven D. Cohn
7. Anthony Bergamo
8. Louis V. Varone
9. George L. Clark, Jr.
10. Malcolm T. Kitson
11. Patrick E. Curtin
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13. John J. Flynn

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