DIME COMMUNITY BANCSHARES, INC.

209 HAVEMEYER STREET • BROOKLYN, NY 11211 • www.dimedirect.com

DIME COMMUNITY BANCSHARES, INC.

2003 ANNUAL REPORT

REACHING CUSTOMERS • BUILDING RELATIONSHIPS

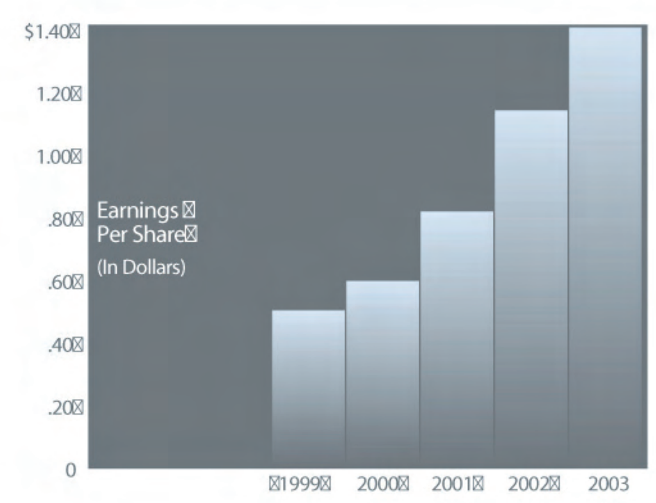
Dime Community Bancshares, Inc. (Nasdaq: "DCOM") is a unitary thrift holding company headquartered in the Williamsburg section of Brooklyn, New York. DCOM began trading as a public company in June 1996. DCOM's primary subsidiary is The Dime Savings Bank of Williamsburgh ("Dime Savings"), which was established 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, 2003.

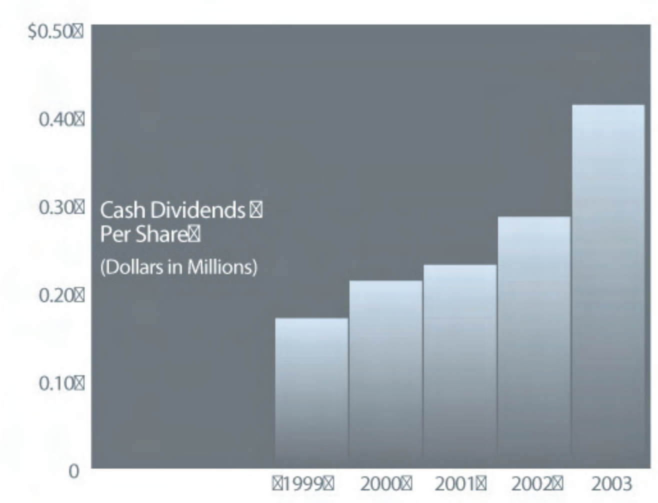
Dime Savings is widely recognized as one of the largest and most successful multi-family residential niche lenders in New York City, providing a full range of banking services through a network of 20 branches located throughout the boroughs of Brooklyn, Queens and The Bronx, and in Nassau County, New York.

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

At or for the 12 Months Ended December 31,	2003	2002	2001	2000	1999
Selected Financial Condition Data:					
Total assets	$2,971,661	$2,946,374	$2,779,882	$2,586,684	$2,406,394
Loans, net of allowance for loan losses	2,177,623	2,154,619	2,040,070	1,800,062	1,564,414
Allowance for loan losses	15,018	15,458	15,492	15,382	14,689
Loan originations	1,104,071	716,991	518,935	348,692	519,342
Deposits	2,041,678	1,927,175	1,595,362	1,264,664	1,204,781
Stockholders' equity	283,919	265,737	243,917	216,232	211,348
Tangible Stockholders' equity	228,026	206,325	180,954	154,458	150,357
Selected Operating Data:					
Interest income	$169,115	$181,914	$185,676	$174,225	$152,515
Interest expense	71,063	91,790	111,054	108,324	88,865
Net interest income	98,052	90,124	74,622	65,901	63,650
Provision for losses	288	240	240	740	240
Net interest income after provision for loan losses	97,764	89,884	74,382	65,161	63,410
Non-interest income	25,122	19,999	10,323	6,016	9,101
Non-interest expense	40,809	38,696	35,030	33,289	34,622
Income before income tax	82,077	71,187	49,675	37,888	37,889
Income tax expense	30,801	26,565	18,485	14,925	15,720
Net income	51,276	$44,622	$31,190	$22,963	$22,169
Financial and Performance Ratios:					
Return on average assets	1.67	1.57%	1.15%	0.92%	0.98%
Return on average stockholders' equity	18.76	17.65	13.69	10.96	10.58
Stockholders' equity to total assets at end of period	9.55	9.02	8.77	8.36	8.78
Loans to deposits at end of period	107.39	112.60	128.85	143.55	131.07
Loans to interest-earning assets at end of period	77.89	77.85	78.13	74.31	69.48
Average interest rate spread	3.08	2.93	2.46	2.42	2.63
Net interest margin	3.36	3.33	2.91	2.82	2.99
Non-interest expense to average assets	1.33	1.36	1.30	1.34	1.53
Efficiency ratio	33.05	36.49	41.40	45.80	47.63
Dividend payout ratio	30.10	25.00	28.23	35.56	33.75
Per Share Data*:					
Diluted earnings per share	$1.37	$1.17	$0.83	$0.60	$0.53
Cash dividends per share	0.41	0.29	0.23	0.21	0.18
Book value per share	7.45	6.91	6.31	5.63	5.03
Tangible book value per share	5.98	5.36	4.67	4.02	3.57
Asset Quality Ratios and Other Data:					
Total non-performing loans	$525	$2,116	$1,899	$3,950	$2,967
Other real estate owned, net	—	134	179	438	1,180
Non-performing loans to total loans	0.02%	0.10%	0.09%	0.22%	0.19%
Non-performing assets to total assets	0.02	0.08	0.07	0.17	0.17
Allowance for Loan Losses to:					
Non-performing loans	2,860.57%	730.53%	815.80%	389.42%	495.08%
Total loans	0.68	0.71	0.75	0.85	0.93
Regulatory Capital Ratios: (Bank only)					
Tangible capital	7.97%	7.19%	6.69%	6.01%	5.66%
Risk-based capital	15.03	13.17	13.17	12.72	10.73

* All per share data has been adjusted to reflect the 3-for-2 stock split effective on March 16, 2004.





A MESSAGE TO OUR SHAREHOLDERS

Dear Fellow Shareholder:

The year ended December 31, 2003 saw Dime Community Bancshares, Inc. ("DCOM") receive increased market recognition and achieve several impressive accomplishments. In 2003, DCOM was ranked second in the SNL Securities 2003 annual report of top performing U.S. thrifts. In addition, during 2003, Dime continued its multi-year string of solid financial performance, hitting record highs in loan originations and total deposits.

As in previous years, DCOM's successful financial performance during the year ended December 31, 2003, was achieved through the steady, consistent execution of a proven business plan.

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

The year ended December 31, 2003, featured significant growth and development of our core business lines: multi-family lending and community retail banking. These business lines have historically served as, and continued to serve as the foundation for our success as a community savings bank.

Generating Shareholder Value

DCOM's earnings totaled a record $51.3 million during the year ended 2003, representing an increase of 15% over the comparable 12-month period of 2002. Diluted earnings per share were up 17% during the same comparative period from $1.17 to another record $1.37. Our book value per share grew to approximately 7 1/2 dollars at the end of 2003, with tangible book value per share approximating $6. All per-share amounts reflect our recent three-for-two stock split effective March 16, 2004.

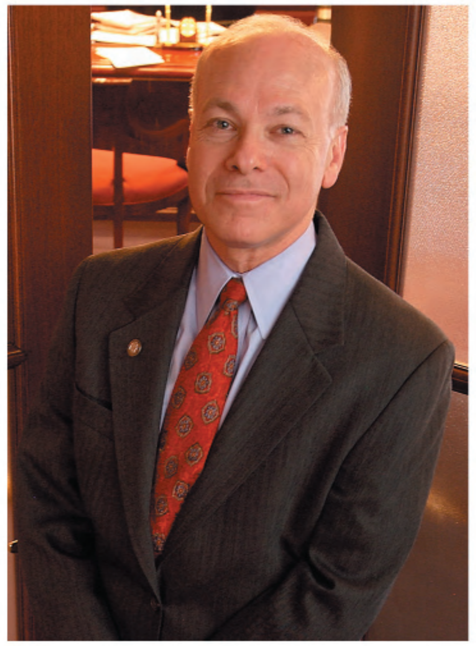
As a result of this performance, DCOM's Board of Directors elected to increase the quarterly cash dividend in July 2003 by 21%, and recently declared an additional increase of 18% in the quarterly cash dividend. The combination of these increases has resulted in a 43% increase in the cash dividend rate from 9 cents per share at January 1, 2003 to 13 cents per share currently. Our quarterly cash dividend rate has now increased 1,200% since the initial payment of $0.01 per share in June 1997, as adjusted for stock splits.

As previously mentioned, we recently completed our third 3-for-2 stock split effective on March 16, 2004, paid in the form of a 50% stock dividend to our shareholders. This is our third such dividend paid in the last three years.

During the year ended December 31, 2003, the historic low interest rate environment continued, creating a challenge to our ability to earn a positive spread between our new loans and their related sources of funding. We were able to successfully meet this challenge. When excluding the effects of prepayment expenses incurred during 2003, our net interest spread exceeded 3% and our net interest margin approximated 3.5% during 2003, similar to the levels achieved during 2002.

An Established Niche Multi-Family Lender

We continued to maintain our presence as a niche multi-family lender to residential apartment and mixed-use buildings throughout the New York metropolitan area. Our typical niche loan continued to average between one and five million dollars, and continued to be secured primarily by apartment buildings, mostly located in the New York City boroughs of Manhattan, Brooklyn and Queens.

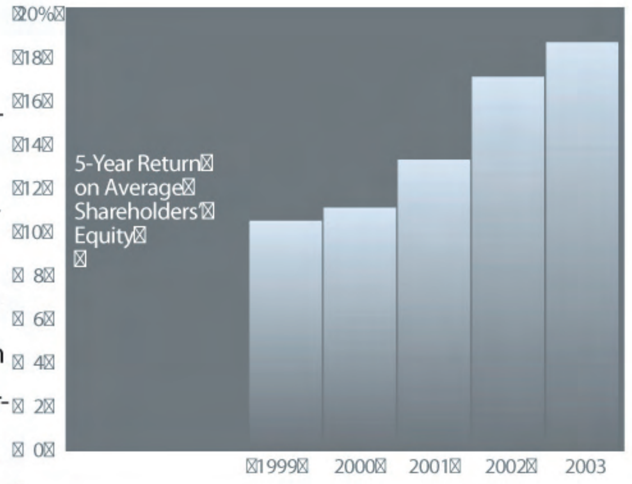


Michael P. Devine
President and
Chief Operating Officer

Total loan originations exceeded $1.1 billion during 2003, far eclipsing the record level of $717 million achieved in 2002. The origination rates offered during 2003 reached historic lows, and we did experience a significant level of prepayments and refinances within our existing loan portfolio. However, altogether, we managed to generate a record level of originations at rates adequately above our cost of funding, and successfully grow earnings through our origination volume. In addition, we were able to capitalize on one of the real strengths of our position as a leading multi-family lender — growth in prepayment fee income that is generated during periods of high loan refinancing activity.

As we mention almost every year, one of the main components of our overall business strategy is our emphasis upon measured balance sheet growth in order to achieve steady growth in earnings. Holding to this strategy during 2003 proved difficult, as the reduced yield on new loan originations, and the high level of cash flows generated from loan prepayments and satisfactions highlighted the importance of increased loan origination volumes. Despite the challenge, we believe that we remained consistent with our core philosophy in 2003. We could have originated a higher volume of loans had we desired. However, we believed, and continue to believe, that it would have been imprudent to overload our balance sheet, at a time of historically low interest rates, with assets that did not reprice within 5 years. As a result, we restrained our 2003 loan originations to levels that we considered to be prudent given the interest rate environment that prevailed during 2003. We believe that this action will benefit Dime's shareholders greatly in the long term.

We have also been fortunate over the past year to have developed a multi-family seller/servicer relationship with Fannie Mae, the largest residential lender in the country. Through this relationship, we have the added flexibility to originate a loan with a new or existing multi-family borrower, and sell the loan to Fannie Mae if the interest rate terms on the loan do not meet our interest rate management objectives. During 2003, we sold over $80 million of newly or recently originated multi-family loans to Fannie Mae, all with interest rates that did not reprice for at least seven years at the time of origination.



A Growing Community Retail Banking Franchise

Deposits continued to grow during 2003, surpassing the $2 billion level at December 31, 2003, and now representing an average branch size in excess of $100 million. Of our twenty retail banking branch offices, ten now have deposit balances exceeding $100 million.

Since our business philosophy during 2003 continued to be one of measured growth, the record level of cash flows generated by prepayments on our loans and mortgage-backed securities reduced our need for new deposit dollars.

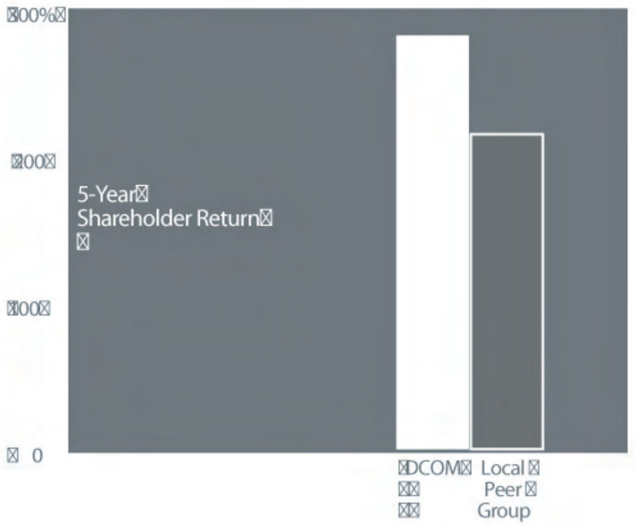
Despite this, we still grew deposits by over $100 million during 2003, with all of this growth experienced in core (non-certificate of deposit) accounts. Through this growth, we were able to help fund our loan originations, and to help retire $104 million of borrowed funds.

As we have mentioned in previous years, we recognize the importance of gathering core deposits. We truly believe that if interest rates were to increase in the near future, these deposits will reprice slower than either certificates of deposit or short-term borrowed funds. Should our belief hold true, it will both favorably impact our earnings and will allow us to remain competitive in our niche multi-family lending product.

The primary focus of our retail deposit growth strategy has continued to be money market and checking accounts. As in previous years, we have utilized a branch network system that provides personal interaction with our customer base, a sophisticated customer product tracking system, and a focused direct mail marketing program in order to achieve great success in growing both deposit balances and services utilized by depositor households.

We are pleased to see how our retail banking franchise continues to grow and evolve, providing us with a reliable source of low-cost, stable funds. In addition, we recognize that our overall target deposit market provides us plenty of opportunity for future growth.

Highly Efficient Operations and Low-Risk Loan Portfolio



As has been the case since we became a public company in 1996, our efficiency ratio has placed among the most favorable in the country. During 2003, our efficiency ratio approximated 33%, driven by the lower average cost of originating and servicing our multi-family loans compared to the average costs that would have been required to originate and service the same dollar volume of one- to four-family loans, and the high average level of deposit balances in our retail banking branch offices.

In addition, our conservative lending philosophy has continued to produce a historically low level of problem assets. At December 31, 2003, our non-performing assets were just two basis points of total assets, and remained below five basis points of total assets during most of 2003. We have always placed great importance upon originating high-quality loans for our portfolio. We have also been favorably impacted by both the overall stability and ongoing regulation of apartment rentals throughout the New York metropolitan area.

In summary, we believe that we operate a unique thrift franchise that offers great potential for our investors. 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 2004.

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

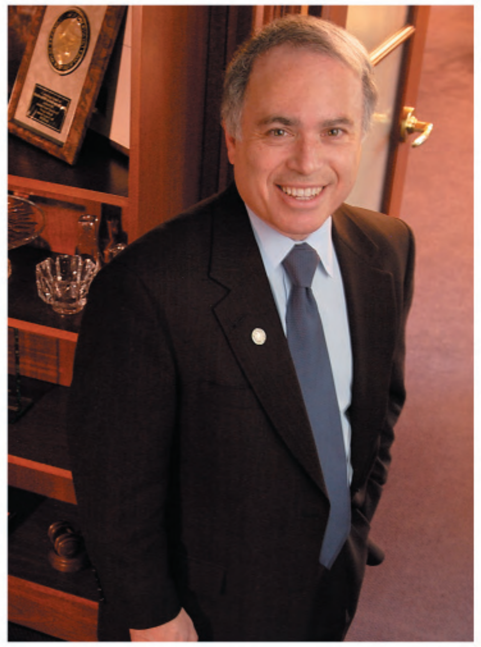
Michael P. Devine
President and
Chief Operating Officer

From left to right:
Kenneth J. Mahon,
Michael P. Devine, and
Vincent F. Palagiano

REPORT FROM THE CFO

Dear Fellow Shareholder:

Once again, during the year ended December 31, 2003, DCOM achieved record financial results, maintained superior credit quality and continued to have a sound financial structure.



Kenneth J. Mahon
Executive Vice President and
Chief Financial Officer

Our results for fiscal 2003 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 year ended December 31, 2003, loan originations totaled $1.1 billion, up 54% from the year ended December 31, 2002. While origination levels grew during the period, we also experienced increased loan amortization and prepayment levels during the period. Loan amortization totaled $976.2 million during the year ended December 31, 2003, up 86% from the year ended December 31, 2002. During the year ended December 31, 2003, we received $15.4 million in prepayment fee income, up from $7.4 million during the year ended December 31, 2002.

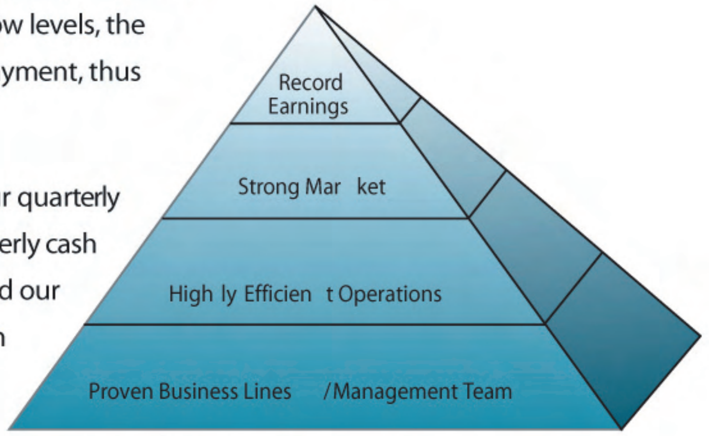
In addition, during 2003, we completed a balance sheet restructuring which reduced earnings per share by 9 1/2 cents. In this balance sheet restructuring, over $87 million in low-yielding assets and $82 million of higher-costing debt were removed from the balance sheet. There was a negative cost of carry of about 300 basis points on those assets and liabilities and the transaction will be accretive to net interest margin by 13 basis points in 2004. For the past 2 years as rates trended down, we've had a practice of restructuring our borrowings with prepayment fees. It's an appropriate use of the unexpected prepayment fee income we've been receiving, benefitting future periods.

We also continued our strategy of emphasizing growth in deposit funding. Total deposits increased by 6% during the year ended December 31, 2003, with core (non-CD) deposits increasing by 13% during this period. Borrowed funds decreased by 16% during 2003. Over the past few years, we have capitalized on a successful retail banking strategy in order to reduce our dependence upon borrowings for funding our asset growth. This has significantly helped us reduce our overall cost of funding over the same period.

In 2003, we also sold $89.8 million of multi-family residential loans with an original term of over seven years to Fannie Mae under the seller-servicing program established in December 2002. The Bank recorded a pre-tax gain of $1.3 million on these loan sales during 2003. The Fannie Mae seller/servicer pact continues to provide additional flexibility in our overall asset/liability management strategy.

DCOM continued to rank as one of the most efficient companies nationally among its peer group during 2003. During 2003, DCOM's efficiency ratio approximated 33%. Our emphasis on origination of multi-family residential loans that 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 maximize our operating efficiency.

As a result of both continued loan prepayment and refinancing activities and a competitive lending environment, the net interest margin came under pressure during 2003. For the year ended December 31, 2003, the net interest margin, excluding interest expense associated with borrowing prepayments, was 3.52%, down from 3.62% during the year ended December 31, 2002. As interest rates continue at or near historic low levels, the Company's real estate loans continue to remain vulnerable to prepayment, thus further threatening to reduce the net interest margin.



The pyramid above illustrates the successful components of our business model that converge to build record results.

In addition to the financial results discussed above, we increased our quarterly cash dividend by 21% in July 2003. We further increased the quarterly cash dividend by an additional 18% in January 2004. We also completed our third stock dividend having the effect of a three-for-two stock split on March 16, 2004.

We also repurchased 1,612,500 shares of our common stock into treasury during 2003, both expressing our continued confidence in our own stock as an investment, and providing needed support during periods of market weakness. At December 31, 2003, we still had approximately 1.0 million 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 portfolio's outstanding credit quality, controlling costs, and building our banking franchise in order to extend DCOM's track record of growth and progress.

The Dime Savings Bank of Williamsburgh ("Dime Savings"), founded over 140 years ago in Brooklyn, New York, has provided stability, strength and recognition throughout the local neighborhoods comprising the New York metropolitan area.

Our financial success has risen from two solid business foundations: community retail banking and multi-family residential lending. By successfully implementing and integrating these two lines of business, we have been able to build customer relationships in the various communities throughout the New York metropolitan area, and have established our company as a unique and powerful community bank.

The celebration marking the Centennial of the Williamsburg Bridge in June 2003 was an auspicious occasion. New York City Mayor Michael R. Bloomberg (seated) addressed the attendees, along with Dime Savings' Michael P. Devine, and a host of invited dignitaries. Dime Savings took a leading role in sponsoring the event.

Our approach has been steady and solid, and now has seven years of consecutive record operating results to prove its effectiveness. We gather deposits through an integrated and efficient customer service and targeted marketing approach, and we invest primarily in stable, conservative, multi-family residential building loans throughout the New York metropolitan area.

And while we are extremely proud of our growth and success to date as a Company, we recognize that our future potential continues to be solid. Our business foundation is solid and we will continually strive to position our company for great success in the future. In doing so, we believe we will continue to maximize the value of the investment in Dime by its shareholders.

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.

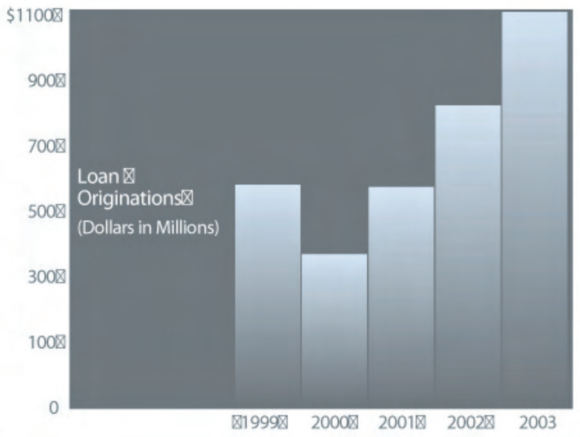
Community banking from Dime Savings builds solid neighborhoods.

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 pre-payment 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 that prevail in the New York City market help keep vacancy rates low, and thus favorably impact the quality and stability of our multi-family residential loans. Approximately 55 percent of all rental units within New York City are subject to rent stabilization, and approximately 70 percent of Dime Savings' multi-family loan portfolio are secured by rent stabilized buildings. Rents in such buildings tend to be within reach of most families, including those with low to moderate incomes.

The majority of our multi-family residential loan agreements are reached through real estate 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.

Multi-family residential lending forms a significant part of the foundation of Dime Savings' success in the New York region. Terence McCardle, Assistant Vice President, and our entire lending group, help add a personal touch to our multi-family origination process.



Our track record with both mortgage brokers and individual real estate owners whom we lend to has been, and continues to be, solid. Our commitment to customer service has helped us maintain continued share of market at a time when rates have become extremely competitive.

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, 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, 2003, total loan originations were a record $1.1 billion and represented over 50 percent of the beginning loan portfolio. Multi-family residential and commercial real estate loans were over 90 percent of calendar 2003 originations. The average loan size of our multi-family and commercial real estate loans approximates $1.25 million. Substantially all of these loans are less than $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, and continues to be, the fact that the majority of our lending continues to come from relationships built with existing customers.

Ease of transactions enables Dime Savings customers to utilize the Bank's services for every conceivable need.

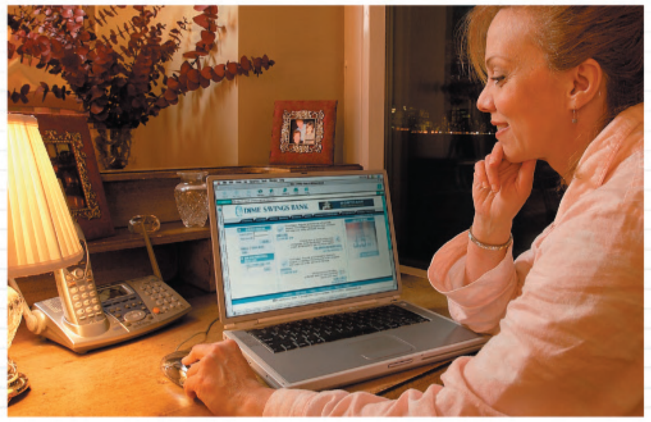
The outstanding credit quality maintained by Dime Savings reflects our strong underwriting standards. Non-performing loans at December 31, 2003 were $525,000, or less than one-fortieth of one percent of total loans. Non-performing assets remained at or below one-tenth of one percent of total assets throughout all of the calendar year 2003.

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 June 2004. During 2003, we sold $89.8 million of multi-family residential loans with an original term of over seven years under this agreement.

Easy access to accounts gives Dime Savings customers freedom and flexibility to bank around the clock — from virtually anywhere.

The partnership with Fannie Mae has provided Dime Savings opportunities to reach new customers within our multi-family residential lending market, and has also helped Dime Savings maintain a leadership position within its niche lending market. The partnership has also provided critical asset management flexibility to Dime Savings during the current low interest rate environment. Finally, as the partnership with Fannie Mae grows, it will provide Dime Savings with increased fee income, thus helping to reduce the reliance on net interest 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 Dime Savings ahead of its peers in future performance.



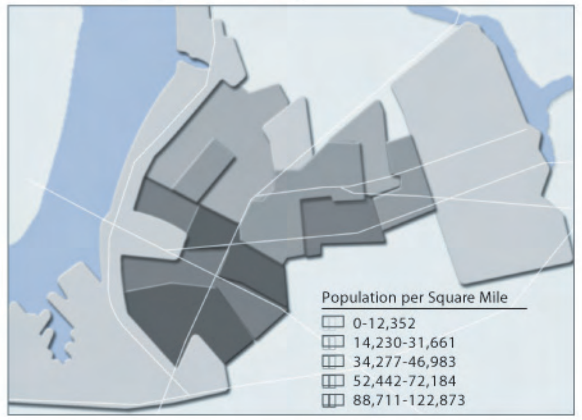
Through Internet Banking at www.dimedirect.com, customers enjoy easy access to their accounts and can conduct a range of banking transactions, including bill payment, loan application and mortgage pre-approval.

Winning customers with personal service and innovative products is a hallmark of Dime Savings' success.

RETAIL BANKING

Since going public in 1996, we have experienced a steady evolution in our retail banking franchise. We have adapted to the changing needs of our customers and the importance of providing the proper delivery channel to meet a diverse market.

Williamsburg Population Density



Our retail banking franchise excels thanks to proven methods of successful demographic targeting and product marketing.

The strength of our retail banking franchise continues to be fourfold: 1) We continue to operate in a market with the greatest population density in the country, offering us a seemingly endless target market; 2) we have a high level of in-store deposit customers from whom we are able to gather statistical data on the retail banking product needs within our market; 3) we have developed a proven product marketing system that analyzes the overall product needs and demographics of our market; and 4) we have successfully implemented a direct mail marketing program that permits us to efficiently match our product line with the target customers throughout our market.

The map above provides an example of the tremendous population density surrounding our branch offices, one of the true advantages that we derive from operating our retail banking franchise in the New York metropolitan area.

The counties that we service with our retail banking products rank as the most densely populated counties in New York State, and for that matter, all of the country.

However, the New York metropolitan market offers many challenges to our retail banking franchise. First, as we operate in the financial capital of the world, we continue to face a tremendous level of competition for our depositor funds from various financial institutions; savings banks, commercial banks, investment banks, mutual funds, etc.

Electronic banking through our ATM network gives customers access to their accounts and to a growing number of products and services.

In addition, our market is tremendously diverse. Anyone who travels through the New York City boroughs of Brooklyn, The Bronx, and Queens, will truly experience the meaning of ethnic diversity. This creates the unique challenges of connecting with our customers and developing and offering the correct products to meet their varying needs.

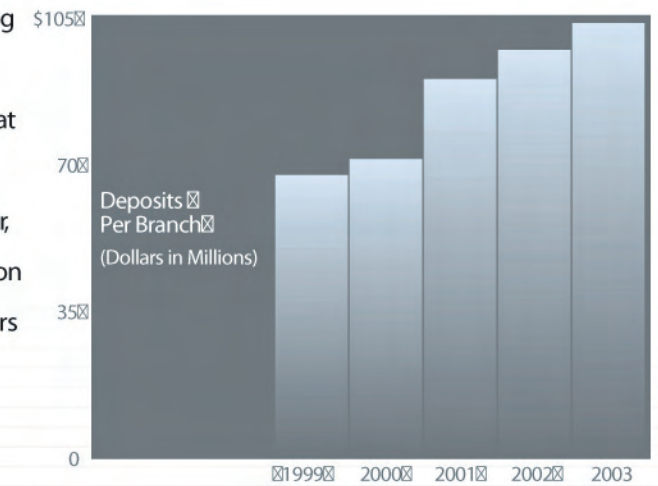
Dime Savings strives for convenience transactions with ATM access throughout the New York metropolitan area.

The foundation of our retail banking franchise continues to be the dedicated service of our staff to their customers. The majority of our representatives at our retail banking offices live within the communities that they serve, and help keep our Bank actively involved in the local community. As we so often like to say; at Dime Savings, we speak our customers' language.

Through regular interaction with our customers, the majority of whom utilize in-store banking, we have been able to gather a critical knowledge base of the products that they desire, so that we can develop the right products and services to meet their needs.

In addition, while the majority of our customers prefer to bank in-person at our retail banking offices, we have continued to see growth and evolution of electronic banking from a segment of our customer base.

The critical glue that ties the "front-end" branch interaction with the marketing product development and delivery has been 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. No matter what channel of communication that our customers utilize, their product preferences are communicated to the CRM system.



Many of our retail banking offices have been redesigned to enhance product sales and for improved customer service. From left to right: Dorene Finnegan, Vice President; Howard Keyes, Vice President; and Rocco Aceste, First Vice President, head our highly successful retail branch operations.

The CRM system then connects to the marketing strategy element. Based upon the data the CRM gathers from real customer interaction, it provides targeted product prospects to our marketing group. Our marketing group then assesses the best format to attempt to implement these product offers. Our marketing outreach utilizes email, direct mail and referrals made at the teller window.

Recently, our direct mail strategy has provided us with a unique combination of successful product sales and efficient delivery costs. As a result, it has been our most frequently utilized tool for reaching existing or prospective customers with our product offers. We continually maintain both a staff and facility that are dedicated to the successful implementation of our direct mail efforts.

Effective use of direct marketing maximizes product and service sales, minimizes delivery costs, and yields positive results.

Through the CRM system, we enter into the direct mail effort with a defined expectation of success. This is critical since our business philosophy has been to grow deposits at a level that meets the overall measured growth needs of our company. When we enter into a new customer or product direct mail campaign, we need to know how deeply we wish to penetrate our prospect market in order to achieve our ultimate growth goal. In most instances, we have seen that the expectations developed through the CRM system have been an accurate forecast of the actual sales results.

It is also worth noting that in virtually all instances, we do not need to send our direct mailings to our entire prospect market in order to achieve our desired product sales results. This serves as a testament to the quality of our CRM system in identifying the best customer prospects, coupled with the tremendous depth of our deposit market.

In the calendar year ended December 31, 2003, our results continued to reflect the success of our retail banking strategy. Total deposits rose about 6 percent and exceeded $2.0 billion dollars for the first time. Core (non-certificate) deposits grew 13 percent. Our average branch deposits now exceed $100 million, and ten of our twenty branches exceed $100 million in deposits.

As was the case with our loan originations, our deposit growth could have been greater during 2003. However, we curtailed the growth in order to best meet the funding needs for our desired level of asset growth during the year.

As the interest rates on our new loan originations continue at historic low levels, and the record prepayment rates on our existing portfolio loans likely slow, growing core deposits remains a critical element in ensuring the stability and quality of our net interest spread and margin. In addition, we believe that increased core deposits should also help insulate our overall interest costs in the event that interest rates rise.

Our direct mail strategy converts hard demographic data into real customer acquisition through successful product sales, and all with reduced delivery costs.

While we recognize that our evolving and diverse customer base presents a great challenge for our retail banking franchise in the future, we believe that we have a proven retail banking system that will ensure our continued success in growing core deposits. In doing so, we will not only successfully meet the measured growth objectives of our company, but we will continue to improve the quality and stability of our company's earnings and franchise value.

Astute database marketing gives Dime Savings the advantage of targeting prospects with specific products and services. Vice Presidents William Elliot and Donna Lillie review Dime Direct marketing initiatives.

DIRECTORS

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

Michael P. Devine
President and Chief Operating Officer

Kenneth J. Mahon
Executive Vice President and
Chief Financial Officer

Anthony Bergamo
Vice Chairman of MB Real Estate

George L. Clark, Jr.
President of George L. Clark Inc. Realtors

Steven D. Cohn
Managing Partner at
Goldberg and Cohn, Esq.

Patrick E. Curtin
Senior Partner at
Conway Farrell Curtin & Kelly, P.C.

Joseph H. Farrell
Chairman of
Conway Farrell Curtin & Kelly, P.C.

Fred P. Fehrenbach
President of Consolidated Brokerage Corp.
and Shell Realty Corp.

John J. Flynn
Self-employed real estate mortgage broker

Stanley Meisels
Stockbroker with Ryan Beck & Co. and
President of Small Business Electronics
Investment Corp.

Louis V. Varone
Self-employed real estate mortgage broker

EXECUTIVE OFFICERS OF DCOM

Timothy B. King
Senior Vice President and
Chief Investment Officer

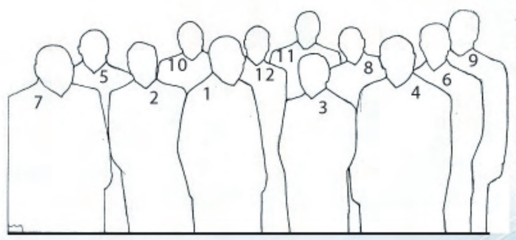
Michael Pucella
Senior Vice President – Finance

EXECUTIVE OFFICERS OF DIME SAVINGS

Vincent J. Martucci
Senior Vice President – Mortgage Officer

Samuel P. Fritsky
Senior Vice President

George Fuller
Senior Vice President – Systems



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. Patrick E. Curtin
11. Fred P. Fehrenbach
12. John J. Flynn

TRANSFER AGENT AND REGISTRAR

Inquiries regarding stockholder administration and services should be directed to:

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85 Challenger Road, Ridgefield Park, NJ 07660

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SPECIAL COUNSEL

Thacher Proffitt & Wood
2 World Financial Center
New York, NY 10281

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

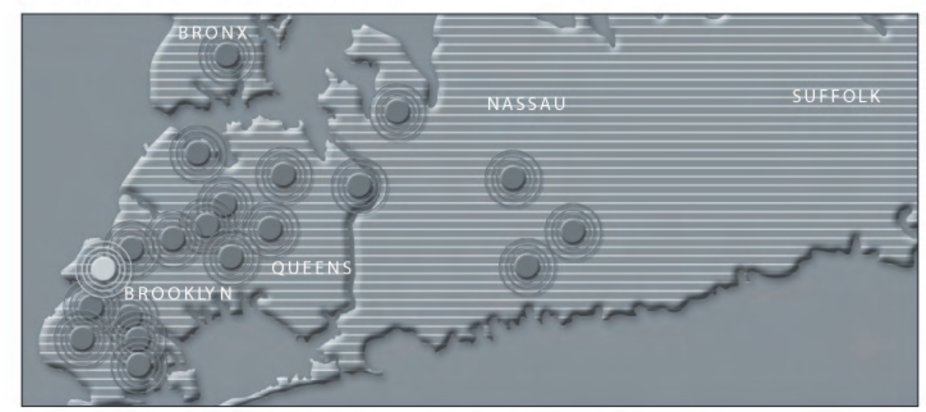
The Company's Annual Meeting of Shareholders will be held at 10 a.m. on May 20, 2004, at Giando on the Water, 400 Kent Avenue, Brooklyn, New York. Holders of common stock as of March 31, 2004 will be eligible to vote.

ANNUAL REPORT ON FORM 10-K

A copy of the Annual Report on Form 10-K for the year ended to December 31, 2003 (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



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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