2004
Annual Report

our history

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our community

our future

DIME COMMUNITY BANCSHARES, INC.

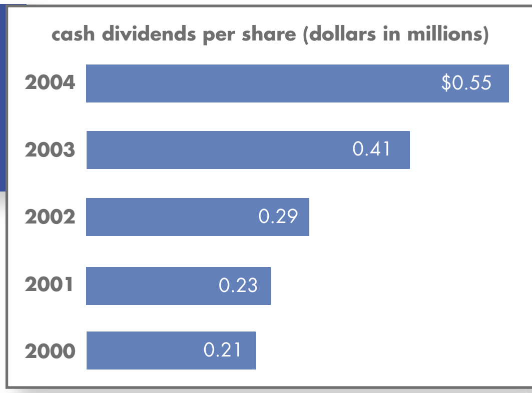
our history

financial highlights

At or for the 12 Months Ended December 31,	2004	2003	2002	2001	2000
Selected Financial Condition Data:					
Total Assets	$3,377,266	$2,971,661	$2,946,374	$2,779.882	$2,586,684
Loans, Net of Allowance for Loan Losses	2,486,262	2,177,622	2,154,619	2,040,070	1,800,062
Allowance for Loan Losses	15,543	15,018	15,458	15,492	15,382
Loan Originations	1,016,396	1,104,071	716,991	518,935	348,692
Deposits	2,210,049	2,041,678	1,927,175	1,595,362	1,264,664
Stockholders' Equity	281,721	283,919	265,737	243,917	216,232
Tangible Stockholders' Equity	229,013	228,026	206,325	180,954	154,458
Selected Operating Data:					
Interest Income	$163,621	$169,115	$181,914	$185,676	$174,225
Interest Expense	67,776	71,063	91,790	111,054	108,324
Net Interest Income	95,845	98,052	90,124	74,622	65,901
Provision For Loan Losses	280	288	240	240	740
Net Interest Income After Provision For Loan Losses	95,565	97,764	89,884	74,382	65,161
Non-Interest Income	20,513	25,122	19,999	10,323	6,016
Non-Interest Expense	42,407	40,809	38,696	35,030	33,289
Income Before Income Tax	73,671	82,077	71,187	49,675	37,888
Income Tax Expense	27,449	30,801	26,565	18,485	14,925
Net Income	$46,222	$51,276	$44,622	$31,190	$22,963
Financial & Performance Ratios:					
Return On Average Assets	1.38%	1.67%	1.57%	1.15%	0.92%
Return On Average Stockholders' Equity	16.76	18.76	17.65	13.69	10.96
Return On Average Tangible Stockholders' Equity	20.76	23.75	23.30	18.98	15.17
Stockholders' Equity to Total Assets at End of Period	8.34	9.55	9.02	8.77	8.36
Tangible Equity to Tangible Assets at End of Period	6.88	7.82	7.15	6.66	6.12
Loans to Deposits at End of Period	113.20	107.39	112.60	128.85	143.55
Loans to Interest-Earning Assets at End of Period	78.04	77.89	77.85	78.13	74.31
Average Interest Rate Spread	2.77	3.08	2.93	2.46	2.42
Net Interest Margin	3.00	3.36	3.33	2.91	2.82
Non-Interest Expense to Average Assets	1.27	1.33	1.36	1.30	1.34
Efficiency Ratio	36.67	33.05	36.49	41.40	45.80
Dividend Payout Ratio	42.97	30.10	25.00	28.23	35.56
Per Share Data:					
Diluted Earnings Per Share	$1.28	$1.37	$1.17	$0.83	$0.60
Cash Dividends Per Share	0.55	0.41	0.29	0.23	0.21
Book Value Per Share	7.58	7.45	6.91	6.31	5.63
Tangible Book Value Per Share	6.16	5.98	5.36	4.67	4.02
Asset Quality Ratios & Other Data:					
Total Non-Performing Loans	$1,459	$525	$2,116	$1,899	$3,950
Other Real Estate Owned, Net	—	—	134	179	438
Non-Performing Loans to Total Loans	0.06%	0.02%	0.10%	0.09%	0.22%
Non-Performing Assets to Total Assets	0.04	0.02	0.08	0.07	0.17
Allowance For Loan Losses To:					
Non-Performing Loans	1,065.32%	2,860.57%	730.53%	815.80%	389.42%
Total Loans	0.62	0.68	0.71	0.75	0.85
Regulatory Capital Ratios: (Bank Only)					
Tangible Capital	7.88%	7.97%	7.19%	6.69%	6.01%
Leverage Capital	7.88	7.97	7.19	6.69	6.01
Risk-Based Capital	12.83	15.03	13.17	13.17	12.72

connecting with our sh

June 7, 2004 marked a milestone for Dime Community Bancshares, Inc. Vincent F. Palagiano, Chairman of the Board and Chief Executive Officer (center), accompanied by Michael P. Devine, President and Chief Operating Officer (left), and Kenneth J. Mahon, Executive Vice President and Chief Financial Officer, opened the trading day at NASDAQ in New York City.



"Anticipating market trends, with an eye toward rising interest rates, will serve us well as we implement our business strategy in 2005."

Dear Fellow Shareholder,

We are pleased to report that the year ended December 31, 2004 was very successful for Dime Community Bancshares, Inc. (NASDAQ: DCOM). In fact, historically low interest rates for the first half of the year, along with our overall strong capital position, combined to provide the second-best year in the public history of the Dime. Our core multifamily lending market continued to experience robust growth during the year, which, when paired with our traditional internal efficiency, added to Dime's consistently strong profitability and high shareholder returns.

The preponderance of growth for 2004 occurred in the first six months of the year, fueled by steady low interest rates; in the second half of the year, short-term rates rose but loan rates did not, so we intentionally slowed the growth of loan originations as well as deposits. Our management team remains firmly committed to maintaining the high credit quality, expense control and management of asset/liability and interest rate risk that have always characterized our institution as a true community bank.

Net income for 2004 totaled $46.2 million. On a diluted per-share basis, earnings were $1.28 — the second-highest year on record. In fact, these results were surpassed only by those resulting from the unprecedented confluence of rising real estate values and historic low interest rates that existed throughout the full year of 2003. Total assets grew 13.6% and total loans grew 14.0%, to $3.4 billion and $2.5 billion, respectively. This growth was supported by an 8.2% increase in our deposit base. Our return on average assets of 1.38%, as well as our return on average tangible stockholders' equity of 20.76%, helped our Company remain in the top decile rankings of peer institutions across the country.

Our retail banking business continued to see increased deposit growth. At December 31, 2004, average deposits per branch reached $111 million — rising from just over $100 million at December 31, 2003. Additionally, overall services per household increased by 8% over the previous year. Cultivating these increased deposit households is a testament to the high level of dedication to personal service provided at the branch level. In short, our retail segment continues to perform well against the backdrop of a very competitive market.

Our niche in the multifamily lending marketplace continued to produce near record-setting loan origination volume. The New York City boroughs of Manhattan, Brooklyn and Queens, which constitute the bulk of our multifamily loan originations, are comprised of many diverse, vibrant neighborhoods. These communities contain high concentrations of residential apartments and mixed-use buildings, our core target market and our specialty. Our loan origination volume of $1.01 billion was slightly less than the record-setting volume of $1.10 billion achieved in 2003. These originations included loans sold to Fannie Mae that totaled $168 million, a nearly 60% increase over last year.

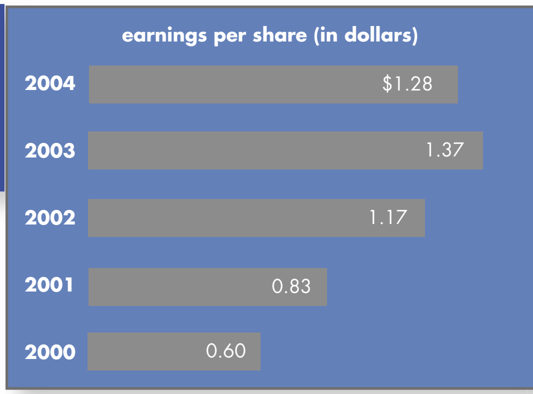
In the fourth quarter of 2004, we implemented a Bank-wide data processing conversion that will greatly enhance the ability of our various divisions to serve our customer base. The conversion was a tremendous undertaking for virtually every area of the Bank, and its successful implementation will result in significant cost savings going forward.

Anticipating market trends, with an eye toward rising interest rates, will serve us well as we implement our business strategy in 2005. Cognizant of the potential impact of outside factors such as higher interest rates and a very competitive marketplace, yet diligent in maximizing our market strengths, we will continue to pursue a steady course toward improving profitability in 2005.

Our philosophy of controlled growth and maximizing efficiency has proven advantageous in the past, and we are optimistic that it will continue to serve us well in the future. On behalf of the Board of Directors, we want to thank our customers, our employees and our shareholders for their continued support. We look forward to another successful year in 2005.

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

Michael P. Devine
President and Chief Operating Officer



Dear Fellow Shareholder,

I am once again pleased to announce that the year ended December 31, 2004 was another profitable year for the Company – the second highest on record in Dime's history as a public company. We continued to build on our track record of generating high profitability and shareholder returns while maintaining high levels of loan production, asset quality and efficiency.

The year started off very strong, much of it a continuation of business conditions that were in place during all of 2003, which was characterized by stable and low deposit costs, high loan originations, high loan satisfactions and high prepayment fee income, offset by downward pressure on loan yields. When the Federal Reserve began to raise short-term interest rates in the middle of the year and loan rates did not follow but instead remained at historical lows, we altered our strategy. We slowed down loan and deposit growth in preparation for the continuing rise in rates. We were uncomfortable significantly growing total assets at a time when loan rates in the multifamily sector were at unsustainable and historically low levels – levels not seen since the 1950s. In the second half of the year we did not grow the balance sheet, instead reinvesting only recurring cash flows at market rates while allowing some higher cost, promotional deposits to run off.

On the funding side, our deposit raising methodology continues to be very successful. We have become very adept at managing our core deposit base through the use of modeling and segmentation strategies. Understanding who our core depositors are and what we need to do to retain them is key to our management of household relationships. This understanding of our markets and customers helped us to keep our costs of funding fairly stable, especially in the second half of the year when deposit costs were held essentially flat. Also in the second half, the pressure on loan yields moderated along with the pace of loan originations and prepayments. As a result, we were able to stabilize our net interest margin in the second half of the year. This was a major accomplishment as this occurred against the backdrop of the Federal Reserve raising short-term interest rates.

Overall for the year, loan originations totaled $1.01 billion, loan amortization totaled $540.8 million, and the prepayment speed was 23%, half that of 2003. Prepayment fee income equaled 17 cents per share as compared to 26 cents in 2003. The peak for 2004 in all these measures was in the second quarter, just before the Fed began to raise rates.

In the second full year of our relationship as a seller/servicer, loan sales to Fannie Mae increased by almost 60% to $168 million. The loans sold had an average life of about nine years, over two years longer than loans added to the portfolio. The Fannie Mae relationship provides flexibility to manage interest rate risk, which allows us to offer the longer loan terms which our customers request; we can sell long maturity loans, keep the relationships with the customers and still generate fee income.

Our asset quality remains very high, with non-performing loans to total assets of 0.04%, the second year in a row that this ratio was below five basis points, and the fourth year in a row where this ratio was below ten basis points. We're proud that we consistently rank at the high end of national averages in asset quality. This is a reflection of the high quality of our loan portfolio, which is characterized by a low average loan to value ratio, high debt service ratio and few construction or development loans.

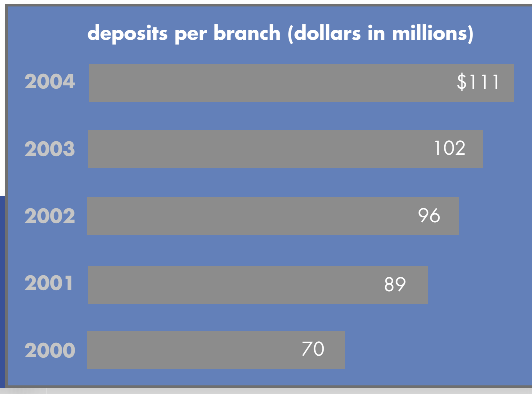
We maintained the high operating efficiency for which Dime has become known, with the efficiency ratio at 36.7% for the full year. We continue to hold expense growth to a minimum and continue to find ways to restrain expense growth. For example, the Bank-wide data processing conversion that we completed late in the year will save about $500,000 annually going forward.

Our capital position remains very strong. Our tangible capital ratio is 6.88%. And our cash return on tangible capital ratio, or the rate at which we internally generate capital, was over 22%. In March 2004, we issued a $70 million Trust Preferred Note. We issued this long term debt when rates were at their lowest. The purpose is to build a store of secondary capital to be used in the future to fund activities such as asset growth and share repurchases.

We repurchased 1,987,529 million shares of common stock during the year. At December 31, 2004 approximately 1.4 million shares remained eligible for future repurchase under an existing stock repurchase program.

We made many decisions this year in anticipation for the higher interest rates and slower loan originations that historically occur as we move through the stages of the business cycle. We have a significant amount of primary and secondary capital on our balance sheet that can be used for example to leverage for asset growth or for share repurchases. And as always, we remain focused on our long-standing values of generating consistent profitability, high asset quality, high efficiency and high relative shareholder returns.

Kenneth J. Mahon
Executive Vice President and Chief Financial Officer



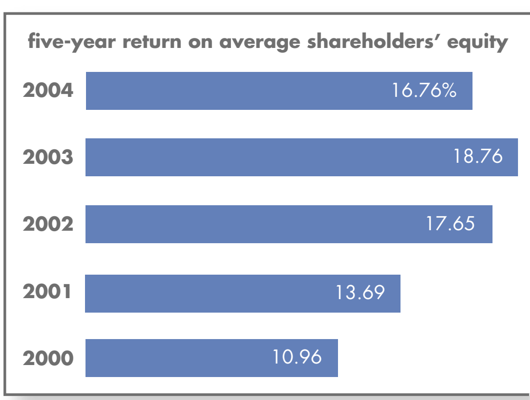
our customers

Since The Dime Savings Bank of Williamsburgh was founded in 1864, the Bank has built its foundation on understanding the markets in which it operates, and on serving the needs of the neighborhoods throughout the New York City boroughs of Brooklyn, Queens, the Bronx, and in Nassau County. Our greatest strengths lie in knowing our customer base, providing products and services tailored to meet both their short- and long-term needs, and in anticipating and proactively taking advantage of business trends in our marketplace.

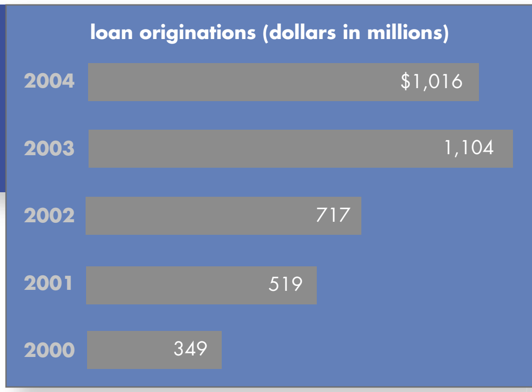
We have been able to cultivate and nurture our core relationships using modeling and customer segmentation research. This allows us to offer the correct product to each customer segment and this knowledge, coupled with our exceptional customer service enables us to maximize the customer experience. This research-driven approach has consistently allowed us to focus on the right product cross-sales, increasing customer retention, as a result, with 20 retail banking offices, Dime Savings enjoys among the highest average deposits per branch in its peer group. At the end of 2004, Dime Savings branches averaged $111 million in deposits, 11% higher than in 2003.

Our strong efforts in targeted marketing continued to reap results in 2004. We expanded our prospect trade areas while increasing household penetration in our existing trade areas. Our segmented, modeled and geographic focused strategies have garnered solid returns in terms of increased branch deposits, as well as customer acquisition and retention. This retail strategy has allowed us to continue to increase our market reach while allowing us to increase our database marketing capacity. This, coupled with an unwavering approach to cost-effective deposit generation, has yielded another year of strong operating results.

Overall in 2004, new account deposits increased by 9% over the previous year's levels to a monthly average of $68 million. We continued to expand and enhance the services we offer our retail customers by introducing Prime Dime Checking, an account targeted to upscale depositors and new customers, as well as non-bank investment products, including fixed-rate annuities. These new and additional investment products should contribute to the growth of our non-interest income for the coming year. Through our Internet Banking component we have expanded our e-commerce capabilities to facilitate account acquisition and ease of account opening.



"With 20 retail banking offices, Dime Savings enjoys among the highest average deposits per branch in its peer group."



Actual Bank ledger from 1864, the year The Dime Savings Bank of Williamsburgh was founded.

Courtesy of the Brooklyn Historical Society.

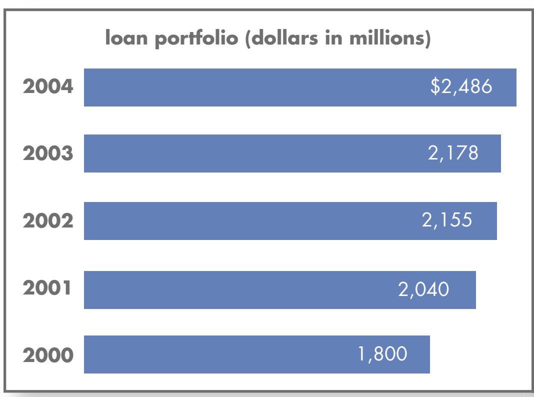
In the last year, we set a goal of establishing four banking services per household as the standard for those customer segments that we have classified as Branch Transactors, or households that prefer to perform their banking through our traditional branch distribution channel. We are pleased to report that in 2004, we were able to reach our goal for these target segments. In fact, overall bank services per household for all customer segments increased by 8% to 2.79. Also in 2004, we completed an agreement to convert our debit card program to VISA®, the leader in debit card sales. This move will allow us to make significant strides in enhancing brand awareness for our debit card program. And as the year ended, we neared completion of our branch renovations and point-of-sale merchandising upgrades.

The growth of our retail franchise is indelibly linked with the relationships that we establish and nurture with our customers. While competition poses challenges, we feel we are well positioned to capitalize on the gains achieved in 2004 — and look forward to a profitable year ahead.

multifamily lending

Multifamily lending lies at the core of our role as a community bank. For over 140 years we have understood the unique dynamics of the multifamily market in New York — and successfully navigated the nuances of the real estate business in this thriving, multicultural city. Thanks to a devoted and experienced lending team, Dime Savings has continued to excel in this competitive environment.

Market knowledge and building relationships paid off well in 2004. Rising real estate values coupled with historically low interest rates yielded strong activity throughout our market area. Rent regulations continue to help to keep apartment rents affordable and vacancy rates low, resulting in a favorable impact on the overall multifamily lending market. Slightly more than



"For over 140 years we have understood the unique dynamics of the multifamily market in New York."

half of all rental units in the five boroughs of New York City are rent stabilized; at the same time, approximately 70 percent of Dime Savings' multifamily loan portfolio is secured by rent stabilized buildings.

Our loan originations totaled $1.01 billion in 2004, the second-highest level ever in the history of the Bank. (Total loan originations exceeded $1.1 billion in 2003). Portfolio growth reached 14% in 2004, compared with 1% in 2003. Our loan portfolio now totals $2.5 billion. Our asset quality remains among the highest in the industry in spite of the tremendous amount of lending volume, processing and appraisals done over the past year. This success has led us to pursue additional activity in small mixed-use lending and commercial real estate lending as well.

Our relationship with Fannie Mae as a multifamily seller/servicer continues to grow. In 2004 we sold $168 million of newly or recently originated multifamily loans to Fannie Mae, the largest residential lender in the country. This was an almost 60% increase in volume over 2003 levels.

We have streamlined our underwriting and loan origination processes in order to generate rapid turnaround for prospective mortgage borrowers, and to lower the cost of each loan origination. The average loan size of multifamily and commercial real estate loans is $1.25 million, with almost every loan below the $5 million level.

Our continued strong position in the multifamily arena stems as much from our lending expertise as from the deep relationships we have cultivated over generations in the New York area. These relationships — with brokers as well as with building owners — contribute significantly to our status as one of the best-performing banks in multifamily lending among our peer group.

Looking back, in 2004 we continued to concentrate on the fundamentals of controlling expenses, enhancing asset quality, maintaining the cost of funds, and reinforcing our capital position. We were very successful at managing the weighted average cost of deposits, mitigating the negative impact of rising rates in the second half of the year. With this in mind, we feel we are well positioned for potential future growth by taking advantage of every opportunity to broaden our deposit base and multifamily lending portfolio.

"Our continued strong position in the multifamily arena stems as much from our lending expertise as from the deep relationships we have cultivated over generations in the New York area."

directors

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, LLP

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 broker

EXECUTIVE OFFICERS OF DIME COMMUNITY BANCSHARES, INC.

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

Timothy B. King
Senior Vice President and
Chief Investment Officer

Michael Pucella
Senior Vice President – Finance

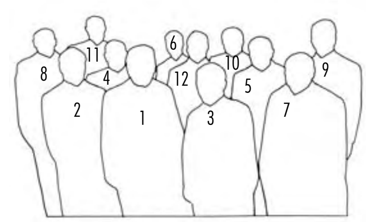
EXECUTIVE OFFICERS OF THE DIME SAVINGS BANK OF WILLIAMSBURGH

Vincent J. Martucci
Senior Vice President – Lending

Samuel P. Fritsky
Senior Vice President – Marketing

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



BRONX 1931 Turnbull Ave., Bronx, NY 10473 | **BROOKLYN** 7524 Third Ave., Brooklyn, NY 11209
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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

TRANSFER AGENT AND REGISTRAR

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800.851.9677

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718.782.6200 ext. 8250

ANNUAL MEETING OF SHAREHOLDERS

The Company's Annual Meeting of Shareholders will be held at 10 a.m. eastern time on May 19, 2005, at Giando on the Water, 400 Kent Avenue, Brooklyn, New York. Holders of common stock as of March 31, 2005 will be eligible to vote.

DIME COMMUNITY BANCSHARES, INC.
209 Havemeyer Street | Brooklyn, New York 11211 | www.dimedirect.com