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DIME Community Bancshares, Inc.

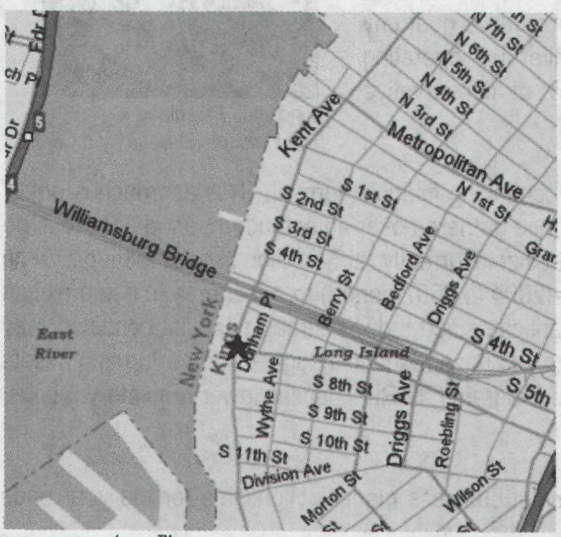
2009 ANNUAL REPORT TO SHAREHOLDERS

DIME
Since 1864

ANNUAL MEETING OF SHAREHOLDERS

The Company's 2010 Annual Meeting of Shareholders will be held at 10:00 a.m. eastern time on May 20, 2010 at:

Giando on the Water
400 Kent Avenue,
Brooklyn, New York 11211.



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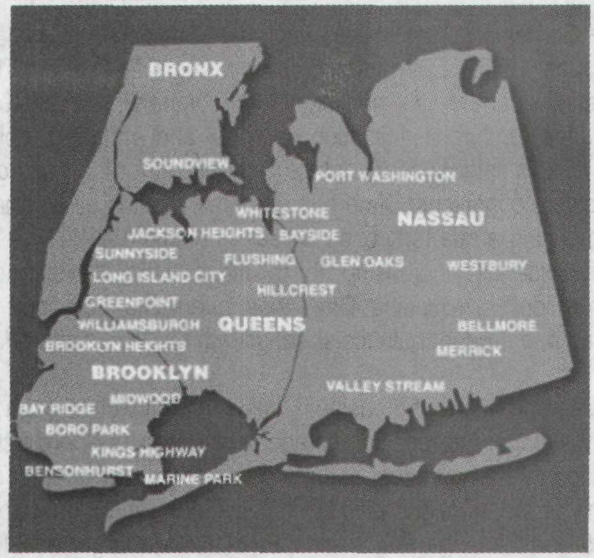
Holders of record as of March 25, 2010 will be eligible to vote.

Bank by phone from anywhere, anytime
By calling **1-800-321-3463**

Or visit us online at **www.dime.com**

RETAIL BANKING OFFICES



Brooklyn:
7524 Third Avenue, Brooklyn, NY 11209
1545 86th Street, Brooklyn, NY 11228
814 Manhattan Avenue, Brooklyn, NY 11222
1902 Kings Highway, Brooklyn, NY 11229
2172 Coyle Street, Brooklyn, NY 11229
1600 Avenue M, Brooklyn, NY 11230
209 Havemeyer Street, Brooklyn NY 11211
5003 13th Avenue, Brooklyn, NY 11219
188 Montague Street, Brooklyn, NY 11201

Bronx:
1931 Turnbull Avenue, Bronx, New York 10473

Nassau County:
2412 Jerusalem Avenue, Bellmore, NY 11710
1775 Merrick Avenue, Merrick, NY 11566
1000 Port Washington Blvd., Port Washington, NY 11050
622 Old Country Road, Westbury, NY 11590
175 West Merrick Road, Valley Stream, New York 11580
432-434 Central Avenue, Cedarhurst, New York 11516 *

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

* Opening – Summer, 2010.

DIME
Since 1864

DEAR SHAREHOLDERS:

Vincent F. Palagiano
Chairman of the Board and CEO

Dime Community Bancshares, Inc. (the "Dime") completed its initial public offering ("IPO") in late June 1996. From its IPO date through December 31, 2009, Dime has completed 54 operating quarters as a publicly traded company. Despite being assessed two different FDIC insurance fund recapitalization charges, and enduring prolonged periods of flat to inverted yield curves, intense marketplace competition for loan and deposit products and recessionary real estate conditions, Dime has earned a profit in all 54 operating quarters. In addition, after commencing a quarterly cash dividend in June 1997, Dime has paid 50 consecutive quarterly cash dividends, increasing it 15 times while never reducing it. While the operating environment surrounding Dime has often changed, our core philosophy of conservative lending and prudent balance sheet growth has never altered.

Dime's approach to the business has served it well through the recent and continuing financial turmoil. This approach is not of recent vintage, but reflects management's and the Board's collective experience gathered over an extended period. There is no question that a byproduct of staying this conservative course is Dime's asset size. Currently, at $4 billion in total footings, Dime is smaller than it might have been had there been a push (particularly in the 2004 to 2007 period) to offset margin compression and falling Earnings Per Share ("EPS") with a larger asset base. This is critical, since today's strong financial condition may have been mitigated by growth that would have required loan originations likely to have resulted in higher non-performing assets ("NPAs"), lower EPS, lower capital levels, the need for Troubled Asset Relief Program ("TARP") capital, lower regulatory ratings, deterioration in our reputation and most likely, inferior peer group comparisons.

The year ended December 31, 2009 marked a continuation of this successful business model. Highlights for the year ended December 31, 2009 were as follows:

- EPS totaled $0.79;
- Net interest margin increased to 2.96% from 2.60% during the year ended 2008, led by a decline in the average cost of deposits from 2.81% to 1.89%;
- NPAs ended the year at $12.7 million, representing only 0.32% of total assets;
- The weighted average loan-to-value ratio and debt service coverage multiple on multifamily residential and commercial real estate loans originated during 2009 were 52% and 1.97, respectively;
- Real estate loan originations totaled $464 million, far below the $1.09 billion level experienced in 2008;
- The Company's consolidated ratio of tangible capital to tangible assets grew to 6.26% at December 31, 2009 from 5.79% at the end of 2008; and
- The weighted average maturity of CDs grew from 8.8 months at December 31, 2008 to 15.5 months at December 31, 2009, and the weighted average maturity of borrowings added during 2009 was 4.2 years.

In late 2008, due to various uncertainties surrounding the financial system both locally and nationally, concerns over heightened bank regulations and a potentially severe economic downturn, management elected to take actions aimed at strengthening both Dime's liquidity and capital levels. This policy action impacted Dime's operating results for 2009 in the following manners: (i) despite operating in a favorable yield curve environment, Dime lowered both its asset and loan origination levels; and (ii) Dime maintained high levels of liquidity during the first six months of 2009 by keeping approximately $240 million of deposit balances gathered between October 2008 and January 2009 in overnight and money market investments. Carrying excess liquidity during that time of great market uncertainty provided competitive stability and flexibility to Dime, and better served the long-term interests of both its shareholders and customers.

During the second half of 2009, as much of management's concerns over the uncertainties in the marketplace began to abate, Dime resumed prudent, measured growth policies related to both real estate loans and total assets. Funding for this growth was achieved through a combination of CDs with maturities in excess of one year and fixed wholesale borrowings from the Federal Home Loan Bank of New York with weighted average maturities ranging between four and five years.

Dime's loan portfolio is collateralized primarily by multifamily apartment buildings in New York City, widely thought to be the least risky type of loans often classified as "commercial real estate." Further, significant portions of these multifamily apartment buildings are subject to rent regulation. In New York City, where residential vacancy rates are low and there is limited available space to construct new buildings, rent regulation has had the affect of keeping regulated apartment rents below market rates. It is this factor that enhances the intrinsic value of Dime's already low-risk collateral, and, management believes, is the primary reason for the Company's low level of NPAs compared to the wider generic asset class designated as commercial real estate.

Throughout 2009, Dime's asset quality remained solid, and management took several actions to ensure that its reserves were adequate to cover problematic assets. First, Dime provided approximately $13 million to its allowance for loan losses during 2009, far in excess of the $9 million in net charge-offs that it experienced during the period. At year-end, the allowance for loan losses stood at 190% of NPAs. In addition, Dime's consolidated tangible capital level increased approximately $12 million, or 5.1%, during 2009, providing a further cushion against problematic assets. At December 31, 2009, NPAs represented less than 1/3 of 1% of total assets, compared to an average approximating 4% for the Top 100 U.S. Thrifts. The combined balance of Dime's allowance for loan losses and bank-level capital was approximately 25 times higher than NPAs at year-end, equating to a ratio of approximately 4% (also known as the "Texas ratio" due to the historical observation that banks with "Texas ratios" above 100% tend to fail).

As mentioned earlier, while tangible capital grew 5.1% during 2009, Dime maintained its existing quarterly cash dividend, paying $0.56 per share to its shareholders.

Looking toward the year ending December 31, 2010, we anticipate that balance sheet management will be focused on preparing for the likelihood of higher interest rates, as well as continued stress on the New York City real estate market, and more restrictive banking regulation.

Retail deposit strategy should remain focused on growing checking account balances, as well as medium and long-term CDs. Management continues to look for opportunities to establish de novo branches within its marketplace, and recently entered into an agreement to establish a de novo retail branch in Cedarhurst, New York. This branch, which is expected to open in the summer of 2010, will be Dime's sixth retail banking location in Nassau County, New York.

On behalf of management and the Board of Directors, it gives me great pleasure to tell you definitively that Dime remains on solid financial footing. I want to once again thank Dime's employees for their continued successful efforts, as well as its shareholders for their continued trust and loyalty.

Sincerely,

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

CORPORATE HEADQUARTERS
Dime Community Bancshares, Inc.
209 Havemeyer Street
Brooklyn, NY 11211

INVESTOR RELATIONS
Written inquiry regarding Dime Community Bancshares, Inc. should be directed to:

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209 Havemeyer Street
Brooklyn, NY 11211
(718) 782-6200

VISIT US ON THE WEB
www.dime.com

DIRECT STOCK PURCHASE PLAN
The Dime Community Bancshares, Inc. Direct Investment Program offers a convenient way to purchase or sell shares of the Company's common stock. Please visit our website in order to obtain information on how to enroll in the plan or contact our Investor Relations department in writing or by telephone in order to obtain enrollment information.

TRANSFER AGENT AND REGISTRAR
Inquiries regarding stockholder administration and services should be directed to:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
1-800-937-5449
www.amstock.com

INDEPENDENT AUDITORS
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354 Eisenhower Parkway, Suite 2050
Livingston, NJ 07039-1025

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Senior Vice President
209 Havemeyer Street
Brooklyn, NY 11211

DIRECTORS
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Chairman of the Board and Chief Executive Officer

Michael P. Devine
President and Chief Operating Officer

Kenneth J. Mahon
First Executive Vice President and Chief Financial Officer

Anthony Bergamo
Vice Chairman of MB Real Estate

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President of George L. Clark, Inc. Realtors

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President of Consolidated Brokerage Corp. and Shell Realty Corp.

John J. Flynn
Self-employed real estate mortgage broker and consultant

Joseph J. Perry
Partner at Marcum LLP

Omer S.J. Williams
Retired Partner - Thacher Proffitt & Wood LLP

EXECUTIVE OFFICERS

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

Michael P. Devine
President and Chief Operating Officer

Kenneth J. Mahon
First Executive Vice President and Chief Financial Officer

Daniel J. Harris
Executive Vice President and Chief Lending Officer

Timothy B. King
Executive Vice President and Chief Investment Officer

Christopher D. Maher
Executive Vice President and Chief Retail Officer

Michael Pucella
Executive Vice President and Chief Accounting Officer

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