

A M E S S A G E T O O U R S H A R E H O L D E R S

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.

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%

5-YEAR RETURN ON AVERAGE STOCKHOLDERS' EQUITY

