

DIME COMMUNITY BANCSHARES INC  
Form 11-K  
June 29, 2005

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 11-K**

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

**For the Fiscal Year Ended December 31, 2004**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transaction period from to

Commission file Number 0-27782

**The Employee Stock Ownership Plan of  
Dime Community Bancshares, Inc. and Certain Affiliates**  
(Full Title of the Plan)

**Dime Community Bancshares, Inc.**  
**209 Havemeyer Street, Brooklyn, NY 11211**  
(Name of issuer of the securities held pursuant to the plan  
and the address of its principal executive office.)

Registrant's telephone number, including area code: **(718) 782-6200**

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*All other schedules required by Section 2520.103-10 of the Department of Labor's rules and regulations for reporting and disclosure under the Employee Retirement Income Security Act of 1974, have been omitted because they are not applicable.*

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of  
Dime Community Bancshares, Inc. & Subsidiaries

We have audited the accompanying statements of net assets for plan benefits of The Employee Stock Ownership Plan of Dime Community Bancshares, Inc. and Certain Affiliates (the "Plan") as of December 31, 2004 and 2003, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2004. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2004 and 2003, and the changes in net assets available for benefits for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets held at end of year is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule of assets held at end of year is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2004 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

**/s/ DELOITTE & TOUCHE LLP**

June 28, 2005  
New York, New York

**THE EMPLOYEE STOCK OWNERSHIP PLAN OF DIME COMMUNITY BANCSHARES, INC. AND CERTAIN AFFILIATES**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS AS OF DECEMBER 31, 2004 AND 2003**

	As of December 31, 2004			As of December 31, 2003		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
<b>ASSETS:</b>						
Investments in shares of Dime Community Bancshares, Inc. common stock, at fair value	\$34,307,805	\$29,394,734	\$63,702,539	\$37,115,877	\$36,716,490	\$73,832,367
Investment in short-term investments and cash equivalents	535,011	-	535,011	440,415	-	440,415
<b>Total investments</b>	<b>34,842,816</b>	<b>29,394,734</b>	<b>64,237,550</b>	<b>37,556,292</b>	<b>36,716,490</b>	<b>74,272,782</b>
Contributions receivable from the Dime Savings Bank of Williamsburgh	-	409,035	409,035	-	399,150	399,150
<b>TOTAL ASSETS</b>	<b>34,842,816</b>	<b>29,803,769</b>	<b>64,646,585</b>	<b>37,556,292</b>	<b>37,115,640</b>	<b>74,671,932</b>
<b>LIABILITIES:</b>						
Borrowing from Dime Community Bancshares, Inc. Due to The Dime Savings Bank of Williamsburgh 401(k) Plan	-	4,749,430	4,749,430	-	5,202,366	5,202,366
Cash dividend payable to participants	249,523	247,256	496,779	190,455	218,796	409,251
<b>TOTAL LIABILITIES</b>	<b>249,523</b>	<b>5,405,721</b>	<b>5,655,244</b>	<b>190,455</b>	<b>5,820,312</b>	<b>6,010,767</b>
<b>NET ASSETS AVAILABLE FOR PLAN BENEFITS</b>	<b>\$34,593,293</b>	<b>\$24,398,048</b>	<b>\$58,991,341</b>	<b>\$37,365,837</b>	<b>\$31,295,328</b>	<b>\$68,661,165</b>

See notes to the financial statements.

**THE EMPLOYEE STOCK OWNERSHIP PLAN OF DIME COMMUNITY BANCSHARES, INC. AND CERTAIN AFFILIATES**  
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS**  
**YEAR ENDED DECEMBER 31, 2004**

	Allocated	Unallocated	Total
<b>ADDITIONS:</b>			
<b>Investment income</b>	\$997,191	\$990,725	\$1,987,916
Investment activities - net depreciation in market value of Dime Community Bancshares, Inc. common stock	(4,691,949)	(4,649,244)	(9,341,193)
<b>Total investment activities</b>	<b>(3,694,758)</b>	<b>(3,658,519)</b>	<b>(7,353,277)</b>
Contributions from Dime Savings Bank of Williamsburg - net	-	648,232	648,232
<b>Total additions</b>	<b>(3,694,758)</b>	<b>(3,010,287)</b>	<b>(6,705,045)</b>
<b>DEDUCTIONS:</b>			
Cash disbursed for interest expense on borrowings from Dime Community Bancshares, Inc.	-	416,190	416,190
Benefit payments	2,520,129	28,460	2,548,589
<b>Total deductions</b>	<b>2,520,129</b>	<b>444,650</b>	<b>2,964,779</b>
<b>TRANSFERS:</b>			
Allocation of 149,219 shares of Dime Community Bancshares, Inc. common stock to participant accounts - net	2,451,618	(2,451,618)	-
Transfer of dividend income for distribution to participants	990,725	(990,725)	-
<b>Total transfers</b>	<b>3,442,343</b>	<b>(3,442,343)</b>	<b>-</b>
<b>DECREASE IN NET ASSETS AVAILABLE FOR PLAN BENEFITS DURING THE YEAR</b>			
	<b>(2,772,544)</b>	<b>(6,897,280)</b>	<b>(9,669,824)</b>
<b>NET ASSETS AVAILABLE FOR PLAN BENEFITS</b>			
Beginning of year	37,365,837	31,295,328	68,661,165
End of year	\$34,593,293	\$24,398,048	\$58,991,341

See notes to financial statements.

**THE EMPLOYEE STOCK OWNERSHIP PLAN OF DIME COMMUNITY BANCSHARES, INC. AND CERTAIN AFFILIATES**  
**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2004 AND 2003 AND FOR THE YEAR ENDED DECEMBER 31, 2004**

**1. SUMMARY DESCRIPTION OF PLAN**

The following is a brief description of The Employee Stock Ownership Plan of Dime Community Bancshares, Inc. And Certain Affiliates (the "ESOP"). This description of the ESOP is provided for general information purposes only. Participants should refer to the ESOP document for a more complete description of the ESOP's provisions.

**a. General** - The ESOP was adopted by the Board of Directors of the Dime Savings Bank of Williamsburgh (the "Bank") on February 8, 1996, with an effective date of July 1, 1995.

On June 26, 1996, the Bank converted from a federally chartered mutual savings bank to a federally chartered stock savings bank and all of its outstanding capital stock was acquired by Dime Community Bancshares, Inc. (the "Company"). Simultaneously, the Company issued 49,097,812 shares of common stock [adjusted for stock splits that occurred on August 21, 2001, April 24, 2002 and March 16, 2004 ("Stock Splits") ] in a Subscription and Community offering. The ESOP purchased 3,927,825 (adjusted for Stock Splits), or 8%, of the shares issued by the Company in its community offering at the initial issuance price of \$2.96 per share (adjusted for Stock Splits).

The ESOP is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The ESOP is administered by the plan administrator, who is appointed by the Compensation Committee. Prior to September 2002, the trust services department of HSBC Bank, USA acted as the trustee for the ESOP. In September 2002, RSGroup Trust Company assumed trustee responsibilities for the ESOP and currently serves as trustee.

In order to purchase the shares of the Company's common stock, the ESOP obtained a borrowing from the Company of \$11,638,000, which, as of June 30, 2000, was to be repaid over a ten-year period at a fixed interest rate of 8.0%. Effective July 1, 2000, the maturity of the ESOP loan was extended from June 2006 to December 2025, with the continued option of prepayment. Repayments of the borrowing are made from fully deductible contributions from the Bank to the ESOP. As the ESOP makes each payment of principal on the borrowing, an appropriate percentage of stock will be allocated to eligible participants accounts in accordance with applicable regulations under the Code.

The borrowing is collateralized by the unallocated shares of stock held by the ESOP. The Company, as lender, has no rights against shares once they are allocated under the ESOP. Accordingly, the financial statements of the ESOP for the years ended December 31, 2004 and 2003, present separately the assets and liabilities and changes therein pertaining to:

- (1) the accounts of employees with vested rights in allocated stock (Allocated) and
- (2) stock not yet allocated to employees (Unallocated).

**b. Eligibility and Participation** - All Eligible Employees, defined as salaried, common law employees of the Company or the Bank and its subsidiaries, who have completed a period of service of at least one year, automatically become eligible participants of the ESOP. An employee is not an eligible employee if he or she is compensated principally on an hourly, daily, commission fee or retainer basis, or has waived any claim to membership in the Plan.

**c. Contributions and Distributions** - The Company or the Bank shall contribute to the ESOP an amount which, at minimum, shall serve to finance the ESOP's obligation under its outstanding borrowing from the Company. The Company or the Bank may contribute additional amounts, if designated by the Compensation Committee, to the ESOP, which shall be applied as a prepayment of principal or interest for the outstanding borrowing from the Company. Any additional contributions approved by the Committee shall be treated as an ESOP contribution and shall be allocated among the accounts of Eligible Participants in accordance with a pre-established formula. Participant contributions are not permitted.

Effective July 1, 2000, the Company or Bank also makes a required 100% vested cash contribution to all participants in the ESOP in the amount of 3% of "covered compensation" [defined as total W-2 compensation (including amounts deducted from W-2 compensation for pre-tax benefits such as health insurance premiums and contributions to the Dime Savings Bank of Williamsburgh 401(k) Plan); and, effective March 1, 2004, minus any amount included in W-2 compensation as a result of the grant or vesting of restricted stock, the exercise of stock options or the disqualifying disposition of incentive stock options] up to applicable IRS limits. This contribution is guaranteed through December 31, 2006 (unless the ESOP is terminated before then) and will be discretionary after that date. This contribution is automatically transferred to the Dime Savings Bank of Williamsburgh 401(k) Plan (the "401(k) Plan") whereby the participant has the ability to invest this contribution in any of the investment options offered under the 401(k) Plan. This annual contribution is made in the first quarter of each year based upon the total covered compensation through December 31<sup>st</sup> of the previous year. In March 2004, a contribution of \$399,150 was made to the ESOP and transferred to the 401(k) Plan. In March 2005, a contribution of \$409,035 was made to the ESOP and transferred to the 401(k) Plan.

Effective July 1, 2000, cash dividends received on allocated and unallocated holdings of Dime Community Bancshares, Inc. common stock are distributed quarterly to all ESOP participants. These distributions are made in the form of a cash payment. Otherwise, no distributions from the ESOP are made until a participant retires, dies (in which case, payment are made to his or her beneficiary or, if none, his or her legal representatives), or otherwise terminates employment with the Company or the Bank and its subsidiaries. Distributions are made in cash and/or stock payments.

**d. Vesting** - The balance credited to each Participant's account shall become vested in accordance with the following schedule:

Number of Years Of Service	Vested Percentage
Less than 2 years	0%
Less than 3 years	25
Less than 4 years	50
Less than 5 years	75
5 or more years	100

Under the provisions of the ESOP, participants were granted credit, for purposes of vesting, for years of service at the Bank prior to the establishment of the ESOP. Any previously unvested portion shall become fully vested to participants upon attainment of age 65, or, if earlier, upon the termination of his or her participation by reason of death, disability, retirement or upon occurrence of change in control of the the Company or the Bank.

**e. *Investments*** - As of December 31, 2004 and 2003, the ESOP's investments consists of the investment in common stock of the Company and the investment of cash balances in a short-term investment funds administered by the ESOP trustee. The ESOP is permitted, under the Plan Document, to invest in any commingled or group trust fund, or common trust fund that are exempt from taxes under Section 501(a) of the Internal Revenue Code.

**f. *Allocation of Shares to Participant Accounts*** - As of the last day of each plan year during which a borrowing is outstanding, a portion of the financed shares purchased with the proceeds of the borrowing shall be released in accordance with a predetermined formula. The released shares are allocated to eligible participant accounts in the proportion that each such eligible participant's compensation, as measured under the terms of the Plan Document, for the portion of the immediately preceding calendar year during which he or she was a participant, bears to the aggregate compensation of all eligible participants, as measured under the terms of the Plan Document.

Released shares allocated to participant accounts totaled 149,219 during the year ended December 31, 2004 and 149,219 during the year ended December 31, 2003 (as adjusted for the 50% stock dividend paid in March 2004).

Each participant's account reflects an allocation of the Bank's contributions, ESOP earnings and the forfeiture of terminated participant non-vested accounts.

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the ESOP trustee prior to the time that such rights are to be exercised. The ESOP trustee is permitted, upon grant of authority by the Plan Administrator, to vote shares for which instructions have not been given by a participant within the stated time period. Such vote is made in direct proportion to the votes received from participants.

**g. *Forfeitures*** - Upon the termination of employment of a participant or former participant for reason other than death, disability, or retirement, that portion of the balance credited to his or her account which is not vested at the date of termination shall be forfeited as of the last Valuation Date, defined as the last business day of March, June, September or December. The proceeds of such forfeitures shall be treated as loan repayments and ESOP contributions as designated by the ESOP committee.

There were 8,870 shares forfeited during the year ended December 31, 2004. There were 762 shares forfeited during the year ended December 31, 2003.

**h. *Payment of Benefits*** - On termination of services due to death, disability, retirement or other reason, a participant may elect to receive a lump-sum amount equal to the value of the participant's vested interest in his or her account.

**i. *ESOP Termination*** - The Company reserves the right to terminate the ESOP at any time, subject to the provisions of ERISA. Upon such termination of the ESOP, the interest of each participant in the ESOP will be distributed to such participant or his or her beneficiary at the time prescribed by the ESOP provisions and the Code. Upon termination of the ESOP, the Compensation Committee shall direct the ESOP trustee to pay all liabilities and expenses of the trust fund and to sell the shares of financed stock held in the loan suspense account to the extent it determines such sale to be necessary in order to repay the borrowing.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The accompanying financial statements of the ESOP have been prepared in accordance with accounting principles generally accepted in the United States of America.

**Investment Valuation and Income Recognition** - The shares of Dime Community Bancshares, Inc. common stock are valued at fair value based upon the closing price stated in the Wall Street Journal. On March 16, 2004, the Company paid a 50% stock dividend having the effect of a 3-for-2 stock split and the price of the Company's common stock was adjusted accordingly. The closing price of the common stock was \$17.91 as of December 31, 2004 and \$20.51 as of December 31, 2003 (as adjusted for the 50% stock dividend paid on March 16, 2004).

Net investment income consists of gains and losses realized from the sales of investments, the net change in the unrealized appreciation or depreciation on investments, and interest and dividends earned.

Investment transactions are accounted for on a trade-date basis. Interest income on short term investments is recorded on the accrual basis and dividend income on shares of Dime Community Bancshares, Inc. common stock is recorded on the ex-dividend date. During the years ended December 31, 2004 and 2003, cash dividends totaling \$1,983,022 and \$1,494,841, respectively, were declared on the Company's common stock, which were recorded in Investment Income in the Statement of Changes in Net Assets Available for Plan Benefits. All dividends on unallocated shares and shares allocated to each participant are distributed to participants in the ESOP no later than the close of the calendar quarter after the calendar quarter in which such dividends are received by the ESOP.

Realized gains and losses from securities transactions are recorded on the average cost basis.

**Use of Estimates** - The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

**Risks and Uncertainties** - The Plan includes an investment security (concentrated solely in the Company's common stock) which, in general, is exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes would materially affect the amounts reported in the statement of net assets available for plan benefits.

**Reclassifications** - Certain amounts as of and for the year ended December 31, 2003 have been reclassified to conform to the presentation for the year ended December 31, 2004.

## 3. FEDERAL INCOME TAXES

The ESOP is intended to be qualified under Section 401(a) of the Internal Revenue Code (the "Code") and is intended to be exempt from taxation under Section 501(a) of the Code. The Plan received a favorable IRS determination letter dated January 14, 2003. The ESOP has been amended since receiving the determination letter. The Plan Administrator believes that the ESOP and its underlying trust are currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the ESOP's financial statements.

#### 4. RELATED PARTY TRANSACTIONS

The assets of the ESOP, which consist of investment in shares of the Company's common stock, investments in short-term investment funds administered by the ESOP trustee and accrued interest and dividends receivable, are held in safekeeping as designated by the ESOP trustee.

Contributions to the ESOP are held and managed by the ESOP trustee. All contributions received during the years ended December 31, 2004 and 2003, were utilized to service the principal and interest on the borrowing.

Certain administrative functions are performed by officers or employees of the Company or Bank. No such officer or employee receives compensation from the ESOP for the administrative functions they perform. All administrative expenses of the ESOP are paid by the Company or the Bank.

#### 5. INVESTMENTS

The Plan's investments, which represent more than 5% of the net assets available for plan benefits are presented in the following table. All investments are non-participant directed. The share amounts as of December 31, 2004 and 2003 presented below reflect the 3-for-2 stock split that occurred on the Company's common stock on March 16, 2004.

	December 31, 2004		December 31, 2003	
	Allocated	Unallocated	Allocated	Unallocated
<b>Shares of Dime Community Bancshares, Inc. Common Stock:</b>				
Number of shares	1,915,567	1,641,247	1,809,942	1,790,466
Cost	\$5,753,896	\$4,900,038	\$5,439,547	\$5,345,540
Market Value	\$34,307,805	\$29,394,734	\$37,115,877	\$36,716,490

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**THE EMPLOYEE STOCK OWNERSHIP PLAN OF DIME COMMUNITY BANCSHARES, INC. AND CERTAIN AFFILIATES**  
**FORM 5500, SCHEDULE H, PART IV, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR) AS OF DECEMBER 31, 2004**

<b>Parties in Interest</b>	<b>Identity of Issuer</b>	<b>Description of Investment</b>	<b>Cost</b>	<b>Current Value</b>
*	Dime Community Bancshares, Inc.	Shares of common stock	\$10,653,934	\$63,702,539
*	RS Group	Short-term investment fund	535,011	535,011
Total			\$11,188,945	\$64,237,550

\*Party-in-interest.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Dime Community Bancshares, Inc. (the Plan Administrator) duly caused this report to be signed on their behalf by the undersigned thereunder duly authorized.

**Dated: June 28, 2005 /s/ VINCENT F. PALAGIANO** \_\_\_\_\_

Vincent F. Palagiano

*Chairman of the Board and Chief Executive Officer*

**Dated: June 28, 2005 /s/ KENNETH J. MAHON** \_\_\_\_\_

Kenneth J. Mahon

*Executive Vice President and Chief Financial Officer*