

and violations of law and/or regulations as set forth in a Report of Examination as of December 31, 2008 ("Report of Exam"), which was provided to the Bank on October 27, 2009; and

WHEREAS, the Department and the FDIC completed a follow up visitation of the Bank which commenced on November 2, 2009 (the "Visitation"), the results of which were communicated in a letter to the Board of Directors of the Bank (the "Board") dated December 14, 2009; and

WHEREAS, as a result of the Visitation, the Department and the FDIC found that the Bank's overall financial condition has continued to deteriorate since the safety and soundness examination as of December 31, 2008; and

WHEREAS, the Superintendent of Banks of the State of New York (the "Superintendent") is concerned that the Report of Exam indicated the Bank has failed to take steps and establish the controls necessary to operate in a safe, prudent and lawful manner; and

WHEREAS, the Superintendent possesses the authority under Banking Law Section 39 to issue an order to the Bank to discontinue unlawful or unsafe practices; and

WHEREAS, the Superintendent believes that prompt enforcement action and the issuance of this ORDER are necessary to address the aforementioned supervisory concerns with respect to the Bank.

CEASE AND DESIST ORDER

IT IS HEREBY ORDERED pursuant to Banking Law Section 39 that the Bank,

its institution-affiliated parties, as that term is defined in section 3(u) of the Federal Deposit Insurance Act, (the "Act") 12 U.S.C. 1813(u), and its successors and assigns, shall take affirmative action as follows:

MANAGEMENT

1. (a) The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of management personnel shall be evaluated on their ability to:

- (1) comply with the requirements of this ORDER;
- (2) operate the Bank in a safe and sound manner;
- (3) comply with applicable laws and regulations; and
- (4) restore all aspects of the Bank to a safe and sound

condition, including improving the Bank's asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(b) While this ORDER is in effect, the Bank shall notify the Superintendent in writing of any resignations or terminations of any members of its Board or any of its senior executive officers within 15 days of the event.

MANAGEMENT – BOARD SUPERVISION

2. After the effective date of this ORDER, the Board shall maintain and/or increase its participation in the affairs of the Bank by assuming full responsibility for the approval of the Bank's policies and objectives and for the supervision of the Bank's management, including all the Bank's activities. The Board's participation

shall include, at a minimum, monthly meetings in which the following areas shall be reviewed and approved by the Board: reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, noncurrent, and recovered loans; liquidity and funds management; operating policies; and individual committee actions. The Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION

3. (a) Within 30 days after the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" by the FDIC and the Department in the Report of Exam. Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) Within 60 days after the effective date of this ORDER, the Bank shall formulate and submit a detailed written plan to the Superintendent to reduce the remaining assets classified "Doubtful" and "Substandard" in the Report of Exam. The plan shall address each asset so classified where the borrower and any related interest has an aggregate indebtedness to the Bank with a balance of \$300,000 or greater. For the purpose of this ORDER "related interest" is defined as in section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.2(n). In addition, the plan shall provide the following:

- (1) the name under which the asset is carried on the Bank's books;
- (2) type of asset;
- (3) actions to be taken in order to reduce the classified asset;
- (4) time frames for accomplishing the proposed actions;
- (5) a review of the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and
- (6) an evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

In addition, the plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall contain a provision requiring the submission of monthly progress reports to the Board and a provision mandating a monthly review by the Board.

(c) The Bank shall submit the plan to the Superintendent for review and comment. Within 30 days after the Superintendent has responded to the plan, the Board shall adopt the plan as amended or modified by the Superintendent, which approval shall be recorded in the minutes of the Board meeting. The Bank shall then immediately initiate measures detailed in the plan to the extent such measures have not been initiated.

(d) For purposes of the plan, the reduction of adversely classified assets shall be detailed using quarterly targets expressed as a percentage of the

Bank's Tier 1 capital plus the Bank's allowance for loan and lease losses and may be accomplished by charge-off; collection; or an increase in the Bank's Tier 1 capital.

(e) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" as determined at any future examination.

REDUCTION OF DELINQUENCIES

4. (a) Within 45 days after the effective date of this ORDER, the Bank shall formulate and submit to the Superintendent for review and comment a detailed written plan for the reduction and collection of delinquent loans. Such plan shall include, but not be limited to, provisions which:

(1) prohibit the extension of credit for the payment of interest, unless the Board adopts prior to such extension of credit a detailed written statement giving reasons why such extension of credit is in the best interests of the Bank and how it improves the position of the Bank. Copies of the statement approved by the Board shall be made a part of the Board minutes, placed in the appropriate loan file and submitted to the Superintendent with the quarterly progress reports required pursuant to paragraph 16 of this ORDER;

(2) delineate areas of responsibility for implementing and monitoring the Bank's collection policies;

(3) establish specific collection procedures to be instituted at various stages of a borrower's delinquency;

(4) establish dollar levels to which the Bank shall reduce delinquencies within 6 months from the effective date of this ORDER; and

(5) provide for the submission of monthly written progress reports to the Board for review and notation in the Board minutes.

(b) For purposes of the plan, "reduce" means to charge-off or collect.

(c) Within 30 days after the Superintendent has responded to the plan, the Board shall adopt the plan as amended or modified by the Superintendent. The plan shall be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS

5. (a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose existing credit has been classified "Loss" in the Report of Exam, either in whole or in part, and is uncollected, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing (after full collection, in cash, of interest due from the borrower) any credit already extended to the borrower.

(b) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower

whose extension of credit is classified "Doubtful" and/or "Substandard" in the Report of Exam, either in whole or in part, and is uncollected, unless the Board has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file, included in the minutes of the applicable meeting of the Board and submitted to the Superintendent with the quarterly progress reports required pursuant to paragraph 16 of this ORDER;

REDUCTION OF COMMERCIAL REAL ESTATE CONCENTRATIONS

6. (a) Within 45 days from the effective date of this ORDER, the Bank shall develop and submit a written plan, acceptable to the Superintendent, for systematically reducing and monitoring the Bank's commercial real estate ("CRE") loan concentration of credit identified in the Report of Exam to an amount which is commensurate with the Bank's business strategy, management expertise, size, and location. Such plan shall prohibit any advances that would increase the concentration unless the advance is pursuant to an existing loan agreement and shall include, but not be limited to:

(1) dollar levels and percent of capital to which the Bank shall reduce the concentration;

(2) timeframes for achieving the reduction in dollar levels and percent of capital in response to (1) above;

(3) provisions requiring compliance with the *Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk*

Management Practices (FIL-104-2006, issued December 12, 2006) and *Managing Commercial Real Estate Concentrations in a Challenging Environment* (FIL-22-2008, issued March 17, 2008);

(4) provisions for controlling and monitoring of CRE lending, including plans to address the rationale for CRE loan levels as they relate to growth and capital targets, segmentation and testing of the CRE loan portfolio to detect and limit concentrations with similar risk characteristics; and

(5) provisions for the submission of monthly written progress reports to the Board for review and notation in minutes of the Board meetings.

(b) For purposes of the plan, "reduce" means to charge-off or collect, or increase Tier 1 capital.

(c) The Bank shall submit the plan to the Superintendent for review and comment. Within 30 days after the Superintendent has responded to the plan, the Board shall adopt the plan as amended or modified by the Superintendent, which approval shall be recorded in the minutes of the Board meeting. The plan shall be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

ALLOWANCE FOR LOAN AND LEASE LOSSES

7. (a) Within 30 days after the effective date of this ORDER, the Bank shall make provisions to its allowance for loan and lease losses ("ALLL") in the amount of at least \$2,300,000. The allowance should be funded by charges to

current operating income, and should be calculated in accordance with generally accepted accounting standards and ALLL supervisory guidance. After the initial provision is made, the Bank shall thereafter maintain a reasonable ALLL. Prior to the end of each calendar quarter, the Bank's Board shall review the adequacy of the Bank's ALLL. Such reviews shall include, at a minimum, the Bank's loan loss experience, an estimate of the potential loss exposure in the portfolio, trends of delinquent and non-accrual loans and prevailing and prospective economic conditions. The minutes of the Bank's Board's meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended provisions to the ALLL.

(b) Within 30 days after the effective date of this ORDER, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after December 31, 2008, and amend said reports if necessary to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain a reasonable ALLL. Reports filed after the effective date of this ORDER shall also accurately reflect the financial condition of the Bank as of the reporting date.

CAPITAL MAINTENANCE

8. (a) No later than June 30, 2010, and at all times thereafter while this ORDER is in effect, the Bank, after establishing an adequate ALLL, shall increase and maintain its ratio of Tier 1 capital to total assets ("leverage ratio") equal to or greater than 7 percent and its ratio of qualifying total capital to risk-

weighted assets ("total risk-based capital ratio") equal to or greater than 11 percent.

(b) If said capital ratios are less than required by this ORDER, as determined as of the date of any Report of Condition and Income or at any future examination, the Bank shall, within 30 days after notice of its capital deficiency, submit to the Superintendent a plan to increase its capital or to take such other measures to bring its leverage ratio and total risk-based capital ratio to the percentages required by this ORDER. Within 30 days after the Superintendent responds to the plan, the Board shall adopt the plan, including any modifications or amendments requested by the Superintendent. Such capital plan shall detail the steps that the Bank shall take to achieve and maintain the capital requirements set forth in subparagraph 8(a) above. In developing the capital plan, the Bank shall take into consideration:

- (1) the volume of the Bank's adversely classified assets;
- (2) the nature and level of the Bank's asset concentrations;
- (3) the adequacy of the Bank's ALLL;
- (4) the anticipated level of retained earnings;
- (5) anticipated and contingent liquidity needs; and
- (6) the source and timing of additional funds to fulfill future capital

needs.

In addition, such capital plan must include a contingency provision to sell or merge the Bank in the event that the Bank fails to maintain the minimum capital

ratios required by subparagraph 8(a) or fails to adopt, implement or adhere to a capital plan to which the Superintendent has responded pursuant to this subparagraph. The Bank shall implement the contingency provision to sell or merge the Bank upon written notice from the Superintendent.

(c) Any increase in capital necessary to meet the requirements of the provisions of this paragraph may be accomplished by the following:

(1) the sale of new securities in the form of common stock;

(2) the sale of noncumulative perpetual preferred stock;

(3) the direct contribution of cash by the directors, shareholders, or parent holding company of the Bank; or

(4) any other method acceptable to the Superintendent and approved in advance in writing by the Superintendent.

(d) If all or any part of the increase in capital required by the provisions of this ORDER is accomplished by the sale of new securities, the Board shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal securities laws. Prior to the

implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the Superintendent for review. Any changes in the plan or materials requested by the Superintendent shall be made prior to their dissemination. If the Superintendent allows any part of the increase in Tier 1 capital to be provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to the interest rate and any convertibility factor, shall be presented to the Superintendent for prior approval.

(e) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber or purchaser of the Bank's securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

(f) No increase in Tier 1 capital necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's ALLL or other reserve accounts. Further, the Bank shall not lend funds directly or indirectly, whether secured or unsecured, to any borrower for the

purpose of purchasing Bank or affiliate stock or other securities until such time as the Bank has achieved the increase in Tier 1 capital required herein.

(g) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, App. A.

(h) For purposes of this ORDER, all terms relating to capital shall have the meanings ascribed to them and shall be calculated according to the methodology set forth in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.

BUDGET AND PROFIT PLAN

9. (a) Within 45 days after the effective date of this ORDER, the Bank shall submit to the Superintendent for review and comment a written profit plan and a realistic, comprehensive budget for all categories of income and expense for the remainder of the calendar year 2010. The plan required by this paragraph shall contain formal goals and strategies, be consistent with sound banking practices, reduce discretionary expenses, improve the Bank's overall earnings and net interest income, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components, including executive officers' compensation. For purposes of this paragraph, "compensation" refers to any and all salaries, bonuses and other benefits of every kind or nature whatsoever, both current and deferred, whether paid directly or indirectly, and the term "executive officers" shall include the Bank's chairman of the Board, vice-chairmen

of the Board, president, chief executive officer, executive vice president(s), senior vice president(s), and chief financial officer.

(b) Within 30 days after the end of each calendar quarter following completion of the profit plan and budget required by this paragraph, the Board shall evaluate the Bank's actual performance in relation to the written profit plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the Board minutes when such evaluation is undertaken.

(c) A written profit plan and budget shall be prepared for each calendar year subsequent to 2010 for which this ORDER is in effect and shall be submitted to the Superintendent for review and comment within 30 days after the end of the prior year. Within 30 days after the Superintendent has responded to the plan, the Board shall adopt the plan as amended or modified by the Superintendent, which approval shall be recorded in the minutes of the Board meeting. The plan shall be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

STRATEGIC PLAN

10. (a) Within 60 days after the effective date of this ORDER, the Bank shall develop and submit to the Superintendent for review and comment a comprehensive business/strategic plan ("Strategic Plan") covering an operating period of at least three years. The Strategic Plan shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense

components.

(b) The Strategic Plan shall address, at a minimum:

(1) strategies for pricing policies and asset/liability management;

(2) specific plans for the maintenance of capital that may in no event be less than the requirement of the provisions of paragraph 8 of this ORDER and shall detail the actions to be taken to maintain the required capital ratios, including but not limited to, the sale of new securities, the direct contribution of cash by the directors or parent holding company, or the merger with or acquisition by another federally insured institution or holding company thereof;

(3) plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;

(4) goals for reducing problem loans;

(5) financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and

(6) formulation of a mission statement and the development of a strategy to carry out that mission.

(c) The Bank shall submit the Strategic Plan to the Superintendent for review and comment. Within 30 days after the Superintendent has responded to the plan, the Board shall adopt the plan as amended or modified by the Superintendent, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and follow the Strategic Plan.

(d) Within 45 days after the end of each calendar quarter following the effective date of this ORDER, the Board shall evaluate the Bank's performance in relation to the Strategic Plan and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the meeting of the Board at which such evaluation is undertaken. A copy of the evaluation shall be submitted to the Superintendent.

(e) The Strategic Plan required by this ORDER shall be revised and submitted to the Superintendent for review and comment 30 days after the end of each calendar year for which this ORDER is in effect. Within 30 days after the Superintendent has responded to the plan, the Board shall adopt the plan as amended or modified by the Superintendent, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and follow the revised Strategic Plan.

LIQUIDITY AND FUNDS MANAGEMENT

11. (a) Within 45 days after the effective date of this ORDER, the Bank shall develop a liquidity and funds management plan and submit it to the Superintendent for review and comment. Annually thereafter, while this ORDER is in effect, the Bank shall review its policy for adequacy and, based upon such review, shall make necessary revisions to the policy to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. The plan shall include, at a minimum, provisions:

(1) establishing a reasonable range for its net non-core funding dependence ratio as computed in the Uniform Bank Performance Report and the means by which the Bank will seek to reduce its reliance on non-core funding and high-cost, rate-sensitive deposits;

(2) identifying the source and use of borrowed and/or volatile funds;

(3) establishing sufficient back-up lines of credit that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity prove to be inadequate;

(4) requiring the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the Bank's total assets) to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;

(5) establishing a minimum liquidity ratio and defining how the ratio is to be calculated;

(6) establishing contingency plans that identify alternative courses of action designed to meet the Bank's liquidity needs and are consistent with guidance issued by the FDIC in *Liquidity Risk Management* (FIL-84-2008, issued August 26, 2008) ; and

(7) addressing the use of borrowings (i.e., seasonal credit needs, match funding mortgage loans, etc.) and providing for reasonable maturities

commensurate with the use of the borrowed funds; addressing concentration of funding sources; and addressing pricing and collateral requirements with specific allowable funding channels (i.e., brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings).

(b) Within 30 days after the Superintendent has responded to the plan, the Board shall adopt the plan as amended or modified by the Superintendent. The revised plan shall be implemented immediately to the extent that the provisions of the revised plan are not already in effect at the Bank.

LOAN POLICY

12. (a) Within 60 days after the effective date of this ORDER, and annually thereafter, the Board shall review the Bank's loan policy and procedures for effectiveness and, based upon this review, shall make all necessary revisions to the policy in order to strengthen the Bank's lending procedures and abate additional loan deterioration. The revised written loan policy shall be submitted to the Superintendent for review and comment upon its completion.

(b) The initial revisions to the Bank's loan policy required by this paragraph, at a minimum, shall include provisions:

- (1) designating the Bank's normal trade area;
- (2) establishing review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures and that

the Board is receiving timely and fully-documented reports on loan activity, including any deviations from established policy;

(3) requiring that all extensions of credit originated or renewed by the Bank be supported by current credit information and collateral documentation, including lien searches and the perfection of security interests; have a defined and stated purpose; and have a predetermined and realistic repayment source and schedule. Credit information and collateral documentation shall include current financial information; profit and loss statements or copies of tax returns; and cash flow projections, and shall be maintained throughout the term of the loan;

(4) requiring loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" in the Report of Exam;

(5) requiring the establishment and maintenance of a loan grading system and internal loan watch list;

(6) requiring a written plan to lessen the risk position in each credit identified as a problem on the Bank's internal loan watch list;

(7) requiring prior written approval by the Board for any extension of credit, renewal, or disbursement in an amount which, when aggregated with all other extensions of credit to that person and related interests of that person, exceeds \$500,000, provided that this requirement is in addition to

any existing requirements under Part 321 of the Superintendent's Regulations and Part 11 of the General Regulations of the Banking Board;

(8) requiring accurate reporting of past due loans to the Board on at least a monthly basis;

(9) requiring guidelines for and reviews of loans outside of the Bank's primary service area which, at a minimum, shall include complete credit documentation, approval by a majority of the Bank's Board prior to disbursement of funds, and a detailed written explanation of why such a loan is in the best interest of the Bank;

(10) incorporating collateral valuation requirements, including:

- a. maximum loan-to-collateral-value limitations;
- b. a requirement that the valuation be completed prior to a commitment to lend funds;
- c. a requirement for periodic updating of valuations;
and
- d. a requirement that the source of valuations be documented in Bank records;

(11) requiring that collateral appraisals be completed prior to the making of secured extensions of credit, and that periodic collateral valuations be performed for all secured loans listed on the Bank's internal watch list, criticized in any internal or outside audit report of the Bank, or criticized in any report of examination of the Bank by the FDIC or the Department;

(12) prohibiting the issuance of standby letters of credit unless the letters of credit are well-secured and/or are supported by current and complete financial information; and

(13) establishing appraisal review and monitoring procedures to ensure compliance with Part 323 of the FDIC's Rules and Regulations, 12 C.F.R. Part 323.

(c) The Bank shall submit the foregoing policies to the Superintendent for comment. After the Superintendent has responded to the policies, the Board shall adopt the policies as amended or modified by the Superintendent. The policies will be implemented immediately to the extent that they are not already in effect at the Bank.

DIVIDEND RESTRICTION

13. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Superintendent.

LOAN COMMITTEE AND LOAN REVIEW REQUIREMENTS

14. (a) Within 30 days after the effective date of this ORDER, the Board shall establish a loan review committee to periodically review the Bank's loan portfolio and identify and categorize problem credits. The committee shall file a report with the Board at each Board meeting. This report shall include the following information:

(1) the overall quality of the loan portfolio;

(2) the identification, by type and amount, of each problem or delinquent loan;

(3) the identification of all loans not in conformance with the Bank's lending policy; and

(4) the identification of all loans to officers, directors, principal shareholders or their related interests.

(b) At least 50 percent of the members of the loan review committee shall be directors not employed in any capacity by the Bank other than as a director.

INTEREST RATE RISK POLICY

15. (a) Within 45 days after the effective date of this ORDER, the Bank shall develop and submit to the Superintendent, for review and comment, an interest rate risk policy and procedures that shall include, at a minimum:

(1) goals and strategies for managing the Bank's interest rate risk;

(2) measures designed to control the nature and amount of interest rate risk the Bank takes, including those that specify risk limits and define lines of responsibility and authority for managing risk;

(3) a system for identifying and measuring interest rate risk, including periodic calculations to measure interest rate risk exposure at various time horizons and under various rate scenarios;

(4) a system for monitoring and reporting interest rate risk

exposures; and

(5) a system of internal controls, review, and audit to ensure the integrity of the overall interest rate risk management process.

(b) The Bank shall submit the revised interest rate risk policy required by this paragraph to the Superintendent for review and comment. Within 30 days after the Superintendent has responded to the revised policy, the Board shall adopt the revised policy as amended or modified by the Superintendent. The revised policy shall be implemented immediately to the extent that the provisions of the revised policy are not already in effect at the Bank.

PROGRESS REPORTS

16. Within 30 days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Superintendent written progress reports detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Superintendent has released, in writing, the Bank from making further reports.

CORRECTION AND PREVENTION

17. Beginning on the effective date of this ORDER, the Bank shall take steps necessary, consistent with other provisions of this ORDER and sound banking practices, to correct and prevent the unsafe or unsound banking practices and/or violations of law or regulation that were identified in the Report of Exam.

SHAREHOLDERS

18. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the Superintendent for review at least 20 days prior to dissemination to shareholders. Any changes requested by the Superintendent shall be made prior to dissemination of the description, communication, notice, or statement.

ORDER EFFECTIVE

19. This ORDER shall be binding upon the Bank, its successors and assigns, and all institution-affiliated parties of the Bank. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision of this ORDER shall have been modified, terminated, superseded, or set aside in writing by the Department.

20. No provision of this Order shall bar, estop, or otherwise prevent or preclude the Department or any federal or state agency from taking any other or further action affecting the Bank or any of their current or former institutions or affiliated parties.

This ORDER will become effective upon its issuance by the Department.

Pursuant to delegated authority.

Dated this 22nd day of April, 2010.

Martin D. Cofsky
Deputy Superintendent of Banks
New York State Banking Department