

OFFICE OF THRIFT SUPERVISION

APPROVAL OF HOLDING COMPANY AND MERGER APPLICATION

ORDER NO.: 96-46

DATE: May 22, 1996

Dime Community Bancorp, Inc., Brooklyn, New York (the "Holding Company") seeks approval of the Office of Thrift Supervision ("OTS") under 12 U.S.C. § 1467a(e) and 12 C.F.R. § 574.3 to acquire 100% of the common stock of The Dime Savings Bank of Williamsburgh, Brooklyn, New York ("Dime"). In addition, the Holding Company seeks approval under 12 U.S.C. §§ 1467a(e), 1467a(s), 1815(d)(3) and 1828(c), and 12 C.F.R. §§ 552.13(c), 563.22, and 574.3 to acquire Pioneer Savings Bank, FSB, Roslyn, New York ("Pioneer") and to merge Pioneer with and into Dime in a merger transaction.

The Director or his designee (the "Director") has considered the applications under the factors set forth in 12 U.S.C. §§ 1467a(e), 1467a(s), 1815(d)(3), and 1828(c), and 12 C.F.R. §§ 552.13, 563.22, 563b.3(i), and 574.7. In addition, the Director has considered a protest to the application submitted by Inner City Press/Community on the Move, as well as digests from the Northeast Regional Office, Compliance Policy and Corporate Activities, an analysis of the protest prepared by the Regional Office, a legal opinion from the Business transactions Division, and other information within the possession of the OTS regarding Dime's performance under the Community Reinvestment Act. Based on the aforesaid information, the Director finds that the applications satisfy the applicable approval standards, provided that the conditions set forth below are satisfied.

In addition, the OTS has considered the applications under the Community Reinvestment Act, 12 U.S.C. § 2901 et seq., and the OTS regulations thereunder, 12 C.F.R. Part 563e, and has considered the materials referenced above. Based on these materials, the OTS finds that approval of the applications is consistent with the Community Reinvestment Act and OTS regulations thereunder.

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Accordingly, the applications are hereby approved, subject to the following conditions:

1. The proposed transaction shall be consummated in accordance with the Plan of Merger, dated November 2, 1995, and no earlier than 15 calendar days and no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Northeast Regional Director, or his designee ("Regional Director");
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Holding Company, Dime, Conestoga Bancorp, Inc. ("Conestoga") and Pioneer shall

certify to the Regional Director, in writing, that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Holding Company, Dime, Conestoga and Pioneer, respectively, since the date of the financial statements submitted with the application;

3. The Holding Company and Dime will obtain all required regulatory and shareholder approvals prior to consummation, and will act to satisfy all requirements and conditions imposed by the OTS, and comply with all applicable laws, rules and regulations;

4. No later than 5 calendar days from the date of consummation of the acquisition and merger, the Holding Company shall file with the Regional Director, a final tax opinion regarding the merger and a certification by legal counsel stating the effective date of the acquisition and merger and that the acquisition and merger has been consummated in accordance with the provisions of all applicable laws and regulations, the holding company and merger application, the Agreement and Plan of Merger and this order;

5. Dime shall advise each accountholder whose withdrawable accounts in Dime would increase above \$100,000 as a result of the proposed transaction of the effect of the transaction on insurance coverage no later than 30 calendar days after the date of consummation of the proposed transaction;

6. The Holding Company shall comply with each of the conditions, and shall submit each of the certifications, as specified in 12 C.F.R. § 574.7(a)(2) and (3), within the timeframes specified therein, except the independent auditor's certification required by 12 C.F.R. § 574.7(a)(2)(iii)(F)(3);

7. The Holding Company shall not take any action that would prevent its stock from being listed on a national or regional securities exchange or from being quoted or reported on the NASDAQ system;

8. Any tax sharing agreement to be entered into between the Holding Company and Dime shall receive the prior written approval of the Regional director;

9. Within 90 days after consummation of the transaction, Dime will:

- a. Develop a system to track broker activity in the assessment area(s) to determine that each broker is submitting a representative amount of multi-family loan applications to Dime including applications from low-moderate income geographies. When applications are not comparable with demographics, Dime management will discuss the matter with each respective broker to determine the changes in policies and procedures that are needed. A record of the discussion will be kept;
- b. On a periodic basis, Dime will review the broker list to determine that each broker solicits applications from low and

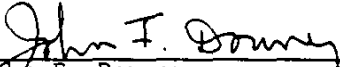
moderate income geographies in each assessment area. The review should ensure that applications are solicited from each of the communities that Dime has determined to be "Special Target Areas" for multi-family lending. After implementation, this review will be conducted at least annually; and

- c. Management will summarize and review, with institution staff and brokers, rules regarding applications submitted by brokers in accordance with Section 202.5 of Regulation B. Emphasize to staff and brokers the importance of accepting applications from all prospective borrowers; and
10. Within 90 days after consummation of the transaction, Dime will:
- a. Review each withdrawn application and maintain a monthly summary regarding the reasons for withdrawal. Determine that withdrawals are recorded in accordance with Section 203.4(a)(5) of Regulation C. Revise policies and procedures, as applicable, based on the aforementioned review. These records must be maintained for 26 months;
  - b. Train underwriting staff in the evaluation process in accordance with Section 202.6 of Regulation B, emphasizing rules concerning use of information in Section 202.6(b);
  - c. Ensure that procedures are in place to record data on the Loan Application Register in accordance with Section 203.4(a) of Regulation B, when an underwriter has received sufficient information from a broker that would indicate that a credit decision was made;
  - d. Review the institution's underwriting standards to determine that they do not have the effect of predetermining that applications will be denied in low and moderate income neighborhoods;
  - e. Train officers and managers involved in the underwriting process to ensure they are sensitive to the unique characteristics of low and moderate income neighborhoods from the assessment area(s). After implementation, this training should be conducted at least annually;
  - f. Establish a second review for declined applications, including incomplete applications when there was a credit decision, prior to sending the "Notice of Denial" to the customer to determine if alternatives could have been offered. Also, withdrawn applications should be analyzed to determine if policies need to be revised;
  - g. Analyze total lending in each assessment area, including each of the four counties. Determine if lending is disproportionately low in one or more counties to total originations by all lenders in each area. Determine the

reasons, if applicable, for lower lending amounts in any assessment area(s);

- h. Where lending is minimal in certain neighborhoods deemed to be low-and-moderate-income, determine the opportunity to lend in those areas. Revise marketing efforts in neighborhoods where there are adequate opportunities to lend;
- i. Analyze the results of the FHA 203K program to determine if the needs of the assessment area are being met. If no demand, determine the reasons; and
- j. Review results of the lending program to members of qualifying co-op buildings with troubled histories to determine if the program meets the needs of the community. If no loans have been extended, determine the reasons.

By Order of the Acting Director of the Office of Thrift  
Supervision, or his designee, effective May 22, 1996.

  
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John F. Downey  
Executive Director, Supervision