

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the Fiscal Year Ended June 30, 1996

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

Dime Community Bancorp, Inc.
(Exact Name of registrant as specified in its charter)

Delaware 11-3297463
(State or other jurisdiction of (I.R.S. employer
incorporation or identification number)
organization)

209 Havemeyer Street, Brooklyn, 11211
NY (Zip Code)
(Address of principal executive
offices)

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

Securities Registered Pursuant to Section 12(b) of the Act:
None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, par value \$.01 per share
(Title of Class)

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file reports) and (2) has been subject to such requirements for the past 90 days.
YES X NO ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Company's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. [X]

As of September 23, 1996, there were issued and outstanding 14,547,500 shares of the Company's Common Stock. The aggregate market value of the voting stock held by non-affiliates of the Company as of September 23, 1996 was \$ 177,877,005. This figure is based upon the closing price on the NASDAQ National Market for a share of the Company's Common Stock, \$0.01 par value, on September 23, 1996, which was \$13.625 as reported in the Wall Street Journal on September 24, 1996.

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Statements contained in this Annual Report on Form 10-K relating to plans, strategies, economic performance and trends, and other statements that are not descriptions of historical facts may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward looking information is inherently subject to risks and uncertainties, and actual results could differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed under the captions "Item 1 -Business and Item 7 - Management's Discussion and Analysis" below, and elsewhere in this Form 10-K. The Company has no obligation to update these forward looking statements.

PART I

Item 1. Business

General

Dime Community Bancorp, Inc. (the "Company") is a Delaware corporation organized in December, 1995 at the direction of the Board of Directors of the Dime Savings Bank of Williamsburgh (the "Bank") for the purpose of acquiring all of the capital stock of the Bank issued in the conversion of the Bank from a federal mutual savings bank to a federal stock savings bank (the "Conversion"). In connection with the Conversion, the Company issued 14,547,500 shares (par value \$0.01) of common stock at a price of \$10.00 per share to the Bank's eligible depositors who subscribed for shares and to an Employee Stock Ownership Plan ("ESOP") established by the Company. The Company realized net proceeds of \$141.4 million from the sale of its common stock and utilized approximately \$76.4 million of the proceeds to purchase 100% of the Bank's common stock and \$11.6 million to fund a loan to the ESOP for its purchase of 1,163,800 shares, or 8%, of the Company's common stock. The remaining proceeds of \$53.4 million were retained by the Company.

The primary business of the Company is the operation of its wholly-owned subsidiary, the Bank. In addition to directing, planning and coordinating the business activities of the Bank, the Company retained proceeds of \$53.4 million in connection with the Conversion, which are invested in federal funds, short-term, investment grade marketable securities and mortgage-backed securities. The Company also holds a note evidencing the loan that it made to the ESOP to purchase 8% of its common stock issued in the Conversion. See - "-Regulation - Regulation of the Holding Company."

The Company is a unitary savings and loan holding company, which, under existing law, is generally not restricted as to the types of business activities in which it may engage, provided that the Bank continues to be a qualified thrift lender. Under regulations of the Office of Thrift Supervision ("OTS") the Bank is a qualified thrift lender if its ratio of qualified thrift investments to portfolio assets ("QTL Ratio") is 65% or more, on a monthly average basis in nine of every twelve months. At June 30, 1996, the Bank's QTL Ratio was 76%, and the Bank has maintained more than 65% of its portfolio assets in qualified thrift investments in at least nine of the preceding twelve months.

In the future, the Company may organize or acquire, through merger or otherwise, other subsidiaries, including other financial institutions, or branches thereof, or other financial services related companies, although there are no current arrangements, understandings or agreements regarding any such acquisition or expansion.

The Company neither owns nor leases any property but instead uses the premises and equipment of the Bank. At the present time, the Company does not employ any persons other than certain officers of the Bank who do not receive any extra compensation as officers of the Company. The Company utilizes the support staff of the Bank from time to time, as needed. Additional employees may be hired as deemed appropriate by the management of the Company.

Unless otherwise disclosed, the information presented in this Form 10-K reflect the financial condition and results of operations of the Company and the Bank on a consolidated basis. At June 30, 1996, the Company had total consolidated assets of \$1.37 billion, which included \$131.1 million of excess proceeds resulting from the oversubscription to the Company's initial public offering, which was refunded on July 1, 1996. Certain information which discloses percentages of total assets will include parenthetical disclosure for "Adjusted Assets," which represents total assets adjusted for the refund of excess proceeds on July 1, 1996.

The Bank's principal business has been, and continues to be, gathering deposits from customers within its market area, and investing those deposits, primarily in multi-family and one- to four-family residential mortgage loans, mortgage-backed securities, and obligations of the U.S. Government and Government Sponsored Entities ("GSEs"). The Bank's revenues are derived

principally from interest on its loan and securities portfolios. The Bank's primary sources of funds are: deposits; loan amortization, prepayments and maturities; amortization, prepayments and maturities of mortgage-backed and investment securities; and, to a lesser extent, the sale of fixed-rate mortgage loans to the secondary market. The Bank is also a member of the Federal Home Loan Bank of New York ("FHLBNY") and is eligible to utilize the FHLBNY as a source of borrowed funds.

Acquisition of Conestoga Bancorp, Inc.

On June 26, 1996 (the "Effective Time"), the Bank completed the acquisition of Conestoga Bancorp, Inc. ("Conestoga") pursuant to the Agreement and Plan of Merger dated as of November 2, 1995 (the "Merger Agreement"). The acquisition (the "Acquisition") of Conestoga by the Bank resulted in the merger of Conestoga's wholly-owned subsidiary, Pioneer Savings Bank, F.S.B. ("Pioneer") with and into the Bank, with the Bank as the resulting financial institution. The Board of Directors of the Bank, as the surviving entity of the merger, consists solely of all of the Directors of the Bank immediately prior to the Acquisition.

Each share of Conestoga's common stock, par value \$0.01 per share, issued and outstanding as of the Effective Time (other than shares held as treasury stock of Conestoga and unallocated shares held in Conestoga's Recognition and Retention Plans and Trust) was canceled and converted automatically into the right to receive \$21.31 per share in cash pursuant to the terms and conditions of the Merger Agreement. As a result of the Acquisition, shareholders of Conestoga were paid approximately \$101.3 million in cash (the "Merger Consideration"). In addition, the Bank paid to each holder of an outstanding option which had been granted by Conestoga to purchase shares of Conestoga's common stock an amount in cash computed by multiplying (i) any positive difference obtained by subtracting from (x) the per share amount of the Merger Consideration from (y) the per share exercise price applicable to such option, by (ii) the number of shares of Conestoga common stock subject to such option. These payments totaled approximately \$4.1 million.

The Acquisition of Conestoga occurred immediately after the Conversion. A portion of the proceeds received from the Conversion, along with cash generated in the Bank's ordinary course of business, were utilized by the Bank to pay the Merger Consideration.

Set forth below is the Pro Forma Statement of Operations for the year ended June 30, 1996. The historical portion has been derived from the audited statement of operations of the Company for the year ended June 30, 1996 and the audited statement of operations of Conestoga for the year ended March 31, 1996. Pro forma adjustments have been prepared assuming that the Acquisition was consummated as of July 1, 1995.

The Acquisition has been accounted for in the financial statements using the purchase method of accounting. Under purchase accounting, the acquired assets and liabilities of Conestoga are recognized at their fair value as of the date of the Acquisition.

The Pro Forma Combined Statement of Operations for the year ended June 30, 1996 does not purport to be indicative of the financial position or operating results which would have been achieved had the Acquisition been consummated as of July 1, 1995 and should not be construed as representative of future operating results. The pro forma adjustments are based upon available information and assumptions the Company believes are reasonable under the circumstances.

Unaudited Pro Forma Combined Statement of Operations For the Year Ended June 30, 1996

	Dime Community Bancorp, Inc.	Conestoga Bancorp, Inc.	Purchase Adjustments	Pro Forma Combined	Note Reference
(In thousands)					
Interest income:					
Loans.....	\$39,654	\$9,069	\$ 58	\$48,781	(1)
Investment securities.....	5,738	8,761	49	14,548	(1)
Mortgage backed securities.....	5,927	12,383	(22)	18,288	(1)
Federal funds sold.....	1,300	2,189	-	3,489	
Total interest income.....	52,619	32,402	85	85,106	
Interest expense:					
Deposits and escrow.....	22,508	17,084	168	39,760	(1)
Borrowed funds.....	1,008	1,209	-	2,217	
Total interest expense.....	23,516	18,293	168	41,977	
Net interest income.....	29,103	14,109	(83)	43,129	
Provision for loan losses	2,979	104	-	3,083	
Net interest income after provision for loan losses.....	26,124	14,005	(83)	40,046	

Non-interest income:					
Service charges and other fees....	911	568	-	1,479	
Gain (loss) on sales of securities and other assets.....	(30)	1,771	-	1,741	
Net gain (loss) on sales of loans.	12	-	-	12	
Other.....	482	251	-	733	

Total non-interest income.....	1,375	2,590	-	3,965	

Non-interest expense:					
Salaries and employee benefits....	7,359	3,792	(1,497)	9,654	(2)
ESOP and RRP benefits.....	114	1,045	(1,045)	114	(3)
Occupancy and equipment.....	1,775	1,454	(107)	3,122	(1)
Federal deposit insurance premiums.....	109	938	-	1,047	
Data Processing.....	557	460	-	1,017	
Amortization of goodwill.....	25	-	2,325	2,350	(4)
Merger related expenses.....	-	842	(842)	-	(6)
Provision for losses on Other real estate owned.....	586	-	-	586	
Other.....	3,496	1,735	(231)	5,000	(5)

Total non-interest expense.....	14,021	10,266	(1,397)	22,890	

Income before income tax expense and cumulative effect of changes in accounting principles.....	13,478	6,329	1,314	21,121	
Income tax expense.....	6,181	3,119	1,674	10,974	(7)

Income before cumulative effect of changes in accounting principles.....	\$7,297	\$3,210	\$(360)	\$10,147	
=====					

(Notes on following page)

Notes to Unaudited Pro Forma Combined Statement of Operations
 Amounts in Thousands

(1) Purchase adjustments column represents one year of amortization of the following total purchase accounting adjustments to Conestoga's loan, investment securities, mortgage-backed securities, deposits, and premises and equipment to new cost basis.

Item	Total Purchase Accounting Adjustment	Annual Amortization
Loans.....	\$ 463	\$ 58
Investment securities.....	249	49
Mortgage-backed securities....	(112)	(22)
Deposits.....	839	168
Premises and equipment.....	(4,288)	(107)

(2) To record reductions in employee salaries and benefits expense resulting from reductions in Conestoga staffing levels.

(3) To reflect the decrease in ESOP and RRP expense resulting from the termination of Conestoga plans.

(4) Purchase adjustments column represents one year of amortization of Goodwill totaling \$28,438 acquired in the Acquisition, amortized over a period of 12 years.

(5) To record the reduction in certain Other operating expenses of Conestoga, as itemized below:

Directors' fees.....	\$204
Automobile Expense.....	27

	\$231
	=====

(6) To reflect the elimination of attorney, consulting and accounting expenses incurred by Conestoga in connection with the Acquisition.

(7) To reflect the income tax effect of the adjustments described in Notes (1) through (6).

Market Area and Competition

The Bank has been, and intends to continue to be, a community-oriented financial institution providing financial services and loans for housing within its market areas. The Bank maintains its headquarters in the Williamsburgh section of the borough of Brooklyn. Fourteen additional offices are located in the boroughs of Brooklyn, Queens, and the Bronx, and in Nassau County. The Bank gathers deposits primarily from the communities and neighborhoods in close proximity to its branches. The Bank's primary lending area is larger, and includes much of New York City and Nassau County. Most of the Bank's mortgage loans are secured by properties located in its primary lending area.

The New York City metropolitan area has historically benefited from having a large number of corporate headquarters and a diversity of financial services industries. However, due to (1) the lingering effects of the decline of the stock market in 1987, (2) the resulting decline in the regional economy and (3) layoffs and corporate relocations in the financial services industry, the New York City metropolitan area experienced reduced levels of employment and an overall decline in the underlying values of local properties from 1987 to 1993.

Since then, the local economy has begun to show signs of improvement in recent periods. Perhaps the most important of these signs has been the gradual decrease in the area unemployment rate from a 1992 peak. Improvement can also be seen in the local real estate market, as reflected in the increase in existing home sales during the past four years and the stabilization of local real estate values. The rise and decline of the Bank's non-performing asset portfolio closely parallels the trend of the local economy during this period. See "- Asset Quality."

Despite these encouraging trends, the outlook for the local economy remains uncertain. Total New York City employment, for example, remains significantly below the high reached in 1988. Other troubling signs include a stubbornly high commercial property (non-residential) vacancy rate and continued weakness in local manufacturing and construction activity.

The Bank faces significant competition both in making loans and in attracting deposits. The Bank's market area has a high density of financial institutions, many of which have greater financial resources than the Bank, and all of which are competitors of the Bank to varying degrees. The Bank's competition for loans comes principally from commercial banks, savings banks, savings and loan associations, mortgage banking companies and insurance

companies. The Bank has recently faced increased competition for the origination of multi-family loans, which comprised 50.6% of the Bank's loan portfolio at June 30, 1996. Management anticipates that competition for both multi-family and one- to four-family loans will continue to increase in the future. Thus, no assurances can be made that the Bank will be able to maintain its current level of such loans. The Bank's most direct competition for deposits has historically come from savings and loan associations, savings banks, commercial banks and direct purchases of government securities. The Bank faces additional competition for deposits from short-term money market funds and other corporate and government securities funds, and from other financial institutions such as brokerage firms and insurance companies. Competition may also increase as a result of the lifting of restrictions on the interstate operations of financial institutions.

Lending Activities

Loan Portfolio Composition. The Bank's loan portfolio consists primarily of multi-family loans secured by apartment buildings (including loans underlying apartment buildings organized under cooperative form of ownership, "underlying cooperatives"), conventional first mortgage loans secured primarily by one- to four-family residences, including condominiums and cooperative apartment share loans, and non-residential (commercial) property loans. At June 30, 1996, the Bank's loan portfolio totaled \$585.9 million. Within the loan portfolio, \$296.6 million or 50.6% were multi-family loans, \$229.3 million or 39.1% were loans to finance the purchase of one- to four-family properties and cooperative apartment share loans, \$37.7 million or 6.4% were loans to finance the purchase of commercial properties, primarily small shopping centers, warehouses and nursing homes, and \$16.7 million or 2.9% were loans to finance multi-family and residential properties with either full or partial credit guarantees provided by either the Federal Housing Administration ('FHA') or the Veterans' Administration ('VA'). Of the total mortgage loan portfolio outstanding at that date, 20.1% were fixed-rate loans and 79.1% were adjustable-rate loans ('ARMs'), of which 72.9% are multi-family and non-residential property loans which carry a maturity of 10 years, and an amortization period of no longer than 25 years. These loans have a fixed interest rate that adjusts after the fifth year indexed to the 5-year FHLBNY advance rate, but may not adjust below the initial interest rate of the loan. At June 30, 1996, the Bank's loan portfolio also included \$3.0 million in passbook loans, \$1.3 million in student loans, and \$1.2 million in other consumer loans.

The types of loans that the Bank may originate are subject to federal and state laws and regulations. Interest rates charged by the Bank on loans are affected principally by the demand for such loans, the supply of money available for lending purposes, and the rates offered by its competitors. These factors are, in turn, affected by general and economic conditions, and the fiscal and monetary policy of the federal government.

The following table sets forth the composition of the Bank's mortgage and other loan portfolios in dollar amounts and percentages at the dates indicated.

At June 30,										
	1996		1995		1994		1993		1992	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
(Dollars in thousands)										
Mortgage loans:										
One- to four-family.....	\$170,182	29.05%	\$ 58,291	13.52%	\$ 59,461	13.74%	\$ 75,248	16.26%	\$ 86,175	17.91%
Multi-family and underlying cooperative..	296,630	50.63	252,436	58.56	242,088	55.92	243,803	52.67	238,018	49.48
Non-residential.....	37,708	6.44	26,972	6.26	26,896	6.21	25,873	5.59	26,988	5.61
FHA/VA insured.....	16,686	2.85	22,061	5.12	27,264	6.30	33,421	7.22	37,334	7.76
Cooperative apartment.....	59,083	10.08	67,524	15.67	73,250	16.92	80,469	17.39	88,438	18.38
Total mortgage loans.....	580,289	99.05	427,284	99.13	428,959	99.09	458,814	99.13	476,953	99.14
Other loans:										
Student loans.....	1,307	0.22	1,431	0.33	1,506	0.35	1,696	0.37	1,879	0.39
Passbook savings (secured by savings and time deposits).....	3,044	0.52	1,510	0.35	1,516	0.35	1,375	0.30	1,194	0.25
Consumer installment loans.....	323	0.06	336	0.08	362	0.08	302	0.06	284	0.06
Home improvement loans.....	891	0.15	475	0.11	550	0.13	665	0.14	747	0.16
Total other loans.....	5,565	0.95	3,752	0.87	3,934	0.91	4,038	0.87	4,104	0.86
Gross loans.....	585,854	100.00%	431,036	100.00%	432,893	100.00%	462,852	100.00%	481,057	100.00%
Less:										
Unearned discounts and net deferred loan fees.....	2,168		1,182		1,300		1,434		1,447	
Allowance for loan losses.....	7,812		5,174		3,633		2,996		2,094	
Loans, net.....	\$575,874		\$424,680		\$427,960		\$458,422		\$477,516	
Loans serviced for others:										
One- to four-family and cooperative apartment.....	\$63,360		\$ 63,192		\$ 65,063		\$59,403		\$30,578	
Multi-family and underlying cooperative...	27,690		30,264		34,396		44,079		49,644	
Total loans serviced for others.....	\$91,050		\$ 93,456		\$ 99,459		\$103,482		\$80,222	

Includes loans held for sale.

Includes acquisition of loans from Conestoga, substantially all of which were one-to-four family loans.

Loan Originations, Purchases, Sales and Servicing. The Bank originates both ARMs and fixed-rate loans, which activity is dependent upon customer demand and market rates of interest, and generally does not purchase whole mortgage loans or loan participations. Generally, the Bank sells all originated one- to four-family fixed-rate mortgage loans in the secondary market to the Federal National Mortgage Association ('FNMA'), the Federal Home Loan Mortgage Corporation ('FHLMC'), the State of New York Mortgage Agency ('SONYMA') and other private secondary market purchasers. ARMs, including adjustable-rate multi-family loans, and fixed-rate multi-family and non-residential mortgage loans with maturities up to 15 years, are retained for the Bank's portfolio. For the fiscal year ended June 30, 1996 origination of ARMs totaled \$95.4 million or 83.0% of all loan originations. Originations of fixed-rate mortgage loans totaled \$5.1 million, while sales of fixed-rate loans totaled \$5.7 million. The Bank generally sells all fixed-rate loans without recourse and retains the servicing rights. As of June 30, 1996, the Bank was servicing \$91.1 million of loans for others. The Bank generally receives a loan servicing fee equal to 0.25% of the outstanding principal balance for servicing loans sold.

On April 9, 1996, the Bank entered into a Community Reinvestment Banking Agreement (the 'CRB Agreement') with a local, Bronx-based community group. In the CRB Agreement, the Bank has agreed to use its best efforts, consistent with safe and sound banking practices, to increase its dollar volume of lending in certain low and moderate income neighborhoods to at least \$46.8 million and a maximum of \$86.0 million over the three-year period ending December 31, 1998. Pursuant to the CRB Agreement, the Bank also has agreed to use its best efforts to open three automated teller machines ('ATMs') in the neighborhoods of East Brooklyn, Upper Manhattan and the South Bronx in New York City. Consistent with the CRB Agreement, the Bank has expanded its Community Reinvestment Act service territory to include the entirety of Brooklyn, Manhattan and the Bronx. The Bank is in compliance with all currently applicable provisions of the CRB Agreement.

The following table sets forth the Bank's loan originations, loan sales and principal repayments for the periods indicated.

	For the Years Ended June 30,		
	1996	1995	1994
	(In thousands)		
Loans (gross):			
At beginning of period.....	\$431,036	\$432,893	\$462,852
Mortgage loans originated:			
One- to four-family.....	6,087	5,509	17,111
Multi-family and underlying cooperative.....	94,379	36,326	41,595
Non-residential.....	11,764	2,563	3,584
Cooperative apartment.....	568	888	679
Total mortgage loans originated.....	112,798	45,286	62,969
Other loans originated:			
Other loans.....	2,122	2,115	1,691
Total loans originated.....	114,920	47,401	64,660
Loans acquired from Conestoga (2)	113,140	-	-
Principal repayments.....	67,308	45,988	72,831
Loans sold(1).....	5,740	2,791	19,866
Loans transferred from real estate pending foreclosure.....	(875)	(2,316)	(1,949)
Mortgage loans transferred to OREO.....	1,069	2,795	3,871
Unpaid principal balances at end of period.....	\$585,854	\$431,036	\$432,893

(1) Includes fixed-rate mortgage loans and student loans.

(2) Substantially all of these mortgage loans are one-to-four family mortgage loans.

Loan Maturity and Repricing. The following table shows the earlier of maturity or repricing period of the Bank's loan portfolio at June 30, 1996. Loans that have adjustable rates are shown as being due in the period during which the interest rates are next subject to change. The table does not include prepayments or scheduled principal amortization. Prepayments and scheduled principal amortization on the Bank's loan portfolio totaled \$67.3 million for the year ended June 30, 1996.

At June 30, 1996

Mortgage Loans

	Multi- One- to family and Four- Underlying Non- Family Cooperative residential	FHA/VA	Cooperative Apartment	Other Loans	Total Loans
--	---	--------	--------------------------	----------------	----------------

(In thousands)

Amount due:							
One year or less.....	\$63,027	\$43,939	\$ 5,395	\$ -	\$ 54,809	\$ 974	\$168,144
After one year:							
One to three years.....	12,433	78,569	9,033	-	4,008	2,825	106,868
More than three years to five years.....	7,446	143,404	14,012	9,229	231	1,271	175,593
More than five years to ten years.....	18,720	30,104	7,481	192	19	495	57,011
More than ten years to twenty years.....	37,567	614	1,253	5,554	16	-	45,004
Over twenty years.....	30,989	-	534	1,711	-	-	33,234
Total due or repricing after one year...	107,155	252,691	32,313	16,686	4,274	4,591	417,710
Total amounts due or repricing, gross...	\$170,182	\$296,630	\$37,708	\$16,686	\$59,083	\$5,565	\$585,854

The following table sets forth the dollar amounts in each loan category at June 30, 1996 that are due after June 30, 1997, and whether such loans have fixed- or adjustable-interest rates.

	Due after June 30, 1997		
	Fixed	Adjustable	Total
	(In thousands)		
Mortgage loans:			
One- to four-family.....	\$87,747	\$19,408	\$107,155
Multi-family and underlying cooperative...	8,104	244,587	252,691
Non-residential.....	6,729	25,584	32,313
FHA/VA.....	16,686	-	16,686
Cooperative apartment.....	209	4,065	4,274
Other loans.....	4,591	-	4,591
Total loans.....	\$124,066	\$293,644	\$417,710

Multi-family and Non-residential Lending. The Bank originates adjustable-rate and fixed-rate multi-family (five or more units) and non-residential loans which are secured primarily by apartment buildings, underlying cooperatives, mixed-use (residential combined with commercial) and other non-residential properties, generally located in the Bank's primary lending area. The main competitors for loans in this market tend to be other small- to medium-sized local savings institutions. Multi-family and non-residential loans in the Bank's portfolio generally range in amount from \$100,000 to \$3.6 million, and have an average loan size of approximately \$572,000. Residential multi-family loans in this range generally have between 5 and 100 apartments per building. The Bank had a total of \$226.2 million of multi-family loans in its portfolio on buildings with under 100 units as of June 30, 1996. Mostly as a result of rent control and rent stabilization, the associated rent rolls for buildings of this type indicate a rent range that would be considered affordable for low- to moderate-income households. In addition, at June 30, 1996, the Bank had a total of \$59.1 million in loans secured by mortgages on underlying cooperative apartment buildings.

The Bank originated multi-family loans totaling \$94.4 million during the fiscal year ended June 30, 1996, versus \$36.3 million June 30, 1995. At June 30, 1996, the Bank had \$81.2 million of commitments outstanding to originate mortgage loans, which included \$11.0 million of commitments to refinance existing mortgage loans. This compares to \$26.2 million of commitments outstanding at June 30, 1995. All the mortgage commitments outstanding at June 30, 1996 were issued to borrowers within the Bank's service area, \$80.3 million of which are secured by multi-family and underlying cooperative apartment buildings.

The Bank's current lending policy requires loans in excess of \$500,000 to be approved by the Board of Directors. The Bank's lending policy provides for a maximum loan amount of \$5.0 million. The Bank also considers the financial resources and income level of the borrower, the borrower's experience in owning or managing similar properties, the market value of the property and the Bank's lending experience with the borrower. The typical adjustable-rate multi-family loan carries a maturity of 10 years, and an amortization period of no longer than 25 years. These loans have a fixed interest rate that adjusts after the fifth year indexed to the 5-year FHLBNY advance rate, but may not adjust below the initial interest rate of the loan. Prepayment penalties are assessed throughout the life of the loans. The Bank also offers fixed-rate, self-amortizing, multi-family and non-residential loans with maturities of up to 15 years.

At June 30, 1996, the Bank had multi-family loans totaling \$296.6 million in its portfolio, comprising 50.6% of the gross loan portfolio. The underwriting standards for new loans generally require (1) a maximum loan-to-value ratio of 75% based on an appraisal performed by an independent, state-certified appraiser, and (2) sufficient cash flow from the underlying property to adequately service the debt, represented by a debt service ratio not below 1.15. Of the Bank's multi-family loans, \$235.2 million, or 79.3%, were secured by apartment buildings, and \$59.1 million, or 20.7%, were secured by underlying cooperatives at June 30, 1996. Multi-family loans are generally viewed as exposing the Bank to a greater risk of loss than one- to four-family residential loans and typically involve higher loan principal amounts. At June 30, 1996, the Bank had 80 multi-family and non-residential loans with principal balances of \$1.0 million or more, totaling \$138.7 million. These loans, while underwritten to the same standards as all other multi-family and non-residential loans, tend to expose the Bank to a higher degree of risk due to the potential impact of losses from any one loan relative to the size of the Bank's capital position. As of June 30, 1996, one of the 80 loans was in process of foreclosure, with an outstanding balance of \$2.1 million. See "'- Asset Quality.'" Three other loans totaling \$6.4 million were on the Bank's "'watch list,'" none of which were in arrears at that date. In addition, the Bank has identified 107 large real estate loans or commitments, totaling \$90.4 million, derived in connection with 34 principal parties, each of which has certain financial interests in more than one real estate loan held by the Bank. The

principal parties identified may, for example, be officers of corporations, or sponsors of cooperative corporations, which own the real estate on which the Bank holds a mortgage. No combination of these loans are in violation of the OTS limitations on loans to one borrower. See "'- Regulation - Regulation of Federal Savings Associations - Loans to One Borrower.'"

Repayment of multi-family loans is dependent, in large part, on sufficient cash flow from the property to cover operating expenses and debt service. Economic events and government regulations, such as rent control and rent stabilization laws, which are outside the control of the borrower or the Bank, could impair the value of the security for the loan or the future cash flow of such properties. As a result, rental income might not rise sufficiently over time to meet increases in the loan rate at repricing, or increases in overhead expenses (i.e., utilities, taxes). During the last five fiscal years, the Bank's charge-offs related to its multi-family loan portfolio totaled \$5.3 million. As of June 30, 1996, the Bank had \$4.7 million of non-performing multi-family loans. See "- Asset Quality and - Allowance for Loan Losses" for discussions of the Bank's underwriting procedures utilized in originating multi-family loans.

The Bank's loan portfolio also includes \$37.7 million in non-residential real estate mortgage loans which represented 6.4% of gross loans at June 30, 1996. This portfolio is comprised of commercial and industrial properties, and shopping centers. The Bank utilizes, where appropriate, rent or lease income, business receipts, the borrowers' credit history and business experience, and comparable appraisal values when underwriting non-residential applications. As of June 30, 1996, there were no non-performing non-residential loans in the Bank's portfolio.

The Bank's three largest loans at June 30, 1996, consisted of a \$3.6 million loan secured by a first mortgage on a twelve story apartment building located in midtown Manhattan originated in February, 1996; a \$3.5 million first mortgage loan, originated in November, 1995, secured by a three-story catering hall located in the Howard Beach section of Queens; and a \$3.5 million first mortgage loan, originated in October, 1995, secured by mortgages on three contiguous mixed-use properties in lower Manhattan combining both residential and commercial space. As of June 30, 1996, all of these loans were performing in accordance with their terms. Additionally, as of June 30, 1996, the Bank had an outstanding commitment to originate a loan for portfolio in the amount of \$3.5 million, to a 23-store shopping center located in Hewlett, New York. The loan, which had a debt service ratio in excess of 4.0 and a loan-to-value ratio of 31.8%, closed in August, 1996. See "'- Regulation - Regulation of Federal Savings Associations - Loans to One Borrower.'"

The Bank also currently services a total of \$27.7 million in multi-family loans for various private investors. These loans were sold in the late 1980s, without recourse.

One- to Four-Family Mortgage and Cooperative Apartment Lending. The Bank offers residential first mortgage loans secured primarily by owner-occupied, one- to four-family residences, including condominiums, and cooperative apartment share loans. Lending is primarily confined to an area covered by a 50-mile radius from the Bank's Main Office in Brooklyn. The Bank offers conforming and non-conforming fixed-rate mortgage loans and adjustable-rate mortgage loans with maturities of up to 30 years and a maximum loan amount of \$500,000. The Bank's residential mortgage loan originations are generally obtained from existing or past loan customers, depositors of the Bank, members of the local community and referrals from attorneys, realtors and independent mortgage brokers who refer members of the communities located in the Bank's primary lending area. The Bank is a participating seller/servicer with several government-sponsored mortgage agencies: FNMA, FHLMC, and SONYMA, and generally underwrites its one- to four-family residential mortgage loans to conform with standards required by these agencies. At June 30, 1996, \$229.3 million, or 39.1%, of the Bank's loans consisted of one- to four-family and cooperative apartment mortgage loans. ARMs represented 61.6% of total one- to four-family and cooperative apartment loans, while fixed-rate mortgages comprised 38.4% of the total. Of the total fixed-rate one-to four-family and cooperative apartment loans 90.5% were acquired from Conestoga. See "- Acquisition of Conestoga."

From 1985 to 1988, the Bank was an active lender in the cooperative apartment share loan market. Although the collateral for cooperative apartment loans is comprised of shares in a cooperative corporation (a corporation whose primary asset is the underlying real estate), cooperative apartment loans generally are treated as one- to four-family loans. From 1985 to 1988, the Bank originated for portfolio over \$117 million of cooperative apartment loans, or 26.8% of total loans as of December 31, 1988. These were exclusively one- and three-year adjustable-rate loans and were well-suited to the Bank's asset/liability strategy. By the end of 1988, in response to the steep decline in the market value of cooperative apartments, the Bank enacted more stringent underwriting guidelines for cooperative apartment loans. Of particular importance was the requirement that the number of units sold to owner-occupants of the subject building be greater than 65% of total units available in the building in order for a

loan application to be considered. Since 1988, originations of cooperative apartment loans have significantly declined. Thus, as a result of prepayments and amortization, the Bank's portfolio of such loans has declined to \$59.1 million, or 10.1% of total loans as of June 30, 1996. The recent market for cooperative apartment loan financing has improved with the support of certain government agencies, particularly SONYMA and FNMA, who are insuring and purchasing, respectively, cooperative apartment share loans in qualifying buildings. The Bank adheres to underwriting guidelines established by SONYMA and FNMA for all fixed-rate cooperative apartment loans which are originated for sale. Adjustable-rate cooperative apartment loans continue to be originated both for portfolio and for sale.

The Bank currently offers one- to four-family ARMs secured by residential properties with rates that adjust every one or three years. One- to four-family ARMs are offered with terms of up to 30 years. The interest rate at repricing on one- to four-family ARMs currently offered fluctuates based upon a spread above the average yield on United States Treasury securities, adjusted to a constant maturity which corresponds to the adjustment period of the loan (the 'U.S. Treasury constant maturity index') as published weekly by the Federal Reserve Board. Additionally, one- and three-year one- to four-family ARMs are generally subject to limitations on interest rate increases of 2% and 3%, respectively, per adjustment period, and an aggregate adjustment of 6% over the life of the loan. For the year ended June 30, 1996, the Bank originated \$1.0 million of one- to four-family ARMs.

The volume and types of ARMs originated by the Bank have been affected by such market factors as the level of interest rates, competition, consumer preferences and availability of funds. During fiscal 1996, demand for one- to four-family ARMs was relatively weak due to the prevailing low interest rate environment and consumer preference for fixed-rate loans. Accordingly, although the Bank will continue to offer one- to four-family ARMs, there can be no assurance that in the future the Bank will be able to originate a sufficient volume of one- to four-family ARMs to increase or maintain the proportion that these loans bear to total loans.

The retention of one- to four-family ARMs, as opposed to fixed-rate residential mortgage loans, in the Bank's loan portfolio helps reduce the Bank's exposure to increases in interest rates. However, one- to four-family ARMs generally pose credit risks different from the risks inherent in fixed-rate loans, primarily because as interest rates rise, the underlying payments of the borrower rise, thereby increasing the potential for default. At the same time, the marketability of the underlying property may be adversely affected. In order to minimize risks, applicants for one- to four-family ARMs are qualified at the highest rate which would be in effect after the first interest rate adjustment, if rates were to rise. The Bank did not in the past, nor does it currently, originate one- to four-family ARMs which provide for negative amortization.

The Bank currently offers fixed-rate mortgage loans with terms of 10 to 30 years secured by one- to four-family residences and cooperative apartments. Interest rates charged on fixed-rate loans are competitively priced based on market conditions. The Bank generally originates fixed-rate loans for sale in amounts up to the maximum allowed by FNMA, FHLMC and SONYMA, with private mortgage insurance required for loans with loan-to-value ratios in excess of 80%. For the year ended June 30, 1996, the Bank originated \$5.7 million of fixed-rate, one- to four-family residential mortgage and cooperative apartment loans.

The Bank generally sells its newly originated conforming fixed-rate mortgage loans in the secondary market to federal and state agencies such as FNMA, FHLMC and SONYMA, and its non-conforming fixed-rate mortgage loans to various private sector secondary market purchasers. With few exceptions, such as SONYMA, the Bank retains the servicing rights on all such loans sold. For the year ended June 30, 1996, the Bank sold mortgage loans totaling \$5.1 million. As of June 30, 1996, the Bank's portfolio of one-to four-family fixed-rate mortgage loans serviced for others totaled \$63.4 million. The Bank intends to continue to sell all of its newly-originated fixed-rate mortgage loans to conform to its interest-rate risk policy. No assurances can be made, however, that the Bank will be able to do so.

Originated mortgage loans in the Bank's one-to-four family portfolio generally include due-on-sale clauses which provide the Bank with the contractual right to deem the loan immediately due and payable in the event that the borrower transfers ownership of the property without the Bank's consent. It is the Bank's policy to enforce due-on-sale provisions within the applicable regulations and guidelines imposed by New York law and secondary market purchasers.

Home equity loans currently are originated to a maximum of \$250,000. When combined with the balance of the first mortgage lien, the home equity loan may not exceed 75% of the appraised value of the property at the time of the loan commitment. The Bank's home equity loans outstanding at June 30, 1996, totaled \$760,000 against total available credit lines of \$1.2 million.

Other Lending. The Bank also originates other loans, primarily student and passbook loans. Total other loans outstanding at June 30, 1996, amounted to \$5.6 million, or 0.95% of the Bank's loan portfolio. Passbook loans, totaling \$3.0 million, and student loans, totaling \$1.3 million, comprise the majority of the Bank's other loan portfolio.

Loan Approval Authority and Underwriting. The Board of Directors establishes lending authorities for individual officers as to its various types of loan products. For multi-family and one- to four-family mortgage loans, including cooperative apartment and condominium loans, the Loan Operating Committee, which is comprised of the Chief Executive Officer, Executive Vice President and Senior Vice President, and the heads of both the residential loan and multi-family loan origination departments, has the authority to approve loans in amounts up to \$500,000. Any loan in excess of \$500,000, however, must be approved by the Board of Directors. In addition, regulatory restrictions imposed on the Bank's lending activities limit the amount of credit that can be extended to any one borrower to 15% of total capital. See ''- Regulation - Regulation of Federal Savings Associations - Loans to One Borrower.''

For all one- to four-family loans originated by the Bank, upon receipt of a completed loan application from a prospective borrower, a credit report is ordered, income, assets and certain other information are verified by an independent credit agency, and if necessary, additional financial information is required to be submitted by the borrower. An appraisal of the real estate intended to secure the proposed loan is required, which currently is performed by an independent appraiser designated and approved by the Board of Directors. In certain cases, the Bank may also require certain environmental hazard reports on multi-family properties. It is the Bank's policy to require appropriate insurance protection, including title and hazard insurance, on all real estate mortgage loans prior to closing. Borrowers generally are required to advance funds for certain items such as real estate taxes, flood insurance and private mortgage insurance, when applicable.

Asset Quality

Delinquent Loans and Foreclosed Assets. Management does not expect to incur significant losses on its current portfolio of delinquent mortgage loans. Loans in the process of foreclosure and other non-accrual loans, 27 loans in all, totaled \$6.6 million at June 30, 1996 versus \$5.1 million at June 30, 1995. The largest loan in this group is a \$2.1 million foreclosure on an underlying cooperative apartment building located in Brooklyn, New York. The Bank has received a preliminary offer to purchase the mortgage for \$1.5 million. No assurance can be given that the mortgage will be sold, or as to the ultimate terms of any such sale. The Bank believes that its allowance for loan losses as of June 30, 1996 is adequate after taking into consideration the proposed sale of the loan and expected charge to the allowance for loan losses. The Bank had twelve loans totaling \$1.7 million delinquent 60-89 days at June 30, 1996, as compared to seven such delinquent loans totaling \$479,000 at June 30, 1995.

The Bank's real estate loan servicing policies and procedures require that the Bank initiate contact with a delinquent borrower as soon after the tenth day of delinquency as possible. Generally, the policy calls for a late notice to be sent 10 days after the due date of the late payment. If payment has not been received within 30 days of the due date, a letter is sent to the borrower. Thereafter, periodic letters and phone calls are placed to the borrower until payment is received. In addition, Bank policy calls for the cessation of interest accruals on loans delinquent 60 days or more. When contact is made with the borrower at any time prior to foreclosure, the Bank will attempt to obtain the full payment due, or work out a repayment schedule with the borrower to avoid foreclosure. Generally, foreclosure proceedings are initiated by the Bank when a loan is 90 days past due. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure sale, the real property securing the loan is generally sold at foreclosure or by the Bank as soon thereafter as practicable.

Management reviews delinquent loans on a continuous basis and reports monthly to the Board of Directors regarding the status of all delinquent and non-accrual loans in the Bank's portfolio. The Bank retains outside counsel experienced in foreclosure and bankruptcy procedures to institute foreclosure and other actions on the Bank's delinquent loans. It is the policy of the Bank to initiate foreclosure proceedings after a loan becomes 90 days past due. As soon as practicable after initiating foreclosure proceedings on a loan, the Bank prepares an estimate of the fair value of the underlying collateral. In the event the carrying balance of the loan, including all accrued interest, exceeds the estimate of fair value, the loan is considered to be impaired and a reserve is established pursuant to Statement of Financial Accounting Standards ("SFAS") No. 114. At June 30, 1996, \$7.4 million of loans were deemed impaired under SFAS 114. It is the Bank's general policy to dispose of properties acquired through foreclosure or deeds in lieu thereof as quickly and as prudently as possible in consideration of market conditions, the physical condition of the property, and any other mitigating conditions.

Under Generally Accepted Accounting Principles ("GAAP"), the Bank is required to account for certain loan modifications or restructurings as 'troubled-debt restructurings.' In general, the modification or restructuring of a debt constitutes a troubled-debt restructuring if the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that the Bank would not otherwise consider. Debt restructurings or loan modifications for a borrower do not necessarily always constitute troubled-debt restructurings, however, and troubled-debt restructurings do not necessarily result in non-accrual loans. The Bank had four loans classified as troubled-debt restructurings at June 30, 1996, totaling \$4.7 million, and all are currently performing according to their restructured terms. The largest restructured debt, a \$2.7 million loan secured by a mortgage on an underlying cooperative apartment building located in Forest Hills, New York, was originated in 1987. The loan was first restructured in 1988, and again in 1994.

Non-performing Assets and Troubled-Debt Restructurings. The following table sets forth information regarding the Bank's non-performing assets and troubled-debt restructurings at the dates indicated.

	At Year Ended June 30,				
	1996	1995	1994	1993	1992
	(Dollars in thousands)				
Non-accrual mortgage loans:					
One- to four-family.....	\$ 1,149	\$572	\$ 1,276	\$ 3,449	\$ 4,184
Multi-family and underlying cooperative..	4,734	3,978	4,363	7,265	11,528
Non-residential.....	-	-	-	-	-
Cooperative apartment.....	668	523	609	918	1,001
Non-accrual other loans.....	-	-	-	-	-
Total non-performing loans.....	6,551	5,073	6,248	11,632	16,713
Total OREO.....	1,946	4,466	8,200	7,981	7,367
Total non-performing assets.....	\$8,497	\$9,539	\$ 14,448	\$19,613	\$24,080
Troubled-debt restructurings.....	\$4,671	\$7,651	\$ 7,421	\$5,219	\$-
Total non-performing assets and troubled-debt restructurings.....	\$13,168	\$17,190	\$21,869	\$24,832	\$24,080
Total non-performing loans to total loans...	1.12%	1.18%	1.45%	2.52%	3.48%
Total non-performing assets to total assets	0.62	1.44	2.23	3.04	3.74
Total non-performing assets and troubled-debt restructurings to total assets.	0.96	2.59	3.38	3.84	3.74

Total non-performing assets to total Adjusted Assets were 0.68% at June 30, 1996.

Total non-performing assets and troubled-debt restructurings to total Adjusted Assets were 1.06% at June 30, 1996.

The Bank recorded \$47,000 and \$344,000 of interest income on non-performing loans and troubled-debt restructurings, respectively, for the year ended June 30, 1996, and \$104,000 and \$587,000, respectively, for the fiscal year ended June 30, 1995. If the Bank's non-performing loans and troubled-debt restructurings had been performing in accordance with their terms, the Bank would have recorded additional interest income of \$410,000 and \$127,000, respectively, for the year ended June 30, 1996, and \$325,000 and \$210,000, respectively, for the fiscal year ended June 30, 1995.

Other Real Estate Owned ("OREO"). Property acquired by the Bank as a result of a foreclosure on a mortgage loan is classified as OREO and is recorded at the lower of the recorded investment in the related loan or the fair value of the property at the date of acquisition, with any resulting write down charged to the allowance for loan losses. The Bank obtains an appraisal on a real estate owned property as soon as practicable after it takes possession of the real property. The Bank will generally reassess the value of OREO at least annually thereafter.

Classified Assets. The Bank's Loan Loss Reserve Committee meets every other month to review all problem loans in the portfolio to determine whether any loans require reclassification in accordance with applicable regulatory guidelines. Recommendations are reported by the Loan Loss Reserve Committee to the Board of Directors on a quarterly basis. The Loan Loss Reserve Committee, subject to Board approval, establishes policy relating to the internal classification of loans and believes that its classification policies are consistent with regulatory policies. All non-performing loans and OREO are considered to be classified assets. In addition, the Bank maintains a "watch list" comprised of loans totaling \$8.1 million at June 30, 1996 which, while performing, are characterized by weaknesses which require special attention from management and are considered to be potential problem loans. All loans on the watch list are considered to be classified assets or are otherwise categorized as "Special Mention" as discussed below. As a result of its bi-monthly review of the loan portfolio, the Loan Loss Reserve Committee may decide to reclassify one or more of the loans on the watch list.

Federal regulations and Bank policy require that loans and other assets considered to be of lesser quality be classified as 'Substandard,' 'Doubtful' or 'Loss' assets. An asset is considered 'Substandard' if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. 'Substandard' assets have a well-defined weakness or weaknesses and are characterized by the distinct possibility that the Bank will sustain 'some loss' if deficiencies are not corrected. Assets classified as 'Doubtful' have all of the weaknesses inherent in those classified 'Substandard' with the added characteristic that the weaknesses present make 'collection or liquidation in full,' on the basis of current existing facts, conditions, and values, 'highly questionable and improbable.' Assets classified as 'Loss' are

those considered 'uncollectible' and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not expose the Bank to sufficient risk to warrant classification in one of the aforementioned categories but possess potential weaknesses that deserve management's attention are designated 'Special Mention' by management. At June 30, 1996 the Bank had \$9.4 million of loans designated Special Mention.

When an insured institution classifies one or more assets, or portion thereof, as Substandard or Doubtful, it is required to establish a general valuation allowance for loan losses in an amount deemed prudent by management. Generally, federally-insured institutions must maintain an allowance for loan losses at a level that is 'adequate to absorb estimated credit losses associated with the loan portfolio.' The general valuation allowance, which is a regulatory term, represents a loss allowance which has been established to recognize the inherent risk associated with lending activities, but which, unlike the specific allowance, has not been allocated to particular problem assets. When an insured institution classifies one or more assets, or proportions thereof, as 'Loss,' it is required to establish a specific allowance for losses equal to 100% of the amount of the asset so classified or to charge-off such amount.

At June 30, 1996, the Bank had \$7.3 million of assets classified Substandard, consisting of 42 loans, no assets classified as Doubtful, and \$5,000 of assets classified as Loss, consisting of 1 loan.

The following table sets forth at June 30, 1996 the Bank's aggregate carrying value of the assets classified as Substandard, Doubtful or Loss or designated as Special Mention.

	Special Mention		Substandard		Doubtful		Loss	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
(Dollars in thousands)								
Mortgage Loans:								
One- to four-family.....	4	\$704	3	\$ 690	-	\$ -	-	\$ -
Multi-family and underlying cooperative...	11	8,347	7	4,090	-	-	1	5
Non-residential.....	-	-	-	-	-	-	-	-
Cooperative apartment.....	6	339	9	604	-	-	-	-
Total Mortgage Loans.....	21	9,390	19	5,384	-	-	1	5
Real Estate Owned:								
One- to four-family.....	-	-	5	1,388	-	-	-	-
Multi-family and underlying cooperative...	-	-	-	-	-	-	-	-
Non-residential.....	-	-	-	-	-	-	-	-
Cooperative apartment.....	-	-	18	558	-	-	-	-
Total Real Estate Owned.....	-	-	23	1,946	-	-	-	-
Total.....	21	\$9,390	42	\$7,330	-	\$-	1	\$ 5

The Bank had \$215,777 of receivables from Nationar, a failed check-clearing and trust company, which are included in Other Assets. These receivables are fully reserved at June 30, 1996. See "Notes to Consolidated Financial Statements."

Allowance for Loan Losses

The Bank has established a Loan Loss Reserve Committee and has charged it with, among other things, specific responsibility for monitoring the adequacy of the loan loss reserve. The Loan Loss Reserve Committee's findings, along with recommendations for additional loan loss reserve provisions, if any, are reported directly to senior management of the Bank, and to the Board of Directors. The Allowance for Loan Losses is supplemented through a periodic provision for loan losses based on the Loan Loss Reserve Committee's evaluation of several variables, including the level of non-performing loans, the ratio of reserves to total performing loans, the level and composition of new loan activity, and an estimate of future losses determinable at the date the portfolio is evaluated. Such evaluation, which includes a review of all loans on which full collectibility may not be reasonably assured, considers among other matters, the fair value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an adequate loan loss allowance. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses, its valuation of OREO, and both the level of loans in foreclosure and pending foreclosure. Based on their judgments about information available to them at the time of their examination, the regulators may require the Bank to recognize additions to the allowance.

Loan loss reserves are established based upon a review of the two components of the Bank's loan portfolio, performing loans and non-performing loans. Performing loans are reviewed based upon the premise that, over time, the loan portfolio will generate losses and that some portion of the loan portfolio which is currently performing will default. The evaluation process is thus based upon the Bank's historical loss experience.

Non-performing loans are reviewed individually to determine if the liquidation value of the underlying collateral is sufficient to pay off the existing debt. Should the bank determine that a non-performing loan is likely to result in a principal loss, the loan is then placed into one of four classifications. The particular classification assigned to any one loan, or proportion thereof, (loss, doubtful, substandard or special mention) is based upon the actual level of loss attributable to that loan, as determined by the Loan Loss Reserve Committee. The Bank will then increase its general valuation allowance in an amount established by the Loan Loss Reserve Committee to appropriately reflect the anticipated loss from each loss classification category.

Specific reserves are established against loans classified as "loss." Rather than an estimation of potential loss, the establishment of a specific reserve represents the identification of an actual loss which will result in a charge-off. This loss amount will be set aside on the Bank's balance sheet as a specific reserve and will serve to reduce the carrying value of the associated loan. The Bank's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by various regulatory agencies

which can order the establishment of additional general or specific loss allowances.

The Bank has increased its allowance for loan losses to a level which management believes is adequate to absorb possible losses that may be incurred within the Bank's loan portfolio. The Bank provided \$3.0 million to its allowance for loan losses for the fiscal year ended June 30, 1996 and acquired reserves of \$668,000 from Conestoga. At June 30, 1996, the total allowance was \$7.8 million, which amounted to 119.3% of non-performing loans and 1.34% of total loans. The increase in the allowance reflects management's assessment of the risks inherent in its loan portfolio, including those risks associated with the Bank's emphasis on multi-family mortgage loans, which are considered to be at greater risk of loss than one- to four-family loans. The Bank will continue to monitor and modify the level of its allowance for loan losses in order to maintain such allowance at a level which management considers adequate to provide for loan losses. For the fiscal year ended June 30, 1996, the Bank had charge-offs, net of recoveries, of \$1.0 million against the allowance. Since 1985, total principal losses attributable to the Bank's loan portfolio have averaged 0.42% of the average outstanding loan balance.

The following table sets forth activity in the Bank's allowance for loan losses at or for the dates indicated.

	At or For the Year Ended June 30,				
	1996	1995	1994	1993	1992
	(Dollars in thousands)				
Total loans outstanding at end of period(1).....	\$583,686	\$429,854	\$431,593	\$461,418	\$479,610
Average total loans outstanding(1).....	\$449,063	\$430,845	\$455,705	\$474,362	\$468,594
Balance at beginning of period.....	\$5,174	\$3,633	\$2,996	\$2,094	\$1,340
Provision for loan losses.....	2,979	2,950	4,105	3,395	1,409
Charge-offs:					
One- to four-family.....	(21)	(146)	(224)	(272)	(40)
Multi-family and underlying cooperative.....	(553)	(1,081)	(2,203)	(1,355)	(114)
Non-residential.....	(274)	(92)	-	(19)	-
F.H.A./V.A.....	-	(9)	-	(13)	-
Cooperative apartment.....	(170)	(328)	(1,109)	(876)	(557)
Other.....	(5)	-	-	-	(1)
Total charge-offs.....	(1,023)	(1,656)	(3,536)	(2,535)	(712)
Recoveries.....	14	247	68	42	57
Reserve acquired in purchase of Conestoga.....	668	-	-	-	-
Balance at end of period.....	\$7,812	\$5,174	\$3,633	\$2,996	\$2,094
Allowance for loan losses to total loans at end of period.	1.34%	1.20%	0.84%	0.65%	0.44%
Allowance for loan losses to total non-performing loans at end of period(2).....	119.25	101.99	58.15	25.76	12.53
Allowance for losses on OREO:					
Balance at beginning of period.....	\$-	\$-	\$-	\$-	\$-
Provision charged to operations.....	586	-	-	-	-
Charge-offs, net of recoveries.....	(472)	-	-	-	-
Balance at end of period.....	\$114	\$-	\$-	\$-	\$-

Total loans represents loans, net, plus the allowance for loan losses. Total loans at June 30, 1996 includes \$113.1 million of loans acquired from Conestoga.

The Bank adopted SFAS No. 114 on July 1, 1995. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations-Impact of Accounting Standards.'

The following table sets forth the Bank's allowance for loan losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated.

	At June 30,					
	1996		1995		1994	
	Allowance Amount	Percent of Loans in Each Category to Total Loans	Allowance Amount	Percent of Loans in Each Category to Total Loans	Allowance Amount	Percent of Loans in Each Category to Total Loans
(Dollars in thousands)						
Mortgage loans:						
One- to four-family.....	\$1,171	29.90%	\$556	14.25%	\$398	14.66%
Multi-family and underlying cooperative.....	4,763	52.11	3,372	61.72	2,267	59.68
Non-residential.....	605	6.63	103	6.60	72	6.63
Cooperative apartment.....	1,085	10.38	1,031	16.51	784	18.06
Other.....	188	0.98	112	0.92	112	0.97
Total.....	\$7,812	100.00%	\$5,174	100.00%	\$3,633	100.00%

Total loans represent gross loans less FHA and VA loans, which are government guaranteed loans.

Investment Activities

Investment Strategies of the Company - After using \$76.4 million of the proceeds raised in the initial public offering to purchase the 100% of the Bank's Common Stock, the Company retained approximately \$65.0 million in cash, of which \$11.6 million was loaned to the Company's ESOP.

The remaining \$53.4 million is to be utilized for general business activities which may include, but are not limited to: (1) repurchases of Common Stock, (2) acquisition of other companies, (3) subject to applicable limitations, the payment of dividends, and/or (4) investments in the equity securities of other financial institutions and other investments not permitted for federally-insured institutions. There can be no assurance that the Company will engage in any of these activities in the future. See "Item 5 - Market for the Company's Common Stock and Related Stockholder Matters."

Otherwise, the investment policy of the Company calls for investments in relatively short-term, liquid securities similar to such securities defined in the securities investment policy of the Bank.

Investment Policy of the Bank. The securities investment policy of the Bank, which is established by the Board of Directors, is designed to help the Bank achieve its overall asset/liability management objectives. Generally, the policy calls for management to emphasize principal preservation, liquidity, diversification, short maturities and/or repricing terms, and a favorable return on investment when selecting new investments for the Bank's portfolio. The Bank's current securities investment policy permits investments in various types of liquid assets including obligations of the U.S. Treasury and federal agencies, investment grade corporate obligations, various types of mortgage-backed securities, commercial paper, certificates of deposit, and federal funds sold to select financial institutions periodically approved by the Board of Directors.

Investment strategies are implemented by the Asset and Liability Management Committee ("ALCO") comprised of the Chief Executive Officer, the Executive Vice President and other senior management officers. The strategies take into account the Bank's overall balance sheet, including loans and deposits, and are intended to protect and enhance the Company's earnings and market value. The strategies are reviewed monthly by the ALCO and reported regularly to the Board of Directors.

The Bank converted to a federally chartered mutual savings bank on November 1, 1995. Prior to that date, the Bank operated as a New York State chartered mutual savings Bank. While operating under its New York State charter, the Bank was permitted to make certain investments in equity securities and stock mutual funds. At June 30, 1996, these equity investments totaled \$3.2 million, comprised primarily of a \$2.1 million investment in a common stock mutual fund designed specifically for New York State Savings Banks, and a \$1.1 million investment divided among two additional common stock mutual funds and one fixed income mutual fund. Pursuant to current law, the Bank is required to divest or transfer such securities. The Bank expects that it will either

dispose of such securities to a third-party or sell or transfer such securities to the Company.

The Bank currently does not participate in hedging programs, interest rate swaps, or other activities involving the use of off-balance sheet derivative financial instruments. These activities are prohibited by the Bank's securities investment policy. Similarly, the Bank has not and does not invest in mortgage-backed securities which are deemed to be "high risk," or purchase bonds which are not rated investment grade.

Mortgage-Backed Securities. In its securities investment activities over the past few years the Bank has increased its purchases of mortgage-backed securities, which provide the portfolio with investments consisting of desirable repricing, cash flow and credit quality characteristics. Mortgage-backed securities generally yield less than the loans that underlie the securities because of the cost of payment guarantees and credit enhancements that reduce credit risk to the investor. However, mortgage-backed securities are more liquid than individual mortgage loans and may be used to collateralize borrowings of the Bank. Virtually all (99.9%) of the Company's \$209.9 million mortgage-backed securities portfolio, which represented 15.3% of the Company's total assets (or 16.9% of Adjusted Assets) at June 30, 1996, was comprised of securities backed by either the Governmental National Mortgage Association ('GNMA'), FHLMC, or FNMA. In addition to the superior credit quality provided by the agency backing, the mortgage-backed securities portfolio also provides the Company with important interest rate risk management features. One year adjustable-rate mortgage-backed securities, which total \$111.3 million, are the single largest component of the Bank's mortgage-backed securities portfolio. These securities are structured so that the interest rate received by the Company adjusts annually in tandem with changes in other short-term market interest rates, a feature which reduces the Bank's exposure to interest rate risk. The Company also has a \$50.9 million investment in fixed-rate balloon mortgage-backed securities which provide a return of principal and interest on a monthly basis, and have original maturities of between five to seven years, at which point the entire remaining principal balance is repaid (the "balloon" payment). The remainder of the Company's mortgage-backed securities portfolio is split between a \$39.1 million investment in seasoned pass-through certificates backed by GNMA, FNMA or FHLMC, with an average remaining maturity of 7 years, and an \$8.6 million investment in Collateralized Mortgage Obligations ("CMOs") comprised entirely of fixed rate, short-term classes with relatively little cash flow volatility or floating rate classes which reprice periodically.

While mortgage-backed securities backed by federally sponsored agencies carry a reduced credit risk as compared to whole loans, such securities remain subject to the risk that fluctuating interest rates, along with other factors such as the geographic distribution of the underlying mortgage loans, may alter the prepayment rate of such mortgage loans and so affect both the prepayment speed, and value, of such securities.

The Bank adopted SFAS 115 effective July 1, 1994. SFAS 115 requires that investments in equity securities that have readily determinable fair values and all investments in debt securities be classified in one of the following three categories and accounted for accordingly: trading securities, securities available for sale, or securities held to maturity. The Company had no securities classified as trading securities during the year ended June 30, 1996, and does not intend to trade securities. Unrealized gains and losses on available for sale securities are excluded from earnings and are reported as a separate component of stockholders' equity, net of deferred taxes. At June 30, 1996, the Company had \$498.7 million of securities classified as available for sale which represented 36.3% of total assets (or 39.93% of Adjusted Assets) at June 30, 1996. Given the size of the available for sale portfolio, future fluctuations in market values of these securities could result in fluctuations in the Company's stockholders' equity. As a mitigating factor, approximately \$360.4 million, or 72%, of the total available for sale portfolio at June 30, 1996 either matures or reprices within one year.

The maturities on the Bank's fixed-term mortgage-backed securities (balloons, seasoned GNMA's and FHLMC's) are relatively short as compared to the final maturities on its ARMs and CMO portfolios. Except for fixed rate mortgage backed securities acquired from Conestoga, which were generally classified as available for sale, the Company typically classifies purchased fixed rate mortgage-backed securities as held-to-maturity, and carries the securities at amortized cost. The Company is confident of its ability to hold these securities to final maturity. The Company typically classifies purchased ARMs and CMOs as available for sale, in recognition of the greater prepayment uncertainty associated with these securities, and carries these securities at fair market value.

The following table sets forth activity in the Company's mortgage-backed securities portfolio for the periods indicated.

For the Year Ended June 30,		
1996	1995	1994

(In thousands)

Amortized cost at beginning of period.....	\$ 90,543	\$94,356	\$82,077
Purchases/Sales (net).....	20,743	10,067	29,753
Principal repayments.....	(25,871)	(13,595)	(16,906)
Premium and discount amortization, net.....	(283)	(285)	(568)
Securities acquired in purchase of Conestoga	124,409	-	-
Amortized cost at end of period.....	\$ 209,541	\$90,543	\$94,356

Amount comprised of \$9.9 million of FHLMC securities, \$38.4 million of FNMA securities, \$70.1 of GNMA securities, and \$6.0 million of CMOs.

The following table sets forth the amortized cost and fair value of the Company's securities at the dates indicated.

	At June 30,					
	1996		1995		1994	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In thousands)						
Mortgage-backed securities:						
GNMA.....	\$88,133	\$88,563	\$24,402	\$24,960	\$29,764	\$29,224
FNMA.....	56,720	56,654	7,417	7,599	5,941	5,965
FHLMC.....	56,122	56,151	54,888	55,382	53,950	53,010
CMOs.....	8,566	8,589	3,836	3,964	4,701	4,738
Total mortgage-backed securities.....	209,541	209,957	90,543	91,905	94,356	92,937
Investment securities:						
U.S. Treasury and Agency.....	297,994	297,906	25,834	25,694	18,989	18,684
Other.....	83,700	83,610	67,991	67,909	61,352	60,379
Total investment securities...	381,694	381,516	93,825	93,603	80,341	79,063
Equity securities.....	2,977	3,205	3,304	3,070	1,356	1,359
Net unrealized gain.....	575	-	770	-	-	-
Total securities, net.....	\$594,787	\$594,678	\$188,442	\$188,578	\$176,053	\$173,359

Includes \$9.9 million of FHLMC securities, \$38.4 million of FNMA securities, \$70.1 million in GNMA securities, \$6.0 million in CMOs, \$119.1 million in agency obligations, and \$51.7 million in corporate obligations acquired from Conestoga.

The net unrealized gain at June 30, 1996 and 1995 relates to available for sale securities in accordance with SFAS No. 115. The net unrealized gain is presented in order to reconcile the "Amortized Cost" of the Company's securities portfolio to the recorded value reflected in the Consolidated Statements of Condition.

Corporate Debt Obligations. The Company invests in the short-term investment grade debt obligations of various corporations. Corporate debt obligations generally carry both a higher rate of return and a higher degree of credit risk than U.S. Treasury securities with comparable maturities. In addition, corporate securities are generally less liquid than comparable U.S. Treasury securities. In recognition of the additional risks associated with investing in these securities, the Company's investment policy limits new investments in corporate obligations to those companies which are rated single 'A' or better by one of the nationally recognized rating agencies, and limits investments in any one corporate entity to the lesser of 1% of total assets or 15% of the Company's equity. At June 30, 1996, the Company's portfolio of corporate debt obligations totaled \$79.2 million, or 5.8% of total assets.

The following table sets forth the amortized cost and fair value of the Company's securities, by accounting classification and by type of security, at the dates indicated.

	At June 30,					
	1996		1995		1994	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In thousands)						

Held-to-Maturity:

Mortgage-backed securities:							
Pass-through securities.....	\$52,580	\$52,596	\$53,815	\$54,172	\$89,655	\$88,199	
CMOs.....	-	-	-	-	4,701	4,738	

Total mortgage-backed securities.....	52,580	52,596	53,815	54,172	94,356	92,937	
Investment securities	43,552	43,428	51,475	51,254	80,341	79,063	
Equity securities.....	-	-	-	-	1,356	1,359	

Total Held-to-Maturity.....	\$ 96,132	\$ 96,024	\$105,290	\$105,426	\$176,053	\$173,359	
=====							
Available-for-Sale:							
Mortgage-backed securities:							
Pass-through securities.....	\$148,396	\$148,772	\$32,892	\$33,769	-	-	
CMOs.....	8,566	8,589	3,836	3,964	-	-	

Total mortgage-backed securities.....	156,962	157,361	36,728	37,733	-	-	
Investment securities.	338,141	338,089	42,350	42,349	-	-	
Equity securities.....	2,977	3,205	3,304	3,070	-	-	
Net unrealized gain.....	575	-	770	-	-	-	

Total available-for-sale.....	\$498,655	\$498,655	\$83,152	83,152	-	-	
=====							
Total securities, net.....	\$594,787	\$594,679	\$188,442	\$188,578	\$176,053	\$173,359	
=====							

Includes \$118.4 million of mortgage-backed pass-through securities, \$6.0 million in CMOs, and \$170.8 million in investment securities acquired from Conestoga. Except, for \$10.7 million of investment securities which were classified as held-to-maturity, all securities acquired were classified as available for sale.

Includes corporate debt obligations.

The net unrealized gain at June 30, 1996 and 1995 relates to available for sale securities in accordance with SFAS No. 115. The net unrealized gain is presented in order to reconcile the 'Amortized Cost' of the Company's securities portfolio to the recorded value reflected in the Consolidated Statements of Condition.

Amount includes \$125.0 million of investment securities (short-term agency obligations) which matured on July 1, 1996 in order to coincide with the refund of excess subscription proceeds received in the Company's initial public offering.

The following table sets forth certain information regarding the amortized cost, fair value and weighted average yield of the Company's debt securities at June 30, 1996, by remaining period to contractual maturity. With respect to mortgage-backed securities, the entire amount is reflected in the maturity period that includes the final security payment date and, accordingly, no effect has been given to periodic repayments or possible prepayments. Other than obligations of federal agencies and GSEs, the Company has no investments in securities issued by any one entity in excess of 10% of stockholders' equity at June 30, 1996.

At June 30, 1996						
Held-to-Maturity			Available-for-Sale			
Amortized Cost	Fair Value	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield	
(Dollars in thousands)						
Mortgage-backed securities:						
Due within 1 year.....	\$ -	\$ -	- %	\$2,075	\$2,075	6.00%
Due after 1 year but within 5 years.....	32,300	31,962	6.20	12,930	12,930	6.04
Due after 5 years but within 10 years...	2,817	2,740	6.10	5,945	5,968	6.83
Due after 10 years.....	17,463	17,894	7.01	136,012	136,388	6.72
Total.....	52,580	52,596	6.46	156,962	157,361	6.65
U.S. Treasury and Agency:						
Due within 1 year	6,000	5,982	4.87	230,934	230,934	5.35
Due after 1 year but within 5 years.....	5,340	5,314	5.62	46,307	46,247	6.12
Due after 5 years but within 10 years...	8,093	8,111	6.86	-	-	-
Due after 10 years.....	1,320	1,320	7.41	-	-	-
Total.....	20,753	20,727	6.00	277,241	277,181	5.48
Corporate & Other:						
Due within 1 year.....	13,039	13,043	5.55	42,417	42,420	5.37
Due after 1 year but within 5 years.....	9,760	9,658	6.10	14,109	14,132	6.62
Due after 5 years but within 10 years...	-	-	-	3,376	3,348	7.99
Due after 10 years.....	-	-	-	3,975	4,213	8.15
Total.....	22,799	22,701	5.79	63,877	64,113	5.96
Total:						
Due within 1 year.....	19,039	19,025	5.33	275,426	275,429	5.36
Due after 1 year but within 5 years.....	47,400	46,934	6.11	73,346	73,309	6.20
Due after 5 years but within 10 years...	10,910	10,851	6.67	9,321	9,316	7.24
Due after 10 years.....	18,783	19,214	7.03	139,987	140,601	6.76
Total.....	\$ 96,132	\$ 96,024	6.20%	\$498,080	\$498,655	5.91%

Amount includes \$125.0 million of investment securities (short-term agency GSE notes) which matured on July 1, 1996 in order to coincide with the refund of excess subscription proceeds received in the Company's initial public offering.

Sources of Funds

General. Deposits, repayments of loans and mortgage-backed securities, investment security maturities and redemptions, and short- to medium-term borrowings from the FHLBNY are the Bank's primary sources of funding for its lending and investment activities. The Bank is also active in the secondary mortgage market, selling substantially all of its new long-term, fixed-rate residential mortgage product to either FNMA, FHLMC, or SONYMA.

Deposits. The Bank offers a variety of deposit accounts having a range of interest rates and terms. The Bank presently offers savings accounts, money market accounts, checking accounts, NOW and Super NOW accounts, and certificates of deposit. The flow of deposits is influenced significantly by general economic conditions, changes in prevailing interest rates, and competition from other financial institutions and investment products. The Bank has not used brokers to attract and retain deposits, relying instead on customer service, convenience and long-standing relationships with customers. Consequently, the communities in which the bank maintains branch offices have historically provided the Bank with nearly all of its deposits. At June 30, 1996, the Bank had deposit liabilities of \$950.1 million, up \$395.3 million from June 30, 1995. The increase was due primarily to \$394.3 of deposits acquired in the purchase of Conestoga. Within total deposits, \$40.1 million, or 4.2%, consisted of certificates of deposit with balances of \$100,000 or greater. Individual Retirement Accounts ('IRA's') totaled \$98.0 million, or 10.3% of total deposits.

The following table presents the deposit activity of the Bank for the periods indicated.

	For the Year Ended June 30,		
	1996	1995	1994
	(In thousands)		
Deposits.....	\$696,881	\$699,479	\$646,338
Withdrawals.....	718,534	709,317	680,325
(Withdrawals) in excess of deposits.....	(21,653)	(9,838)	(33,987)
Deposits acquired in purchase of Conestoga	394,250	-	-
Interest credited.....	22,676	17,918	16,638
Total increase (decrease) in deposits.....	<u>\$395,273</u>	<u>\$8,080</u>	<u>\$(17,349)</u>

Amount comprised of \$216.3 million in certificate of deposits, \$129.2 in savings accounts, \$16.9 million in checking accounts, \$30.8 million in money market accounts, and \$954,000 in NOW and Super NOW accounts.

At June 30, 1996 the Bank had \$40.1 million in certificate of deposit accounts over \$100,000 maturing as follows:

Maturity Period	Weighted	
	Amount	Average Rate
	(Dollars in thousands)	
Within three months.....	\$11,005	5.24%
After three but within six months...	7,584	5.43
After six but within 12 months.....	11,721	5.56
After 12 months.....	9,755	6.23
Total.....	<u>\$40,065</u>	<u>5.61%</u>

The following table sets forth the distribution of the Bank's deposit accounts and the related weighted average interest rates at the dates indicated.

	At June 30,								
	1996			1995			1994		
	Amount	Percent of Total Deposits	Weighted Average Rate	Amount	Percent of Total Deposits	Weighted Average Rate	Amount	Percent of Total Deposits	Weighted Average Rate
	(Dollars in thousands)								
Checking accounts.....	\$27,684	2.91%	-%	\$10,219	1.85%	-%	\$9,865	1.80%	-%
NOW accounts.....	15,029	1.58%	1.50	13,877	2.50	1.50	13,596	2.49	1.50
Super NOW.....	552	0.06	1.50	674	0.12	1.50	416	0.08	1.50
Money market accounts.....	45,948	4.84	3.04	16,698	3.01	2.65	22,145	4.05	2.66
Savings accounts.....	365,146	38.43	2.50	238,217	42.93	2.50	294,387	53.84	2.50
Certificates of deposit	495,755	52.18	5.50	275,156	49.59	5.72	206,352	37.74	3.78
Totals.....	<u>\$950,114</u>	<u>100.00%</u>		<u>\$554,841</u>	<u>100.00%</u>		<u>\$546,761</u>	<u>100.00%</u>	

The following table presents, by interest rate ranges, the amount of certificate accounts outstanding at the dates indicated and the period to maturity of the certificate accounts outstanding at June 30, 1996.

Interest Rate Range	Period to Maturity at June 30, 1996			Total at June 30,		
	Less than One Year	One to Three Years	Four to Five Years	1996	1995	1994
	(In thousands)					
4.00% and below....	\$3,257	\$42	\$1	\$3,300	\$20,646	\$146,755
4.01% to 5.00%....	192,562	12,261	3	204,826	45,135	18,331
5.01% to 6.00%....	65,720	71,613	6,998	144,331	86,389	29,049
6.01% to 7.00%....	86,597	11,558	18,390	116,545	112,929	7,774
7.01% and above....	11,220	4,865	10,668	26,753	10,057	4,443
Total.....	<u>\$359,356</u>	<u>\$100,339</u>	<u>\$36,060</u>	<u>\$495,755</u>	<u>\$275,156</u>	<u>\$206,352</u>

Borrowings. The Bank has been a member and shareholder of the FHLBNY since February 14, 1980. One of the privileges accorded FHLBNY shareholders is the ability to borrow money under various lending ('advance') programs at competitive interest rates. The Bank's total borrowing capacity at the FHLBNY at June 30, 1996 is in excess of \$152 million. Included as part of the total borrowing capacity at the FHLBNY, the Bank has been approved for an 'Overnight Line of Credit' of \$32.1 million, and a \$32.1 million 'One-Month Overnight Line of Credit,' both priced at 0.125% over the prevailing federal funds rate. At June 30, 1996, the Bank had a total of \$15.7 million in fixed-rate advances outstanding with the FHLBNY with remaining maturities of between two and three years, at an average rate of 5.40%.

Securities sold with agreement to repurchase totaled \$12.0 million at June 30, 1996. Of this total, \$10.0 million were acquired in the acquisition of Conestoga. The U.S. Government, agency and mortgage-backed securities sold with agreement to repurchase all mature beyond ten years as of June 30, 1996. Borrowings under such reverse repurchase agreements involve the delivery of securities to broker-dealers who arrange the transactions. The securities remain registered in the name of the Bank, and are returned upon the maturities of the agreements. Funds to repay the Bank's securities sold with agreement to repurchase at maturity will be provided primarily by cash received from the maturing securities.

Presented below is information concerning securities sold with agreement to repurchase for the years ended June 30, 1996, 1995 and 1994:

	At of for the Years Ended June 30,		
	1996	1995	1994
	(Dollars in thousands)		
Average amounts outstanding.....	\$2,148	\$2,212	\$2,196
Total interest cost.....	153	160	164
Average interest rate paid.....	7.13%	7.25%	7.48%
Maximum amount outstanding at any month end.....	\$11,998	\$2,164	\$2,277
Ending balance.....	11,998	2,110	2,161
Weighted average interest rate on balance outstanding...	6.00%	7.50%	7.56%

Subsidiary Activities

The Company's only subsidiary is the Bank. The Bank was originally founded in 1864 as a New York State-chartered mutual savings bank. On November 1, 1995, the Bank converted to a federal mutual savings bank. On June 26, 1996, the Bank converted from the mutual to the stock form of ownership, and 100% of its outstanding shares were acquired by the Company. The operation of the Bank is the primary business of the Company.

The Bank has three wholly-owned subsidiary corporations. Havemeyer Brokerage Corporation ('HBC') is currently engaged in the sale of insurance and annuity products primarily to the Bank's customers and members of the local community. As of June 30, 1996, HBC had \$597,690 in consolidated assets, and for the year ended June 30, 1996, had pre-tax income of \$47,889. Havemeyer Equities Corporation ('HEC') and Boulevard Funding Corporation ('BFC') are currently inactive. As of June 30, 1996, HEC had \$7,688 and BFC had \$1,868 of consolidated assets.

Personnel

As of June 30, 1996, the Company had 208 full-time employees and 73 part-time employees. The employees are not represented by a collective bargaining unit, and the Company considers its relationship with its employees to be good.

Federal, State and Local Taxation

Federal Taxation

General. The following is a discussion of material tax matters and does not purport to be a comprehensive description of the tax rules applicable to the Bank or the Company. The Bank was last audited for its taxable year ended December 31, 1988. For federal income tax purposes, the Company and the Bank will file separate income tax returns and report their income on a June 30 fiscal year basis using the accrual method of accounting and will be subject to federal income taxation in the same manner as other corporations with some exceptions, including particularly the Bank's tax reserve for bad debts, discussed below.

Tax Bad Debt Reserves. The Small Business Job Protection Act of 1996 (the "1996 Act"), which was enacted on August 20, 1996, made significant changes to provisions of the Internal Revenue Code of 1986 (the "Code") relating to a savings institution's use of bad debt reserves for federal income tax purposes and requires such an institution to recapture (i.e., take into income) certain portions of its accumulated bad debt reserves. The effect of the 1996 Act on the Bank is discussed

below. Prior to the enactment of the 1996 Act, the Bank was permitted to establish tax reserves for bad debts and to make annual additions thereto, which additions, within specified formula limits, were deducted in arriving at the Bank's taxable income. The Bank's deduction with respect to "qualifying loans," which are generally loans secured by certain interests in real property, was permitted to be computed using an amount based on a six-year moving average of the Bank's charge-offs for actual losses (the "Experience Method"), or an amount equal to 8% of the Bank's taxable income (the "PTI Method"), computed without regard to this deduction and with additional modifications and reduced by the amount of any permitted addition to the non-qualifying reserve. Use of the PTI Method had the effect of reducing the marginal rate of federal tax on the Bank's income to 32.2%, exclusive of any minimum or environmental tax, as compared to the generally applicable maximum corporate federal income tax rate of 35%. The Bank's deduction with respect to non-qualifying loans was required to be computed under the Experience Method. Each year the Bank reviewed the most favorable way to calculate the deduction attributable to an addition to the tax bad debt reserves.

The 1996 Act. Under the 1996 Act, for its current and future taxable years, the Bank is not permitted to make additions to its tax bad debt reserves. The Bank will be allowed to deduct bad debts as incurred. In addition, the Bank is required to recapture (i.e., take into income) over a six year period the excess of the balance of its tax bad debt reserves as of the first taxable year beginning after December 31, 1995 (other than its supplemental reserve for losses on loans) over the balance of such reserves as of December 31, 1987. As a result of such recapture, the Bank will pay additional federal tax of approximately \$1.1 million. Since the Bank has already provided a deferred income tax liability of this amount for financial reporting purposes, the enactment of the 1996 Act will not adversely impact the Bank's financial condition or results of operations. Moreover, such recapture will be suspended for each of the two successive taxable years, beginning with the Bank's current taxable year, in which the Bank originates a minimum of certain residential loans based upon the average of the principal amounts of such loans made by the Bank during its six taxable years preceding its current taxable year.

Distributions. Under the 1996 Act, if the Bank makes "non-dividend distributions" to the Company, such distributions will be considered to have been made from the Bank's unrecaptured tax bad debt reserve balance as of December 31, 1987, to the extent thereof, and then from the Bank's supplemental reserve for losses on loans, to the extent thereof, and an amount based on the amount distributed (but not in excess of the amount of such reserves) will be included in the Bank's income. Non-dividend distributions include distributions in excess of the Bank's current and accumulated earnings and profits, as calculated for federal income tax purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. Dividends paid out of the Bank's current or accumulated earnings and profits will not be so included in the Bank's income.

The amount of additional taxable income created from a non-dividend distribution is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Thus, if, after the Conversion, the Bank makes a non-dividend distribution to the Company, approximately one and one-half times the amount of such distribution (but not in excess of the amount of such reserves) would be includable in income for federal income tax purposes, assuming a 35% federal corporate income tax rate. See "Regulation" and "Dividend Policy" for limits on the payment of dividends by the Bank. The Bank does not intend to pay dividends that would result in a recapture of any portion of its tax bad debt reserves.

Corporate Alternative Minimum Tax. The Code imposes a tax ("AMT") on alternative minimum taxable income ("AMTI") at a rate of 20%. AMTI is also adjusted by determining the tax treatment of certain items in a manner that negates the deferral of income resulting from the regular tax treatment of those items. Thus, the Bank's AMTI is increased by an amount equal to 75% of the amount by which the Bank's adjusted current earnings exceeds its AMTI (determined without regard to this adjustment and prior to reduction for net operating losses). In addition, for taxable years beginning after December 31, 1986 and before January 1, 1996, an environmental tax of 0.12% of the excess of AMTI (with certain modifications) over \$2 million is imposed on corporations, including the Bank, whether or not an AMT is paid..

State and Local Taxation

State of New York. The Bank and the Company are subject to New York State franchise tax on one of several alternative bases, whichever results in the highest tax, and will file combined returns for purposes of this tax. The basic tax is measured by "entire net income," which is federal taxable income with adjustments. For New York State tax purposes, so long as the Bank continues to meet certain definitional tests relating to its assets and the nature of its business, it will be permitted deductions, within specified formula limits, for additions to its

bad debt reserves for purposes of computing its entire net income. The Bank's deduction with respect to "qualifying loans," which are generally loans secured by certain interests in real property, may be computed using an amount based on the Bank's actual loss experience (the "Experience Method") or an amount equal to 32% of the Bank's entire net income (the "PTI Method"), computed without regard to this deduction and reduced by the amount of any permitted addition to the Bank's reserve for non-qualifying loans. Because of a recent amendment to the New York State tax law, the Bank is not required to recapture any portion of its New York bad debt reserves because of the automatic recapture of its federal bad debt reserves pursuant to the 1996 Act (see Federal Taxation, Tax Bad Debt Reserves). However, the New York bad debt reserves are subject to recapture for "non-dividend distributions" in a manner similar to the recapture of the federal bad debt reserves for such distributions (see Federal Taxation, Distributions). Also, the New York bad debt reserve is subject to recapture in the event that the Bank fails to satisfy the definitional tests. The Bank's deduction with respect to non-qualifying loans must be computed under the Experience Method which is based on the Bank's actual charge-offs. Each year the Bank will review the most favorable way to calculate the deduction attributable to an addition to the tax bad debt reserves.

The New York State tax rate for the 1996 calendar year is 10.755% (including commuter transportation and other surcharges) of net income. In general, the Company will not be required to pay New York State tax on dividends and interest received from the Bank.

City of New York. The Bank and the Company are also subject to a similarly calculated New York City banking corporation tax of 9% on income allocated to New York City. Unless the New York City tax law is amended to conform with the New York State law, the Bank will be required to include in its New York City income for its current taxable year the excess of its post-1987 New York City reserves for losses on qualifying real property loans over its reserve for losses on such loans maintained for federal income tax purposes (the "Excess Reserves"). If the Bank's Excess Reserve of \$29.6 million as of the first taxable year beginning after December 31, 1995 were so included, the Bank would pay an additional city tax liability of approximately \$1.2 million. Since the Bank has already provided a deferred income tax liability of this amount for financial reporting purposes, this will not adversely impact the Bank's financial condition or results of operations.

State of Delaware. As a Delaware holding company not earning income in Delaware, the Company is exempted from Delaware corporate income tax, but is required to file an annual report and pay an annual franchise tax to the State of Delaware.

Regulation

General

The Bank is subject to extensive regulation, examination, and supervision by the OTS, as its chartering agency, and the FDIC, as its deposit insurer. The Bank's deposit accounts are insured up to applicable limits by the Bank Insurance Fund ("BIF") and Savings Association Insurance Fund ("SAIF") administered by the FDIC, and it is a member of the FHLBNY. The Bank must file reports with the OTS and the FDIC concerning its activities and financial condition, and it must obtain regulatory approvals prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions. The OTS and the FDIC conduct periodic examinations to assess the Bank's compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which a savings association can engage and is intended primarily for the protection of the insurance fund and depositors. The Company, as a unitary savings and loan holding company, is required to file certain reports with, and otherwise comply with, the rules and regulations of the OTS and of the Securities and Exchange Commission (the "SEC") under the federal securities laws.

The OTS and the FDIC have significant discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such policies, whether by the OTS, the FDIC or the Congress, could have a material adverse impact on the Company, the Bank, and the operations of both.

The following discussion is intended to be a summary of the material statutes and regulations applicable to savings associations, and it does not purport to be a comprehensive description of all such statutes and regulations.

Regulation of Federal Savings Associations

Business Activities. The Bank derives its lending and investment powers from the Home Owner's Loan Act, as amended ("HOLA"), and the regulations of the OTS thereunder. Under these laws and regulations, the Bank may invest in mortgage loans

secured by residential and commercial real estate, commercial and consumer loans, certain types of debt securities, and certain other assets. The Bank may also establish service corporations that may engage in activities not otherwise permissible for the Bank, including certain real estate equity investments and securities and insurance brokerage. These investment powers are subject to various limitations, including (a) a prohibition against the acquisition of any corporate debt security that is not rated in one of the four highest rating categories; (b) a limit of 400% of an association's capital on the aggregate amount of loans secured by non-residential real estate property; (c) a limit of 10% of an association's assets on commercial loans; (d) a limit of 35% of an association's assets on the aggregate amount of consumer loans and acquisitions of certain debt securities; (e) a limit of 5% of assets on non-conforming loans (loans in excess of the specific limitations of HOLA); and (f) a limit of the greater of 5% of assets or an association's capital on certain construction loans made for the purpose of financing what is or is expected to become residential property.

Loans to One Borrower. Under HOLA, savings associations are generally subject to the same limits on loans to one borrower as are imposed on national banks. Generally, under these limits, a savings association may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of the association's unimpaired capital and surplus. Additional amounts may be lent, not in excess of 10% of unimpaired capital and surplus, if such loans or extensions of credit are fully secured by readily-marketable collateral. Such collateral is defined to include certain debt and equity securities and bullion, but generally does not include real estate. At June 30, 1996, the Bank's limit on loans to one borrower was \$12.4 million. At June 30, 1996, the Bank's largest aggregate amount of loans to one borrower was \$8.2 million and the second largest borrower had an aggregate balance of \$4.9 million.

QTL Test. HOLA requires a savings association to meet a QTL test. Under the QTL test, a savings association is required to maintain at least 65% of its "portfolio assets" in certain "qualified thrift investments" in at least nine months of the most recent twelve-month period. "Portfolio assets" means, in general, an association's total assets less the sum of (a) specified liquid assets up to 20% of total assets, (b) certain intangibles, including goodwill and credit card and purchased mortgage servicing rights, and (c) the value of property used to conduct the association's business. "Qualified thrift investments" includes various types of loans made for residential and housing purposes, investments related to such purposes, including certain mortgage-backed and related securities, and consumer loans up to 10% of the association's portfolio assets. At June 30, 1996, the Bank maintained 76.0% of its portfolio assets in qualified thrift investments. The Bank had also met the QTL test in each of the prior 12 months and, therefore, was a qualified thrift lender.

A savings association that fails the QTL test must either operate under certain restrictions on its activities or convert to a bank charter. The initial restrictions include prohibitions against (a) engaging in any new activity not permissible for a national bank, (b) paying dividends not permissible under national bank regulations, (c) obtaining new advances from any FHLB, and (d) establishing any new branch office in a location not permissible for a national bank in the association's home state. In addition, within one year of the date a savings association ceases to meet the QTL test, any company controlling the association would have to register under, and become subject to the requirements of, the Bank Holding Company Act of 1956, as amended. If the savings association does not requalify under the QTL test within the three-year period after it failed the QTL test, it would be required to terminate any activity and to dispose of any investment not permissible for a national bank and would have to repay as promptly as possible any outstanding advances from an FHLB. A savings association that has failed the QTL test may requalify under the QTL test and be free of such limitations, but it may do so only once.

Capital Requirements. The OTS regulations require savings associations to meet three minimum capital standards: a tangible capital ratio requirement of 1.5% of total assets as adjusted under the OTS regulations, a leverage ratio requirement of 3% of core capital to such adjusted total assets, and a risk-based capital ratio requirement of 8% of core and supplementary capital to total risk-based assets. In determining the amount of risk-weighted assets for purposes of the risk-based capital requirement, a savings association must compute its risk-based assets by multiplying its assets and certain off-balance sheet items by risk-weights, which range from 0% for cash and obligations issued by the United States Government or its agencies, to 100% for consumer and commercial loans, as assigned by the OTS capital regulation based on the risks OTS believes are inherent in the type of asset.

Tangible capital is defined, generally, as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related earnings, minority interests in equity accounts of fully consolidated subsidiaries, less intangibles other than certain purchased mortgage servicing rights and investments in and loans to subsidiaries engaged in

activities not permissible for anational bank. Core capital is defined similarly to tangible capital, but core capital also includes certain qualifying supervisory goodwill and certain purchased credit card relationships. Supplementary capital currently includes cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, and the allowance for possible loan losses. The allowance for loan and lease losses includable in supplementary capital is limited to a maximum of 1.25% of risk-weighted assets, and the amount of supplementary capital that may be included as total capital cannot exceed the amount of core capital.

The OTS regulations require a savings association with "above normal" interest rate risk is required to deduct a portion of such capital from its total capital to account for the "above normal" interest rate risk. A savings association's interest rate risk is measured by the decline in the net portfolio value of its assets (i.e., the difference between incoming and outgoing discounted cash flows from assets, liabilities and off-balance sheet contracts) resulting from a hypothetical 2% increase or decrease in market rates of interest, divided by the estimated economic value of the association's assets, as calculated in accordance with guidelines set forth by the OTS. At the times when the 3-month Treasury bond equivalent yield falls below 4%, an association may compute its interest rate risk on the basis of a decrease equal to one-half of that Treasury rate rather than on the basis of 2%. A savings association whose measured interest rate risk exposure exceeds 2% would be considered to have "above normal" risk. The interest rate risk component is an amount equal to one-half of the difference between the association's measured interest rate risk and 2%, multiplied by the estimated economic value of the association's assets. That dollar amount is deducted from an association's total capital in calculating compliance with its risk-based capital requirement. Any required deduction for interest rate risk becomes effective on the last day of the third quarter following the reporting date of the association's financial data on which the interest rate risk was computed. Pending other regulatory developments, the OTS has deferred enforcing the general requirement to deduct capital on account of "above normal" interest rate risk.

The table below presents the Bank's regulatory capital as compared to the OTS regulatory capital requirements at June 30, 1996:

		Minimum Capital Requirement	
Actual		Amount	Ratio
Amount	Ratio	Amount	Ratio

As of June 30, 1996:

Tangible.....	\$ 119,125	9.49%	>= \$18,828	>= 1.5%
Core Capital.....	\$ 119,259	9.50%	>= \$37,659	>= 3.0%
Risk-based capital.....	\$ 126,715	21.24%	>= \$47,718	>= 8.0%

The Bank received approximately \$131.1 million of excess proceeds resulting from the oversubscription of the Company's initial public offering. The Bank's tangible, core, and risk-based capital ratios were 10.60%, 10.61%, and 23.86% respectively, excluding the effects of the excess proceeds on the balance sheet, at June 30, 1996.

The following is a reconciliation of generally accepted accounting principles (GAAP) capital to regulatory capital for the Bank:

June 30, 1996			
	Tangible Capital	Core Capital	Risk-Based Capital
GAAP capital.....	\$148,008	\$148,008	\$148,008
Non-allowable assets:			
Core deposit intangible.....	(134)	-	-
Unrealized gain on AFS securities...	(311)	(311)	(311)
Goodwill.....	(28,438)	(28,438)	(28,438)
General valuation allowance.....	-	-	7,456
Regulatory capital.....	119,125	119,259	126,715
Minimum capital requirement.....	18,828	37,659	47,718
Regulatory capital-excess.....	\$100,297	\$ 81,600	\$78,997

Limitation on Capital Distributions. OTS regulations currently impose limitations upon capital distributions by savings associations, such as cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger, and other distributions charged against capital. At least 30-days written notice must be given to the OTS of a proposed capital distribution by a savings association, and capital distributions in excess of specified earnings or by certain institutions are

subject to approval by the OTS. An association that has capital in excess of all fully phased-in regulatory capital requirements before and after a proposed capital distribution and that is not otherwise restricted in making capital distributions, could, after prior notice but without the approval of the OTS, make capital distributions during a calendar year equal to the greater of (a) 100% of its net earnings to date during the calendar year plus the amount that would reduce by one-half its "surplus capital ratio" (the excess capital over its fully phased-in capital requirements) at the beginning of the calendar year, or (b) 75% of its net earnings for the previous four quarters. Any additional capital distributions would require prior OTS approval. In addition, the OTS can prohibit a proposed capital distribution, otherwise permissible under the regulation, if the OTS has determined that the association is in need of more than normal supervision or if it determines that a proposed distribution by an association would constitute an unsafe or unsound practice. Furthermore, under the OTS prompt corrective action regulations, the Bank would be prohibited from making any capital distribution if, after the distribution, the Bank failed to meet its minimum capital requirements, as described above. See " - Prompt Corrective Regulatory Action."

The OTS has proposed regulations that would simplify the existing procedures governing capital distributions by savings associations. Under the proposed regulations, the approval of the OTS would be required only for an association that is deemed to be in troubled condition or that is undercapitalized or would be undercapitalized after the capital distribution. A savings association would be able to make a capital distribution without notice to or approval of the OTS if it is not held by a savings association holding company, is not deemed to be in troubled condition, has received either of the two highest composite supervisory ratings, and would continue to be adequately capitalized after such distribution. Notice would have to be given to the OTS by any association that is held by a savings association holding company or that had received a composite supervisory rating below the highest two composite supervisory ratings. An association's capital rating would be determined under the prompt corrective action regulations. See " Prompt Corrective Regulatory Action."

The Company however, is subject to the terms of a certification requested by and delivered to the OTS in connection with the Bank's application to the OTS for approval of the Conversion, which certification prohibits the Company from taking any actions to further any payments to its shareholders through a return of excess capital until June 26, 1997. The certification expressly does not apply to taxable dividend payments made by the Company or to dividend payments made by the Bank to the Company.

Liquidity. The Bank is required to maintain an average daily balance of liquid assets (cash, certain time deposits, bankers' acceptances, specified United States Government, state or federal agency obligations, shares of certain mutual funds and certain corporate debt securities and commercial paper) equal to a monthly average of not less than a specified percentage of its net withdrawable deposit accounts plus short-term borrowings. This liquidity requirement may be changed from time to time by the OTS to any amount within the range of 4% to 10% depending upon economic conditions and the savings flows of member institutions, and is currently 5%. OTS regulations also require each savings association to maintain an average daily balance of short-term liquid assets at a specified percentage (currently 1%) of the total of its net withdrawable deposit accounts and borrowings payable in one year or less. Monetary penalties may be imposed for failure to meet these liquidity requirements. The Bank's average liquidity ratio for the month ended June 30, 1996 was 43.0%, which exceeded the applicable requirements. The Bank has never been subject to monetary penalties for failure to meet its liquidity requirements.

Assessments. Savings associations are required by OTS regulation to pay assessments to the OTS to fund the operations of the OTS. The general assessment, paid on a semi-annual basis, is computed upon the savings association's total assets, including consolidated subsidiaries, as reported in the association's latest quarterly Thrift Financial Report. During January 1996, the Bank paid its first assessment as a federal savings bank of \$72,493 for the period January 1, 1996 through June 30, 1996. Prior to that date, the Bank had not paid any OTS assessments as it converted to a federal charter on November 1, 1995.

Branching. Subject to certain limitations, HOLA and the OTS regulations permit federally chartered savings associations to establish branches in any state of the United States. The authority to establish such a branch is available (a) in states that expressly authorize branches of savings associations located in another state and (b) to an association that qualifies as a "domestic building and loan association" under the Internal Revenue Code of 1986, which imposes qualification requirements similar to those for a "qualified thrift lender" under HOLA. See " QTL Test." The authority for a federal savings association to establish an interstate branch network would facilitate a geographic diversification of the association's activities. This authority under HOLA and the OTS regulations preempts any state law purporting to regulate branching by

federal savings associations.

Community Reinvestment. Under the CRA, as implemented by OTS regulations, a savings association has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OTS, in connection with its examination of a savings association, to assess the association's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such association. The CRA also requires all institutions to make public disclosure of their CRA ratings. The Bank received a ''Satisfactory'' CRA rating in its most recent examination.

In April 1995, the OTS and the other federal banking agencies adopted amendments revising their CRA regulations. Among other things, the amended CRA regulations substitute for the prior process-based assessment factors a new evaluation system that would rate an institution based on its actual performance in meeting community needs. In particular, the proposed system would focus on three tests: (a) a lending test, to evaluate the institution's record of making loans in its service areas; (b) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and businesses; and (c) a service test, to evaluate the institution's delivery of services through its branches, ATMs, and other offices. The amended CRA regulations also clarify how an institution's CRA performance would be considered in the application process.

Transactions with Related Parties. The Bank's authority to engage in transactions with its ''affiliates'' is limited by the OTS regulations and by Sections 23A and 23B of the Federal Reserve Act (''FRA''). In general, an affiliate of the Bank is any company that controls the Bank or any other company that is controlled by a company that controls the Bank, excluding the Bank's subsidiaries other than those that are insured depository institutions. The OTS regulations prohibit a savings association (a) from lending to any of its affiliates that is engaged in activities that are not permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act (''BHC Act'') and (b) from purchasing the securities of any affiliate other than a subsidiary. Section 23A limits the aggregate amount of transactions with any individual affiliate to 10% of the capital and surplus of the savings association and also limits the aggregate amount of transactions with all affiliates to 20% of the savings association's capital and surplus. Extensions of credit to affiliates are required to be secured by collateral in an amount and of a type described in Section 23A, and the purchase of low quality assets from affiliates is generally prohibited. Section 23B provides that certain transactions with affiliates, including loans and asset purchases, must be on terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the association as those prevailing at the time for comparable transactions with nonaffiliated companies. In the absence of comparable transactions, such transactions may only occur under terms and circumstances, including credit standards, that in good faith would be offered to or would apply to nonaffiliated companies.

The Bank's authority to extend credit to its directors, executive officers, and 10% shareholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the FRA and Regulation O of the Federal Reserve Board (''FRB'') thereunder. Among other things, these provisions require that extensions of credit to insiders (a) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features and (b) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the association's capital. In addition, extensions of credit in excess of certain limits must be approved by the association's board of directors.

Enforcement. Under the Federal Deposit Insurance Act (''FDI Act''), the OTS has primary enforcement responsibility over savings associations and has the authority to bring enforcement action against all ''institution-affiliated parties,'' including any controlling stockholder or any shareholder, attorney, appraiser and accountant who knowingly or recklessly participates in any violation of applicable law or regulation or breach of fiduciary duty or certain other wrongful actions that causes or is likely to cause a more than a minimal loss or other significant adverse effect on an insured savings association. Civil penalties cover a wide range of violations and actions and range from \$5,000 for each day during which violations of law, regulations, orders, and certain written agreements and

conditions continue, up to \$1 million per day for such violations if the person obtained a substantial pecuniary gain as a result of such violation or knowingly or recklessly caused a substantial loss to the institution. Criminal penalties for certain financial institution crimes include fines of up to \$1 million and imprisonment for up to 30 years. In addition, regulators have substantial discretion to take enforcement action against an institution that fails to comply with its regulatory requirements, particularly with respect to its capital requirements. Possible enforcement actions range from the imposition of a capital plan and capital directive to receivership, conservatorship, or the termination of deposit insurance. Under the FDI Act, the FDIC has the authority to recommend to the Director of OTS that enforcement action be taken with respect to a particular savings association. If action is not taken by the Director of the OTS, the FDIC has authority to take such action under certain circumstances.

Standards for Safety and Soundness. The FDI Act, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994 ('Community Development Act'), requires the OTS, together with the other federal bank regulatory agencies, to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation, and compensation, fees and benefits and such other operational and managerial standards as the agencies deem appropriate. The OTS and the federal bank regulatory agencies have adopted, effective August 9, 1995, a set of guidelines prescribing safety and soundness standards pursuant to FDICIA, as amended. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. The OTS and the other agencies determined that the adoption of stock valuation standards was not appropriate. In addition, the OTS adopted regulations pursuant that authorize, but do not require, the OTS to order an institution that has been given notice by the OTS that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the OTS must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized association is subject under the 'prompt corrective action' provisions of FDICIA. If an institution fails to comply with such an order, the OTS may seek to enforce such order in judicial proceedings and to impose civil money penalties. Effective October 1, 1996, the OTS and the federal bank regulatory agencies adopted guidelines for identifying and monitoring asset quality and earnings standards.

Real Estate Lending Standards. The OTS and the other federal banking agencies adopted regulations to prescribe standards for extensions of credit that (a) are secured by real estate or (b) are made for the purpose of financing the construction of improvements on real estate. The OTS regulations require each savings association to establish and maintain written internal real estate lending standards that are consistent with safe and sound banking practices and appropriate to the size of the association and the nature and scope of its real estate lending activities. The standards also must be consistent with accompanying OTS guidelines, which include loan-to-value ratios for the different types of real estate loans. Associations are also permitted to make a limited amount of loans that do not conform to the proposed loan-to-value limitations so long as such exceptions are reviewed and justified appropriately. The guidelines also list a number of lending situations in which exceptions to the loan-to-value standards are justified.

Prompt Corrective Regulatory Action. Under the OTS prompt corrective action regulations, the OTS is required to take certain, and is authorized to take other, supervisory actions against undercapitalized savings associations. For this purpose, a savings association would be placed in one of five categories based on the association's capital. Generally, a savings association is treated as 'well capitalized' if its ratio of total capital to risk-weighted assets is at least 10.0%, its ratio of core capital to risk-weighted assets is at least 6.0%, its ratio of core capital to total assets is at least 5.0%, and it is not subject to any order or directive by the OTS to meet a specific capital level. A savings association will be treated as 'adequately capitalized' if its ratio of total capital to risk-weighted assets is at least 8.0%, its ratio of core capital to risk-weighted assets is at least 4.0%, and its ratio of core capital to total assets is at least 4.0% (3.0% if the association receives the highest rating on the CAMEL financial institutions rating system). A savings association that has a total risk-based capital of less than 8.0% or a leverage ratio or a Tier 1 capital

ratio that is less than 4.0% (3.0% leverage ratio if the association receives the highest rating on the CAMEL financial institutions rating system) is considered to be "undercapitalized." A savings association that has a total risk-based capital of less than 6.0% or a Tier 1 risk-based capital ratio or a leverage ratio of less than 3.0% is considered to be "significantly undercapitalized." A savings association that has a tangible capital to assets ratio equal to or less than 2% is deemed to be "critically undercapitalized." The elements of an association's capital for purposes of the prompt corrective action regulations are defined generally as they are under the regulations for minimum capital requirements. As of the most recent notification from the Office of Thrift Supervision categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category. See "Capital Requirements."

The severity of the action authorized or required to be taken under the prompt corrective action regulations increases as an association's capital deteriorates within the three undercapitalized categories. All associations are prohibited from paying dividends or other capital distributions or paying management fees to any controlling person if, following such distribution, the association would be undercapitalized. An undercapitalized association is required to file a capital restoration plan within 45 days of the date the association receives notice that it is within any of the three undercapitalized categories. The OTS is required to monitor closely the condition of an undercapitalized association and to restrict the asset growth, acquisitions, branching, and new lines of business of such an association. Significantly undercapitalized associations are subject to restrictions on compensation of senior executive officers; such an association may not, without OTS consent, pay any bonus or provide compensation to any senior executive officer at a rate exceeding the officer's average rate of compensation (excluding bonuses, stock options and profit-sharing) during the 12 months preceding the month when the association became undercapitalized. A significantly undercapitalized association may also be subject, among other things, to forced changes in the composition of its board of directors or senior management, additional restrictions on transactions with affiliates, restrictions on acceptance of deposits from correspondent associations, further restrictions on asset growth, restrictions on rates paid on deposits, forced termination or reduction of activities deemed risky, and any further operational restrictions deemed necessary by the OTS.

If one or more grounds exist for appointing a conservator or receiver for an association, the OTS may require the association to issue additional debt or stock, sell assets, be acquired by a depository association holding company or combine with another depository association. The OTS and the FDIC have a broad range of grounds under which they may appoint a receiver or conservator for an insured depository association. Under FDICIA, the OTS is required to appoint a receiver (or with the concurrence of the FDIC, a conservator) for a critically undercapitalized association within 90 days after the association becomes critically undercapitalized or, with the concurrence of the FDIC, to take such other action that would better achieve the purposes of the prompt corrective action provisions. Such alternative action can be renewed for successive 90-day periods. However, if the association continues to be critically undercapitalized on average during the quarter that begins 270 days after it first became critically undercapitalized, a receiver must be appointed, unless the OTS makes certain findings with which the FDIC concurs and the Director of the OTS and the Chairman of the FDIC certify that the association is viable. In addition, an association that is critically undercapitalized is subject to more severe restrictions on its activities, and is prohibited, without prior approval of the FDIC from, among other things, entering into certain material transactions or paying interest on new or renewed liabilities at a rate that would significantly increase the association's weighted average cost of funds.

When appropriate, the OTS can require corrective action by a savings association holding company under the "prompt corrective action" provisions of FDICIA.

Insurance of Deposit Accounts. Pursuant to FDICIA, the FDIC established a new risk-based assessment system for determining the deposit insurance assessments to be paid by insured depository institutions. Under the new assessment system, which began in 1993, the FDIC assigns an institution to one of three capital categories based on the institution's financial information as of the reporting period ending seven months before the assessment period. The three capital categories consist of (a) well capitalized, (b) adequately capitalized, or (c) undercapitalized. The FDIC also assigns an institution to one of three supervisory subcategories within each capital group. The supervisory subgroup to which an institution is assigned is based on a supervisory evaluation provided to the FDIC by the institution's primary federal regulator and information that the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance funds. An institution's assessment rate depends on the capital category and supervisory category to which it is assigned. Under the

regulation, there are nine assessment risk classifications (i.e., combinations of capital groups and supervisory subgroups) to which different assessment rates are applied.

The FDI Act requires that the BIF and the SAIF funds each be recapitalized until reserves are at least 1.25% of the deposits insured by that fund. After a fund reached the 1.25% reserve ratio, the assessment rates for that fund could be reduced. The FDIC reported that the BIF reached the required reserve ratio during May 1995. As a result of the recapitalization of the BIF, the FDIC reduced BIF-assessment rates. Beginning in 1993, the assessment rates for the BIF and the SAIF had ranged from 0.23% of deposits for an institution in the highest category (i.e., well-capitalized and financially sound, with no more than a few minor weaknesses) to 0.31% of deposits for an institution in the lowest category (i.e., undercapitalized and substantial supervisory concern). Effective June 1, 1995, the FDIC reduced the BIF assessment rates to a range of 0.04% to 0.27% of deposits for such institutions. The Bank's assessment rates for 1995 were 0.23% of deposits through May 31, 1995 and were 0.04% of deposits beginning on June 1, 1995.

On November 14, 1995, the FDIC again decided to reduce the BIF assessments. Having determined that the BIF had sufficient reserves in excess of the required 1.25% ratio, the FDIC decided that "well capitalized" institutions without any significant supervisory concerns should begin paying assessments at the statutory minimum of \$2,000 annually, beginning with the first quarter of 1996, and the BIF-assessment rates for other institutions range from 0.03% to 0.27% of deposits.

The FDIC has reported that, under current law and appropriate financial projections, the SAIF is not expected to be recapitalized until 2001. Accordingly, the FDIC has determined that SAIF-insured institutions should continue to pay assessments at the current SAIF assessment rates, which range from 0.23% of deposits to 0.31% of deposits. The assessment rates on the Oakar Deposits were not subject to the decrease in assessment rates and continue to be assessed at a rate of 0.23%.

The resulting disparity in deposit insurance assessments rates between the SAIF members and the BIF members is likely to provide institutions paying only the BIF assessments with certain competitive advantages in the pricing of loans and deposits, and in lowered operating costs, pending any legislative action to remedy the disparity. Congress considered proposed legislation to address these issues.

The proposed Balanced Budget Act of 1995 (the "Budget Act"), which was approved by the Congress but vetoed by the President, included provisions that focused on a recapitalization of the SAIF. Under the provisions of the Budget Act, all SAIF-member institutions would have paid a special assessment to recapitalize the SAIF, and the assessment base for the payments on the FICO bonds (as herein defined) would have been expanded to include the deposits of both BIF- and SAIF-insured institutions. The amount of the special assessment required to recapitalize the SAIF was then estimated to be approximately 80 basis points of the SAIF-assessable deposits. The special assessment would have been imposed as of the first business day of January 1996 or on such other date prescribed by the FDIC not later than 60 days after enactment of the Budget Act, based on the amount of SAIF deposits on March 31, 1995. If an 80-basis-point assessment were assessed against the Bank's deposits as of March 31, 1995, the Bank's special assessment would be approximately \$2.8 million, or \$1.5 million on an after-tax basis.

The Budget Act also provided for the merger of the BIF and SAIF on January 1, 1998, with such merger being conditioned upon the prior elimination of the thrift charter. Congressional leaders had also agreed that Congress should consider and act upon separate legislation to eliminate the thrift charter as early as possible in 1996. If adopted, such legislation would require that the Bank, as a federal savings bank, convert to a bank charter. See "- Financial Institution Regulation and Possible Legislation."

The veto of the Budget Act by the President was not based on the above described provisions of the Budget Act, and the federal banking regulators continue to seek a legislative solution for the recapitalization of the SAIF. In February 1996, representatives of the FDIC, the OTS and the Treasury Department stated to Congress that, unless Congress adopts legislation to strengthen the SAIF, the SAIF's current problems could result in an erosion of the SAIF deposit base, could cause a default on the FICO bonds that are paid from SAIF assessments, and could leave the SAIF unable to meet its obligations to insured depositors.

If enacted by Congress, legislation to recapitalize the SAIF as proposed in the Budget Act would have the effect of reducing the capital of SAIF member institutions by the after-tax cost of the special SAIF assessment, plus any related additional tax liabilities. The legislation would also have the effect of reducing any differential that may otherwise be required in the assessment rates for the BIF and SAIF.

Management cannot predict whether the above legislation or any other legislative proposal will be enacted as described above

or, if enacted, the amount of any special SAIF assessment or whether ongoing SAIF premiums will be reduced to a level equal to that of BIF premiums. It also cannot be predicted whether some other legislative action will be taken to address the BIF/SAIF disparity and what consequences such action could have for SAIF members. A significant increase in SAIF insurance premiums, either absolutely or relative to BIF premiums, or a significant one-time fee to recapitalize the SAIF could have an adverse effect on the operating expenses and results of operations of the Bank.

Under the FDI Act, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OTS. The management of the Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Federal Home Loan Bank System. The Bank is a member of the FHLBNY, which is one of the regional FHLBs composing the FHLB System. Each FHLB provides a central credit facility primarily for its member institutions. The Bank, as a member of the FHLBNY, is required to acquire and hold shares of capital stock in the FHLB in an amount at least equal to the greater of 1% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year or 1/20 of its advances (borrowings) from the FHLBNY. The Bank was in compliance with this requirement with an investment in FHLB stock at June 30, 1996, of \$7.6 million. Any advances from a FHLB must be secured by specified types of collateral, and all long-term advances may be obtained only for the purpose of providing funds for residential housing finance.

The FHLBs are required to provide funds for the resolution of insolvent thrifts and to contribute funds for affordable housing programs. These requirements could reduce the amount of earnings that the FHLBs can pay as dividends to their members and could also result in the FHLBs imposing a higher rate of interest on advances to their members. The FHLBNY paid dividends on the capital stock of \$332,964, \$367,131, and \$422,943 and during the years ended June 30, 1996, 1995 and 1994, respectively. If dividends were reduced, or interest on future FHLB advances increased, the Bank's net interest income would likely also be reduced. Further, there can be no assurance that the impact of FDICIA and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ('FIRREA') on the FHLBs will not also cause a decrease in the value of the FHLB stock held by the Bank.

Federal Reserve System. The Bank is subject to provisions of the FRA and the FRB's regulations pursuant to which depository institutions may be required to maintain non-interest-earning reserves against their deposit accounts and certain other liabilities. Currently, reserves must be maintained against transaction accounts (primarily NOW and regular checking accounts). The FRB regulations generally require that reserves be maintained in the amount of 3% of the aggregate of transaction accounts up to \$52.0 million. The amount of aggregate transaction accounts in excess of \$52.0 million are currently subject to a reserve ratio of 10%, which ratio the FRB may adjust between 8% and 12%. The FRB regulations currently exempt \$4.3 million of otherwise reservable balances from the reserve requirements, which exemption is adjusted by the FRB at the end of each year. The Bank is in compliance with the foregoing reserve requirements. Because required reserves must be maintained in the form of either vault cash, a non-interest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the FRB, the effect of this reserve requirement is to reduce the Bank's interest-earning assets. The balances maintained to meet the reserve requirements imposed by the FRB may be used to satisfy liquidity requirements imposed by the OTS. FHLB System members are also authorized to borrow from the Federal Reserve 'discount window,' but FRB regulations require such institutions to exhaust all FHLB sources before borrowing from a Federal Reserve Bank.

Regulation of Holding Company

The Company is a non-diversified unitary savings association holding company within the meaning of HOLA, as amended. As such, the Company is required to register with the OTS and is subject to OTS regulations, examinations, supervision and reporting requirements. In addition, the OTS has enforcement authority over the Company and its non-savings association subsidiaries, if any. Among other things, this authority permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the financial safety, soundness, or stability of a subsidiary savings association.

HOLA prohibits a savings association holding company, directly or indirectly, or through one or more subsidiaries, from acquiring another savings association or holding company thereof, without prior written approval of the OTS; acquiring or retaining, with certain exceptions, more than 5% of a non-subsubsidiary savings association, a non-subsubsidiary holding company, or a non-subsubsidiary company engaged in activities other than those permitted by HOLA; or acquiring or retaining control of a

depository institution that is not insured by the FDIC. In evaluating an application by a holding company to acquire a savings association, the OTS must consider the financial and managerial resources and future prospects of the company and savings association involved, the effect of the acquisition on the risk to the insurance funds, the convenience and needs of the community, and competitive factors.

As a unitary savings and loan holding company, the Company generally is restricted under existing laws as to the types of business activities in which it may engage, provided that the Bank continues to satisfy the QTL test. See "'- Regulation of Federal Savings Associations QTL Test'" for a discussion of the QTL requirements. Upon any non-supervisory acquisition by the Company of another savings association or savings bank that meets the QTL test and is deemed to be a savings association by the OTS and that will be held as a separate subsidiary, the Company will become a multiple savings association holding company and will be subject to limitations on the types of business activities in which it can engage. HOLA limits the activities of a multiple savings association holding company and its non-insured association subsidiaries primarily to activities permissible for bank holding companies under Section 4(c)(8) of the BHC Act, subject to the prior approval of the OTS, and to other activities authorized by OTS regulation.

The OTS is prohibited from approving any acquisition that would result in a multiple savings association holding company controlling savings associations in more than one state, subject to two exceptions: an acquisition of a savings association in another state (a) in a supervisory transaction, and (b) pursuant to authority under the laws of the state of the association to be acquired that specifically permit such acquisitions. The conditions imposed upon interstate acquisitions by those states that have enacted authorizing legislation vary. Some states impose conditions of reciprocity, which have the effect of requiring that the laws of both the state in which the acquiring holding company is located (as determined by the location of its subsidiary savings association) and the state in which the association to be acquired is located, have each enacted legislation allowing its savings associations to be acquired by out-of-state holding companies on the condition that the laws of the other state authorize such transactions on terms no more restrictive than those imposed on the acquiror by the state of the target association. Some of these states also impose regional limitations, which restrict such acquisitions to states within a defined geographic region. Other states allow full nationwide banking without any condition of reciprocity. Some states do not authorize interstate acquisitions of savings associations.

Transactions between the Company and the Bank, including any of its subsidiaries, and any of its affiliates are subject to various conditions and limitations. See "' Regulation of Federal Savings Associations Transactions with Related Parties.'" The Bank must give 30-days written notice to the OTS prior to any declaration of the payment of any dividends or other capital distributions to the Company. See "'- Regulation of Federal Savings Associations - Limitation on Capital Distributions.'"

Federal Securities Laws

. The Company's Common stock is registered with the SEC under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Exchange Act.

Item 2 - Properties

The Bank conducts its business through fifteen full-service offices, including eight offices acquired from Conestoga. The Bank's Main Office and headquarters is located at 209 Havemeyer Street, Brooklyn, New York. The Bank believes that its current facilities are adequate to meet the present and immediately foreseeable needs of the Bank and the Company.

	Leased or Owned	Date Leased or Acquired	Lease Expiration Date	Net Book Value at June 30, 1996
Main Office 209 Havemeyer Street Brooklyn, New York 11211	Owned	1906	-	\$398,031
Avenue M Branch 1600 Avenue M at E. 16th Street Brooklyn, New York 11230	Owned	1993	-	491,546
Bayside Branch 61-38 Springfield Boulevard Bayside, New York 11364	Leased	1974	May, 2004	66,310
Merrick Branch 1775 Merrick Avenue Merrick, New York 11566	Owned	1960	-	252,426
Hillcrest Branch 176-47 Union Turnpike Flushing, New York 11366	Leased	1971	May, 2001	67,737
Bellmore Branch 2412 Jerusalem Avenue Bellmore, New York 11710	Owned	1973	-	522,697
Bronx Branch 1931 Turnbull Avenue Bronx, New York 10473	Leased	1965	October, 1996	48,905
Roslyn Branch 1075 Northern Boulevard Roslyn, New York 11576	Owned	1990	-	3,084,876
Gates Avenue Branch 1012 Gates Avenue Brooklyn, New York 11221	Owned	1905	-	282,020
Marine Park Branch 2172 Coyle Street Brooklyn, New York 11229	Owned	1993	-	821,135
Kings Highway Branch 1902-1904 Kings Highway Brooklyn, New York 11229	Owned	1976	-	845,493
Port Washington Branch 1000 Port Washington Boulevard Port Washington, New York 11050	Owned	1971	-	496,215
Bensonhurst Branch 1545 86th Street Brooklyn, New York 11228	Owned	1978	-	1,367,523
Whitestone Branch 24-44 Francis Lewis Boulevard Whitestone, New York 11357	Owned	1979	-	827,194
Westbury Branch 622 Old Country Road Westbury, New York 11590	1994	-	-	599,281
Administrative Office 275 South 5th Street (Corner of Havemeyer Street) Brooklyn, New York 11211	Owned	1989	-	4,226,772

The Bank has an option to extend this lease for an additional ten year term at fair market rent, as determined by the agreement of the parties or, if the parties cannot agree, by arbitration.

Prior to October 2, 1993, this branch office was located at 2161 Coyle Street, Brooklyn, New York.

This branch office opened April 29, 1995.

Building owned, land leased. Lease expires in October, 2003.

Item 3 - Legal Proceedings

The Company is involved in various legal actions arising in the ordinary course of its business which, in the aggregate, involve amounts which are believed to be immaterial to the financial condition and results of operations of the Bank.

On December 4, 1995, a purported class action complaint was filed in the Delaware Chancery Court, New Castle County, on behalf of the stockholders of Conestoga by Jeffrey Simon ('Plaintiff') against Conestoga, each of the members of the Conestoga Board, and the Bank. The Plaintiff alleges that each of the members of Conestoga's Board breached his fiduciary duties to Conestoga stockholders by, among other things, agreeing to accept the Acquisition consideration, which Plaintiff alleges is inadequate. The Bank is alleged to have aided and abetted this breach. Plaintiff seeks various remedies, including compensatory damages in an unspecified amount.

On February 9, 1996, Conestoga and the director defendants filed an answer in which they denied the allegations of liability raised in the complaint and raised affirmative defenses. In addition, they moved to dismiss the complaint. On February 12, 1996, the Bank filed its own motion to dismiss the complaint. On or about

March 12, 1996, Plaintiff served a motion for leave to file an amended complaint. In his proposed amended complaint, Plaintiff asserts, among other things, that the proxy statement distributed to Conestoga's stockholders did not provide sufficient disclosure, that the Acquisition is unfair to Conestoga's stockholders and disproportionately benefits Conestoga's Board and the Bank.

The Court has not yet ruled on the Plaintiff's motion to amend the complaint. The Bank intends to vigorously defend against the claims made against it.

Item 4 - Submission of Matters to a Vote of Security Holders.

None

PART II

Item 5- Market for the Company's Common Stock and Related Stockholder Matters

Dime Community Bancorp, Inc. common stock is traded on the Nasdaq National Market and quoted under the symbol "DIME."

The following table shows the high and low sales price during the period indicated. The Company's Common stock began trading on June 26, 1996, the date of the initial public offering.

1996	High	Low
June 26 - June 28	\$11.75	\$11.6875

At June 28, 1996, the last trading date in the fiscal year, the Company's stock closed at \$11.6875. At September 23, 1996 the Company had approximately 1,613 shareholders of record respectively, not including the number of persons or entities holding stock in nominee or street name through various brokers and banks. There were 14,547,500 shares of common stock outstanding at June 30, 1996.

The Board of Directors of the Company did not declare any dividends on Common Stock during the year ended June 30, 1996. The Board of Directors may consider a policy of paying cash dividends on the Common Stock in the future subject to statutory and regulatory requirements. However, no decision has been made as to the amount or timing of such dividends. Declarations of dividends by the Board of Directors, if any, will depend upon a number of factors, including, investment opportunities available to the Company or the Bank, capital requirements, regulatory limitations, the Company's and the Bank's financial condition, results of operations, tax considerations and general economic conditions. No assurances can be given, however, that any dividends will be paid or, if commenced, will continue to be paid.

As the principal asset of the Company, the Bank will provide the principal source of funds for payment of dividends by the Company. The Bank will not be permitted to pay dividends on its capital stock if its stockholders' equity would be reduced below the amount required for the liquidation account. See "Item 1 - Business - Regulation." For information concerning federal regulations which apply to the Bank in determining the amount of proceeds which may be retained by the Company and regarding a savings institution's ability to make capital distributions including payment of dividends to its holding company, see "Item 1 - Business - Regulation - Regulation of Federal Savings Associations - Limitation on Capital Distributions" and "Item 1 - Business - Federal and State Taxation - Federal Taxation - Distributions."

Unlike the Bank, the Company is not subject to OTS regulatory restrictions on the payment of dividends to its shareholders, although the source of such dividends will be dependent on the net proceeds retained by the Company and earnings thereon and may be dependent, in part, upon dividends from the Bank. The Company is subject, however, to the requirements of Delaware law, which generally limit dividends to an amount equal to the excess of the net assets of the Company (the amount by which total assets exceed total liabilities) over its statutory capital, or if there is no such excess, to its net profits for the current and/or immediately preceding fiscal year. At June 30, 1996, the Company has approximately \$53.4 million available for the payment of dividends.

The Company however, is subject to the terms of a certification requested by and delivered to the OTS in connection with the Bank's application to the OTS for approval of the Conversion, which certification prohibits the Company from taking any actions to further any payments to its shareholders through a return of excess capital until June 26, 1997. The certification expressly does not apply to taxable dividend payments made by the Company or to dividend payments made by the Bank to the Company.

Item 6. - Selected Financial Data

The selected consolidated financial and other data of the Company set below is derived in part from and should be read in conjunction with, the Consolidated Financial Statements of the Company and Notes thereto presented under Item 8 of this document. No cash dividends were declared or paid during the year ended June 30, 1996. As a result, dividends per share information is not presented. Since the sale of the Company's stock occurred substantially at year-end (June 26, 1996) earnings per share information for the Company for the year ended June 30, 1996 is not meaningful.

At June 30,				
1996	1995	1994	1993	1992

(In thousands)

Selected Financial Condition Data:

Total assets (1).....	\$1,371,821	\$662,739	\$646,458	\$645,899	\$643,120
Loans, net(2).....	575,874	424,680	427,960	458,422	477,516
Mortgage-backed securities(3).....	209,941	91,548	94,356	82,077	58,404
Investment securities (1)(3).....	392,450	101,695	86,686	56,724	72,055
Federal funds sold (1).....	115,130	17,809	7,029	21,037	9,348
Deposits.....	950,114	554,841	546,761	564,110	564,520
Stockholders' Equity (4).....	213,071	77,067	67,919	58,920	49,648

(Notes on following page)

For the Year Ended June 30,				
1996(5)	1995	1994	1993	1992

(In thousands)

Selected Operating Data:

Interest income.....	\$52,619	\$49,223	\$49,821	\$51,393	\$55,230
Interest expense on deposits and borrowings.....	23,516	18,946	17,594	21,251	32,391
Net interest income.....	29,103	30,277	32,227	30,142	22,839
Provision for loan losses.....	2,979	2,950	4,105	3,395	1,409
Net interest income after provision for loan losses.....	26,124	27,327	28,122	26,747	21,430
Non-interest income.....	1,375	1,773	2,267	3,195	2,107
Non-interest expense.....	14,021	14,053	12,714	12,214	11,768
Income before income tax expense and cumulative effect of changes in accounting principles.....	13,478	15,047	17,675	17,728	11,769
Income tax expense.....	6,181	6,621	8,211	8,530	5,227
Income before cumulative effect of changes in accounting principles.....	7,297	8,426	9,464	9,198	6,542
Cumulative effect on prior years of changing to a different method of accounting for:					
Income taxes(6).....	-	-	(383)	-	-
Post-retirement benefits other than pensions(7).....	(1,032)	-	-	-	-
Net income.....	\$6,265	\$8,426	\$9,081	\$9,198	\$6,542

(Notes on following page)

At or For the Year Ended June 30,				
1996	1995	1994	1993	1992

(Dollars in thousands)

Selected Financial Ratios and Other Data(8):

Performance Ratios:

Return on average assets(9).....	1.07%	1.33%	1.46%	1.47%	1.03%
Return on average equity(9).....	9.07	11.50	14.66	16.83	14.16
Average equity to average assets.....	11.84	11.53	9.98	8.72	7.30
Equity to total assets at end of period.....	15.53	11.63	10.51	9.12	7.72
Average interest rate spread(10).....	3.85	4.51	4.80	4.61	3.44
Net interest margin(11).....	4.41	4.91	5.12	4.95	3.72

Average interest-earning assets to average interest-bearing liabilities.....	115.68	113.15	111.50	109.66	105.26
Non-interest expense to average assets.....	2.06	2.21	1.97	1.95	1.86
Efficiency Ratio(12).....	45.98	44.11	37.63	38.18	48.29
Regulatory Capital Ratios(13):					
Tangible capital.....	9.49%	11.53%	10.47%	9.07%	7.72%
Core capital.....	9.50	11.56	10.51	9.12	7.72
Total risk-based capital.....	21.24	22.18	19.83	14.13	11.59
Asset Quality Ratios and Other Data:					
Total non-performing loans(14).....	\$6,551	\$5,073	\$6,248	\$11,632	\$16,713
Other real estate owned, net.....	\$1,946	\$4,466	\$8,200	\$7,981	\$7,367
Ratios(15)(16):					
Non-performing loans to total loans.....	1.12%	1.18%	1.45%	2.52%	3.48%
Non-performing loans and real estate owned to total assets.....	0.62	1.44	2.23	3.04	3.74
Allowance for loan losses to:					
Non-performing loans.....	19.25	101.99	58.15	25.76	12.53
Total loans.....	1.34	1.20	0.84	0.65	0.44
Full service branches.....	15	7	7	7	7

(Notes follow)

- (1) June 30, 1996, Investment securities include \$125.0 million and Federal funds sold include \$6.1 million of excess proceeds resulting from the oversubscription to the Company's initial public offering, which was refunded on July 1, 1996.
- (2) Loans, net, represents gross loans less net deferred loan fees and allowance for loan losses.
- (3) The Company has classified its securities as "held-to-maturity" or "available-for-sale" since July 1, 1994, when it adopted SFAS No. 115.
- (4) Stockholders' Equity increased from June 30, 1995 to June 30, 1996 primarily due to the initial public offering.
- (5) Since the merger with Conestoga was completed at June 26, 1996, its contribution to the Company's earnings and the effect upon average balance computation for fiscal year ended June 30, 1996 were not material.
- (6) Pursuant to SFAS No. 109, on July 1, 1993, the Bank changed prospectively to the deferred method of accounting for income taxes. The effect of the adoption of this standard is reflected in the financial statements as the cumulative effect of adopting a change in accounting principles.
- (7) The Bank adopted SFAS No. 106 effective July 1, 1995. The Bank elected to record the full accumulated post retirement benefit obligation upon adoption. This resulted in a cumulative effect adjustment of \$1,032,000 (after reduction for income taxes of \$879,000) to apply retroactively to previous years the new method of accounting, which is shown in the consolidated statement of income for the year ended June 30, 1996.
- (8) With the exception of end of period ratios, all ratios are based on average daily balances during the indicated periods. Asset Quality Ratios and Regulatory Capital Ratios are end of period ratios.
- (9) Income before cumulative effect of changes in accounting principles is used to calculate return on average assets and return on average equity ratios.
- (10) The interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities.
- (11) The net interest margin represents net interest income as a percentage of average interest-earning assets.
- (12) The efficiency ratio represents non-interest expense as a percentage of the sum of net interest income and non-interest income excluding any gains or losses on sales of assets.
- (13) All ratios calculated for the Bank only. For definitions and further information relating to the Bank's regulatory capital requirements. See "Item 1- Business-Regulation-Regulation of Federal Savings Associations."
- (14) Non-performing loans consists of non-accrual loans; the Bank did not have any loans that were 90 days or more past due and still accruing at any of the dates presented. Non-performing loans do not include troubled-debt restructurings ('TDRs'). See "Item 1 -Business - Asset Quality - Non-performing Assets and Troubled-Debt Restructurings."
- (15) Total loans represents loans, net, plus the allowance for loan losses.
- (16) The Bank adopted SFAS No. 114 on July 1, 1995.

Item 7. -Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company began operations substantially at year end (June 26, 1996). Substantially all of the Company's earnings for the fiscal year ended June 30, 1996 represented earnings of the Bank prior to its acquisition of Conestoga Bancorp, Inc. The Bank's results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on its interest-earning assets, such as loans and securities, and the interest expense on its interest-bearing liabilities, such as deposits. The Bank also generates non-interest income such as service charges and other fees. The Bank's non-interest expenses primarily consist of employee compensation and benefits, occupancy expenses, federal deposit insurance premiums, net costs of other real estate owned, data processing fees and other operating expenses. The Bank's results of operations are also significantly affected by general economic and competitive conditions (particularly changes in market interest rates), government policies, changes in accounting standards and actions of regulatory agencies.

Management Strategy

The Bank's primary management strategy is to increase its household and deposit market shares in the communities it serves, either through acquisitions or purchases of deposits, or by direct marketing, and to increase its origination of, and investment in, mortgage loans, with an emphasis on multi-family loans. Multi-family lending is a significant business of the Bank and reflects the fact that much of the housing in the Bank's primary lending area is multi-family housing. The Bank's secondary, or supplemental, strategy, is to provide a stable source of liquidity and earnings through the purchase of short-to medium-term, investment grade securities; seek to maintain the Bank's asset quality for loans and other investments; and use appropriate portfolio and asset/liability management techniques in an effort to reduce the effects of interest rate volatility on the Bank's profitability and capital.

Franchise Expansion. The Bank completed its merger of Conestoga into the Bank on June 26, 1996, providing eight additional full service branches with deposits totaling \$394.3 million at June 26, 1996. The Bank will continue to evaluate acquisition and other growth opportunities as they become available. See "Item 1 - Business - Acquisition of Conestoga Bancorp, Inc." Additionally, management plans to supplement this strategy with direct marketing efforts designed to increase household balances and the number of the Bank's services used per household among its existing customers.

Loan Originations with an emphasis on Multi-family Lending. Management believes that multi-family loans provide advantages as portfolio investments. First, they provide a higher yield than single family loans or investment securities of comparable maturities or terms to repricing. Second, the Bank's market area generally has provided a stable flow of new and refinanced multi-family loan originations. In addition to its emphasis on multi-family lending, the Bank will continue to market and originate residential first mortgage loans secured primarily by owner-occupied, one- to four-family residences, including condominiums and cooperative apartments. See "Item 1 - Business - Lending." Third, origination and processing costs for the Bank's multi-family loans are lower per thousand than comparable single family costs. In addition, to address the higher credit risk associated with multi-family lending, management has developed what it believes are reliable underwriting standards for loan applications in order to maintain a consistent credit quality for new loans.

Stable Source of Liquidity and Earnings. The Bank purchases short- to medium-term investment grade securities combining what management believes to be appropriate yield, liquidity, and credit quality, in its efforts to achieve (1) a managed and predictable source of liquidity to meet loan demand, (2) a stable source of interest income and (3) diversification in the Bank's portfolio of earning assets. This portfolio is comprised of fixed- and adjustable-rate obligations of various corporate and federal agency issuers \$594.8 million at June 30, 1996. In accordance with the Bank's policies, new investments in this category must be rated at least 'investment grade' upon purchase and have a final maturity or repricing term no greater than ten years, although no security purchased since 1990 has had a term to maturity or repricing greater than five years. See "Item 1 - Business - Investment Activities."

Asset Quality. The Bank has sought to maintain high asset quality by utilizing comprehensive loan underwriting standards and collection efforts and by generally limiting its origination of mortgage loans to its market area. In addition, the Bank has established a loan workout group whose responsibility is to manage the Bank's Other Real Estate Owned ('OREO') properties and foreclosures. Total non-performing assets have decreased steadily since 1992, due in part to the efforts of this group and also to the general improvement in the area economy. See "Item 1

- - Business - Asset Quality." The Bank's ratio of non-performing loans to total loans at year end ranged from 1.12% to 3.48% during the five-year period ended June 30, 1996. Non-performing assets to total assets averaged 2.21% during the last five years, and was 0.62% at June 30, 1996. The Bank's allowance for loan losses to non-performing loans averaged 63.5% over the five years ended June 30, 1996, and was 119.25% at June 30, 1996.

Interest Rate Volatility. The Bank's profitability, like that of most financial institutions, is dependent to a large extent upon its net interest income, which is the difference between its interest income on interest-earning assets, such as loans and securities, and its interest expense on interest-bearing liabilities, such as deposits and borrowings. The Bank's balance sheet is primarily comprised of assets which mature or reprice within five years, with a significant portion maturing or repricing within one year. In addition, the Bank's deposit base is comprised primarily of savings accounts, and certificates of deposit with maturities of three years or less, representing 38.4% and 48.4%, respectively, of total deposits at June 30, 1996. As a result, at June 30, 1996, the Bank's interest-bearing liabilities maturing or repricing within one year totaled \$599.6 million, while interest earning assets maturing or repricing within one year totaled \$758.1 million, resulting in a positive one-year interest sensitivity gap of \$159.1 million, or 11.6% of total assets. The Bank's estimate of repricing liabilities for selected deposit types which do not carry contractual maturities, such as savings accounts, is based upon the decay rate tables published by the OTS.

Under interest rate scenarios other than that which existed on June 30, 1996, the gap ratio for the Bank's assets and liabilities could differ substantially based upon different assumptions about how core deposit decay rates and loan prepayments would change. For example, the Bank's interest rate risk management model assumes that in a rising rate scenario, by paying competitive rates on non-core deposits, a large share of core deposits will transfer to certificates of deposit and be retained, although at higher cost to the Bank. Also, loan and mortgage-backed security prepayment rates would be expected to slow, as borrowers postpone property sales or loan refinancings until rates again decline. As a result, while a positive one-year gap ratio indicates that the Bank's net interest income would grow in a period of rising rates (that is, more assets reprice upwards as rates rise than do liabilities), historically, the opposite has been true. In every rising rate scenario since the early 1980s, the Bank's net income has declined. Conversely, when rates declined the Bank's net interest income has risen.

Increases in the level of interest rates also may adversely affect the fair value of the Bank's and the Company's securities and other earning assets. Generally, the fair value of fixed-rate instruments fluctuates inversely with changes in interest rates. As a result, increases in interest rates could result in decreases in the fair value of the Bank's and the Company's interest earning assets, which could adversely affect the Company's results of operations if sold, or, in the case of interest earning assets classified as available for sale, the Company's stockholders' equity if retained. Under SFAS No. 115, which was adopted by the Bank on July 1, 1994, changes in the unrealized gains and losses, net of taxes, on securities classified as available for sale will be reflected in the Company's stockholders' equity. As of June 30, 1996, the Company's securities portfolio included \$498.7 million in securities classified as available for sale. Accordingly, as a result of adoption of SFAS No. 115 and the magnitude of the Company's holdings of securities available for sale, changes in interest rates could produce significant changes in the value of such securities and could produce significant fluctuations in the stockholders' equity of the Company.

The Company relies primarily on an income-simulation model to measure its risk exposure to changes in interest rates. Income-simulation analysis attempts to capture not only the potential of assets and liabilities to mature or reprice but also the potential magnitude of these changes based upon various sets of assumptions used in the model. The interest rate risk management strategy of the Company is designed to stabilize net interest income and preserve capital over a broad range of interest rate movements and has three primary components:

Assets. To aid in the implementation of this strategy, in addition to the origination of multi-family loans, management has sought to include various types of adjustable-rate single family (including cooperative apartment) whole loans and adjustable-rate investment securities in its portfolio. These categories of adjustable-rate assets generally have repricing terms of 3 years or less. Adjustable-rate whole loans (single family and cooperative apartments) totaled \$141.3 million as of June 30, 1996, and adjustable-rate investment securities (mortgage-backed securities issued by GSEs) totaled \$131.3 million at the same date.

Deposit Liabilities. The Bank, a traditional community-based savings bank, is largely dependent upon its base of competitively priced core deposits to provide stability on the liability side of the balance sheet. The Bank has retained many loyal customers over the years through a combination of service quality,

convenience, and a stable and experienced staff. Core deposits at June 30, 1996 were \$454.4 million, or 47.8% of total deposits. The balance of certificates of deposit as of June 30, 1996 was \$495.8 million, or 52.2% of total deposits. Depending on market conditions, management prices its certificates of deposit in an effort to encourage the extension of the average maturities of deposit liabilities beyond one year. Over the twelve-month period ending June 30, 1996, the Bank had an 80.4% retention rate on maturing certificates of deposit.

Wholesale Funds. The Bank does not accept brokered deposits as a source of funds and has no plans to do so in the future. However, the Bank is a member of the FHLBNY which provides it with a borrowing line equal to \$152.0 million. From time to time, the Bank will borrow ("Advances") from the FHLBNY for various purposes. At June 30, 1996, the Bank had \$15.7 million in medium-term advances outstanding.

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at June 30, 1996, which are anticipated by the Bank, based upon certain assumptions, to reprice or mature in each of the future time periods shown. Except as stated below, the amount of assets and liabilities shown which reprice or mature during a particular period were determined based on the earlier of term to repricing or the term to repayment of the asset or liability. The table is intended to provide an approximation of the projected repricing of assets and liabilities at June 30, 1996 on the basis of contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three-month period and subsequent selected time intervals. For purposes of presentation in the following table, the Bank utilized the national deposit decay rate assumptions published by the OTS as of December 31, 1992 (the latest available), which for savings accounts, NOW and Super NOW accounts and money market accounts in the one year or less category, were 17%, 37% and 79%, respectively. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and anticipated early payoffs of adjustable and fixed-rate loans, and as a result of contractual rate adjustments on adjustable-rate loans. The amounts attributable to mortgage-backed securities reflect principal balances expected to be redeployed and/or repriced as a result of anticipated principal repayments, and as a result of contractual rate adjustments on adjustable-rate mortgage-backed securities.

At June 30, 1996								
	3 Months or Less	More than 3 Months to 6 Months	More than 6 Months to 1Year	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years	Non-interest Bearing	Total
(Dollars in thousands)								
Interest-earning assets:								
Mortgages and other loans (total).....	\$48,559	\$48,289	\$96,579	\$100,904	\$206,163	\$83,192	\$-	\$583,686
Investment securities.....	237,474	19,717	50,224	52,227	8,312	16,892	-	384,846
Mortgage-backed securities.....	44,465	35,879	54,736	40,964	19,386	14,511	-	209,941
Federal funds sold.....	115,130	-	-	-	-	-	-	115,130
FHLB capital stock.....	7,604	-	-	-	-	-	-	7,604
Total interest-earning assets.....	453,252	103,885	201,539	194,095	233,861	114,595	-	1,301,207
Less:								
Loan loss reserves.....	-	-	-	-	-	-	(7,812)	(7,812)
Net interest-earning assets.....	453,252	103,885	201,539	194,095	233,861	114,595	(7,812)	1,293,395
Non-interest-earning assets.....	-	-	-	-	-	-	78,426	78,426
Total assets.....	\$453,252	\$103,885	\$201,539	\$194,095	\$233,861	\$114,595	\$70,614	\$1,371,821
Interest-bearing liabilities:								
Savings accounts.....	\$15,519	\$15,519	\$31,037	\$94,285	\$61,467	\$147,319	\$-	\$365,146
NOW and Super NOW accounts.....	1,441	1,441	2,882	5,277	1,412	3,128	-	15,581
Money market accounts.....	9,075	9,075	18,149	5,055	2,407	2,187	-	45,948
Certificates of deposit.....	124,903	96,316	138,137	100,339	36,060	-	-	495,755
Borrowed funds.....	5,000	-	-	20,710	-	1,998	-	27,708
Interest-bearing escrow.....	131,052	-	-	-	-	2,898	-	133,950
Total interest-bearing liabilities....	286,990	122,351	190,205	225,666	101,346	157,530	-	1,084,088
Checking accounts.....	-	-	-	-	-	-	27,684	27,684
Other non-interest-bearing liabilities.....	-	-	-	-	-	-	46,978	46,978
Equity.....	-	-	-	-	-	-	213,071	213,071
Total liabilities and Stockholders' Equity.....	\$286,990	\$122,351	\$190,205	\$225,666	\$101,346	\$157,530	\$287,733	\$1,371,821
Interest sensitivity gap per period...	\$166,242	\$(18,466)	\$11,334	\$(31,571)	\$132,515	\$(42,935)	-	-
Cumulative interest sensitivity gap...	\$166,242	\$147,766	\$159,110	\$127,539	\$260,054	\$217,119	-	-
Cumulative interest sensitivity gap as a percent of total assets.....	12.12%	10.77%	11.60%	9.30%	18.96%	15.83%	-	-
Cumulative total interest-earning assets as a percent of cumulative total interest-bearing liabilities....	157.93%	136.10%	126.54%	115.46%	128.07%	120.03%	-	-

In computing the average balance of loans, non-accrual loans have been included.

Includes securities classified "available for sale."

Includes interest bearing deposits in other banks and FHLB stock.

Net interest rate spread represents the difference between the average rate on interest-earning assets and the average cost of interest-bearing liabilities.

Net interest margin represents net interest income as a percentage of average interest-earning assets.

Rate/Volume Analysis

Net interest income can also be analyzed in terms of the impact of changing interest rates on interest-earning assets and interest-bearing liabilities and changing the volume or amount of these assets and liabilities. The following table represents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Bank's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (change in volume multiplied by prior rate), (ii) changes attributable to rate (changes in rate multiplied by prior volume), and (iii) the net change. Changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to the volume and the changes due to rate.

	Year Ended June 30, 1996 Compared to Year Ended June 30, 1995 Increase/(Decrease) Due to			Year Ended June 30, 1995 Compared to Year Ended June 30, 1994 Increase/(Decrease) Due to			Year Ended June 30, 1994 Compared to Year Ended June 30, 1993 Increase/(Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net
(In thousands)									
Interest-earning assets:									
Real estate loans.....	\$802	\$137	\$939	\$(2,216)	\$(5)	\$(2,221)	\$(1,691)	\$(375)	\$(2,066)
Other loans.....	(28)	61	33	(17)	(13)	(30)	6	(38)	(32)
Mortgage-backed securities..	(24)	487	463	188	418	606	1,735	(1,076)	659
Investment securities.....	1,431	(95)	1,336	722	226	948	328	(682)	(354)
Federal funds sold.....	1,036	(411)	625	(254)	353	99	195	26	221
Total.....	\$3,217	\$179	\$3,396	\$(1,577)	\$979	\$(598)	\$573	\$(2,145)	\$(1,572)
Interest-bearing liabilities:									
NOW, Super NOW and									
money market accounts....	\$(76)	\$ (6)	\$(82)	\$(82)	\$(42)	\$(124)	\$(9)	\$(190)	\$(199)
Savings accounts.....	(976)	190	(786)	(759)	(177)	(936)	725	(1,667)	(942)
Certificate of deposit and									
other.....	3,846	1,596	5,442	542	1,810	2,352	(572)	(1,283)	(1,855)
Mortgagors' escrow.....	8	(7)	1	2	2	4	9	1	10
Borrowed funds.....	(6)	1	(5)	63	(7)	56	(160)	(511)	(671)
Total.....	2,796	1,774	4,570	(234)	1,586	1,352	(7)	(3,650)	(3,657)
Net change in net interest income.....	\$ 421	\$(1,595)	\$(1,174)	\$(1,343)	\$(607)	\$(1,950)	\$580	\$1,505	\$2,085

Comparison of Financial Condition at June 30,1996 and June 30,1995

The Company's assets grew \$709.1 million during the fiscal year ended June 30, 1996, increasing to \$1.37 billion at June 30, 1996 from \$662.7 million at June 30, 1995. The growth resulted primarily from increases of \$406.3 million and \$151.2 million in investment and mortgage-backed securities and loans respectively. Both investment and loan growth were enhanced by the acquisition of Conestoga, which provided \$295.2 million and \$113.1 million of investments and mortgage-backed securities and loans respectively.

In addition, the Company's investment in federal funds sold increased by \$97.3 million, due primarily to net proceeds of \$141.4 raised in the Company's initial public offering, as well as excess proceeds of \$131.1 million resulting from the oversubscription to the Company's initial public offering, which were refunded to subscribers on July 1, 1996.

The Company continued its strategy of emphasizing multi-family lending with multi-family loan originations of \$94.4 during the fiscal year ended June 30, 1996. As a result, multi-family loans grew to \$296.6 million or 21.6% of assets (23.9% of

Adjusted assets) at June 30, 1996 from \$252.4 million at June 30, 1995. In addition, the Company increased its non-residential loans by \$10.7 million. Growth in both of these segments were attributable to more competitive loan pricing during the period. Offsetting this growth were declines of \$2.4 million and \$14.2 million in one-to-four family residential loans (excluding loans acquired from Conestoga) and cooperative apartment loans, as the Company originated only \$6.6 million of one-to-four family and cooperative apartment loans, the majority of which were fixed rate loans sold in the secondary market.

The acquisition of Conestoga provided \$124.4 million of mortgage-backed securities, of which \$70.0 million were GNMMAs, and \$170.8 of investment securities, of which \$119.1 million and \$51.7 million was comprised of agency obligations and corporate obligations, respectively. The growth in securities portfolio also reflected the proceeds from the initial public offering and the excess subscription proceeds.

The growth in assets was funded primarily through increased stockholders' equity of \$136.0 million and the excess subscription proceeds of \$131.1 million included in escrow and other deposits at June 30, 1996. The growth in stockholders' equity was due primarily to \$141.4 million in net proceeds received from the Company's initial public offering and \$6.3 million in net income for the year. Offsetting these increases to equity was purchases of the Company's Common Stock by the ESOP totaling \$11.6 million. Total stockholders' equity was \$213.1 million or 15.53% of total assets (17.17% of Adjusted Assets) at June 30, 1996.

The Company acquired deposits totaling \$394.3 million from Conestoga. Removing this effect, deposits increased only \$1.0 million during the year ended June 30, 1996, as net outflows of \$21.6 million offset interest credits of \$22.7 million. Liabilities at June 30, 1996 reflect a purchase by the Company of \$34.0 million of investment securities available for sale dated June 28, 1996 for which the proceeds were not disbursed until after July 1, 1996.

The Company utilized the proceeds raised in the initial public offering to fund the Merger Consideration of \$101.3 million for the Bank's acquisition of Conestoga. The Acquisition resulted in goodwill of \$28.4 million, which is currently being amortized over a twelve year period.

Comparison of Financial Condition at June 30, 1995 and June 30, 1994

Total assets increased to \$662.7 million at June 30, 1995, from \$646.5 million at June 30, 1994, an increase of \$16.2 million. The annual growth that occurred in fiscal year 1995 was funded by a combination of net income, which was \$8.4 million, and deposit growth, which totaled \$8.1 million for the year.

Asset growth was concentrated in the Bank's securities portfolio, as weak demand for new residential mortgages at the rates offered, and strong prepayment activity in the existing mortgage loan portfolio, combined to lower the Bank's loan holdings. Total loans fell \$1.7 million to \$429.9 million at June 30, 1995. A portion of the liquidity created by the combination of the increase in deposits (which was due to interest credited) and the reduction in the size of the loan portfolio is reflected in the \$10.8 million increase in the size of the Bank's investment in federal funds sold, which was \$17.8 million at June 30, 1995. The remaining liquidity was used for new security purchases. Growth in the securities portfolio totaled \$12.2 million, primarily attributable to new purchases of short-term, fixed-rate securities backed by GSEs, consistent with the Bank's supplemental strategy of seeking investments that provide a stable source of liquidity and earnings. See "Management Strategy Stable Source of Liquidity and Earnings." At June 30, 1995, the Bank's investment in mortgage-backed and investment securities had increased to \$193.2 million, as compared to \$181.0 million at June 30, 1994.

Total equity of the Bank was \$77.1 million at June 30, 1995, or 11.63% of total assets. This compares with total equity of \$67.9 million and an equity to total assets ratio of 10.51% at June 30, 1994. Included in the equity calculation is a component recognizing the net unrealized gain or loss on the Bank's available for sale securities portfolio, as required by SFAS No. 115, which the Bank adopted effective July 1, 1994. The net addition to equity resulting from this requirement totaled \$416,000, net of deferred taxes, at June 30, 1995. Whether the application of SFAS No. 115 will result in an addition to or a deduction from equity in the future is subject to change with changes in market conditions and interest rates. See "Impact of Accounting Standards."

Comparison of Operating Results for the Fiscal Years Ended June 30, 1996 and 1995

General. Net income for the fiscal year ended June 30, 1996 was \$6.3 million as compared to \$8.4 million for the fiscal year ended June 30, 1995. Income before cumulative effect of change in accounting principles for the year ended June 30, 1996 was \$7.3 million, a decrease of \$1.1 million from \$8.4 million for prior

year. Decreases of \$1.2 million and \$398,000 in net interest income and non-interest income, respectively, were offset by a \$440,000 decrease in income tax expense.

Interest Income. Interest income amounted to \$52.6 million for the year ended June 30, 1996, representing an increase of \$3.4 million from the prior year. The increase was the result of the effect of a \$43.1 million increase in average interest-earning assets, as the average yield on interest-earning assets decreased by 1 basis point. The largest components of the increase in interest income were interest income on real estate loans, investment securities and federal funds sold, of \$939,000, \$1.3 million and \$625,000, respectively. All of these increases were driven primarily by the increases in average interest-earning assets of \$8.9 million, \$23.0 million and \$11.7 million, in real estate loans, investment securities and federal funds sold, respectively. Average yields on real estate loans, and investment securities increased by 3 basis points and 12 basis points respectively, while the average yield on federal funds sold declined by 10 basis points. The small increase in yields on these assets resulted from general increase in interest rates during the year ended June 30, 1996 offset by a shift of funds to shorter-term, lower yielding investments and competitive loan pricing, which reduced rates slightly on loan originations. The increase in average interest-earning assets is consistent with the Bank's supplemental strategy of seeking loan growth and investments that provide a stable source of earnings. See "Management Strategy." Since much of the real estate loan originations occurred during the fourth quarter, its effect upon average balance and interest income for the year ended June 30, 1996 was minor.

Interest Expense. Interest expense was \$23.5 million for the fiscal year 1996, an increase of \$4.6 million from fiscal year 1995. Interest-bearing liabilities averaged \$570.1 million for the year ended June 30, 1996, representing an increase of \$25.3 million, or 4.65%, over the prior year. The average rate paid on interest-bearing liabilities increased 64 basis points, from 3.48% to 4.12%. The increase in the average rate paid on interest-bearing liabilities resulted from the higher interest rate environment and from a steady shift of deposits out of savings accounts and into higher costing certificates of deposit. Management's strategy of paying competitive interest rates on certificates of deposit with maturities in excess of one year, which management believes should help to stabilize the Bank's cost of funds over the longer term, contributed to a higher cost of funds in the current period. Average savings account balances decreased by \$31.6 million from \$264.2 million for the year ended June 30, 1995 to \$232.6 million for the year ended June 30, 1996, at the same time the average certificates of deposit balance increased by \$59.7 million from \$225.8 million for the year ended June 30, 1995 to \$285.5 million for the year ended June 30, 1996. The average rate paid on certificates of deposit increased by 93 basis points over the same period.

Provision for loan losses. The provision for loan losses increased slightly to \$2.97 million for the year ended June 30, 1996 from \$2.95 million for the year ended June 30, 1995. The allowance for loan losses increased from \$5.2 million at June 30, 1995 to \$7.8 million at June 30, 1996, reflecting net charge-offs of \$1.0 million during the fiscal year ended June 30, 1996 compared to \$1.4 million for the fiscal year ended June 30, 1995, the provision for loan losses, and the addition for Conestoga allowance for loan losses of \$668,000. In management's judgment, it was prudent to continue to increase the loan loss allowance based upon an evaluation of the adequacy of the reserve in the context of the Bank's historical loan loss experience and to reflect the growing volume of multi-family loan originations during 1996. Although charge-offs declined during fiscal 1996 to fiscal 1995, the Bank experienced an increase in non-performing loans of \$1.5 million, from \$5.1 million at June 30, 1995 to \$6.6 million at June 30, 1996. See "Item 1 -Business - Asset Quality."

Non-interest income. Non-interest income declined \$398,000 to \$1.4 million for the year ended June 30, 1996 from \$1.8 million for the year ended June 30, 1995. This decrease reflects a \$53,000 reduction in net gain on the sale of OREO, a decrease of \$258,000 on net gains on sales of stock, and a decline of \$136,000 in income provided from service charges. The decrease in net gain on sale of stocks was attributable primarily to a loss of \$195,000 on the sale of preferred stocks in December, 1995. The decrease in income provided by service charges resulted primarily from a change in the manner in which the Bank accounts for income from the rental of safe deposit boxes. In addition, declines of \$34,000 and \$39,000 occurred in dividends on FHLBNY stock and annuity fees, respectively. Offsetting these declines, was an increase of \$106,000 in net gains on sale of bonds.

Non-interest expense. Non-interest expense declined \$32,000 from \$14.1 million for the year ended June 30, 1995 to \$14.0 million for the year ended June 30, 1996, attributable primarily to a decrease of \$1.1 million in insurance premiums paid to the Federal Deposit Insurance Corporation ("FDIC"). This decrease resulted from a reduction in the rate paid by the Bank to the FDIC for deposit insurance premiums, combined with a refund from the FDIC for premiums previously paid in the amount of \$319,000. The Bank acquired \$394.3 million of deposits insured by SAIF, from

Conestoga, on which the annual insurance premium is expected to be \$0.23 per \$100 of deposit balance. As a result, future FDIC insurance premium expense is expected to increase from the amount recorded during the fiscal year ended June 30, 1996. See "Item 1 - Business - Regulation - Regulation of Federal Savings Associations." The decrease in deposit insurance expense was partially offset by a \$594,000 increase in compensation and benefits expense, which was attributable to an increase in employee bonuses and normal salary increases, and a \$586,000 provision for losses attributable to the Bank's holding of OREO. Beginning with the fiscal year ended June 30, 1996, periodic provisions to the OREO valuation reserve are recorded as non-interest expense.

Income tax expense. Income tax expense totaled \$6.2 million for the year ended June 30, 1996 compared to \$6.6 million for the year ended June 30, 1995, a decline of \$440,000. The decline was attributable primarily to a decrease of \$1.6 million in pre-tax income, offset by an increase in the effective tax rate from 44.0% for the year ended June 30, 1995 to 45.9% for the year ended June 30, 1996. The reduced effective tax rate during the year ended June 30, 1995 resulted substantially from the utilization of capital gains tax loss carryforwards totaling \$183,000 during the fiscal year.

Cumulative Effect of Changes in Accounting Principles. On July 1, 1995, the Bank adopted SFAS No. 106, which requires accrual of post-retirement benefits, such as health care benefits, during the years an employee provides services. The cumulative effect of the adoption of SFAS No. 106 on prior years was \$1,032,000, after a reduction for income taxes of \$879,000. As permitted by the Standard, the Bank elected to record this liability at the time of adoption. See " - Impact of Accounting Standards."

Comparison of Operating Results for the Fiscal Years Ended June 30, 1995 and 1994

General. Net income for fiscal year 1995 was \$8.4 million, as compared to \$9.1 million during fiscal year 1994. Interest rates rose sharply beginning in February, 1994, and then gradually declined after January, 1995. The result was a higher yield on earning assets and a higher cost of interest-bearing liabilities in 1995 than in fiscal year 1994. The effect on the Bank's liabilities was greater, however, as more interest-bearing liabilities than interest earning assets repriced during the year. The result was a decline in both net interest income and net income for the Bank in fiscal year 1995. Net income fell to \$8.4 million, a decrease of \$655,000 from the previous fiscal year, due to (1) the decline in net interest income, which fell by \$2.0 million, (2) a \$494,000 decrease in non-interest income, and (3) a \$1.3 million increase in non-interest expense. These were partially offset by a \$1.2 million decrease in the provision for loan losses and adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," effective July 1, 1993, whereby the Bank changed prospectively from the deferred method to the liability method of accounting for income taxes, which resulted in a charge of \$383,000 during the fiscal year ended June 30, 1994.

Interest Income. Total interest income was \$49.2 million in fiscal year 1995, a decrease of \$598,000 from fiscal year 1994. Despite an increase in the average yield on earning assets during the year, interest income fell, primarily because of a \$13.3 million decrease in the amount of average interest-earning assets. The Bank's average investment in real estate loans was \$427.0 million in fiscal year 1995 versus \$451.7 million during the prior year, as principal repayments exceeded new loan originations for the Bank's portfolio. The result was a drop of \$2.2 million in interest income from the real estate loan portfolio during 1995. Interest income from mortgage-backed securities increased by \$606,000 to \$5.5 million, due to the \$3.2 million growth in the Bank's average investment in these securities and to a 47 basis point increase in the average yield on the mortgage-backed securities portfolio. Similarly, interest income provided by the Bank's portfolio of other securities increased by \$948,000 from fiscal year 1994 to fiscal year 1995. A \$14.2 million increase in the average balance invested in this portfolio combined with an increase in yield to 5.23% in 1995 from 4.94% in fiscal year 1994 accounted for the increase. Federal funds sold, despite averaging \$5.8 million less in fiscal year 1995, provided \$99,000 more in interest income during the year due to a 234 basis point increase in the average yield on federal funds.

Interest Expense. Average interest-bearing liabilities decreased by \$20.0 million in fiscal year 1995, reflecting net deposit outflows during the year. Total interest expense rose during the period, however, as rising funding costs offset the drop in average interest-bearing liabilities. Throughout the first half of the 1995 fiscal year, the Bank's depositors responded to higher interest rates by extending their deposit maturities. Savings account deposits, which had previously grown during a period of low rates existing in 1993 and 1992, began to shift into higher yielding certificates of deposit. During fiscal year 1995, average savings account balances decreased by \$30.1 million from year earlier average balances. Meanwhile average balances of certificates of deposit grew from \$213.1 million during the 1994 fiscal year, to \$225.8 million during the 1995 fiscal year, an increase of \$12.7 million. The net result was an

increase in deposit expense of \$1.3 million. Interest expense attributable to borrowed funds increased by \$56,000 on a \$1.1 million increase in average borrowings.

Net Interest Income. Net interest income for the 1995 fiscal year was \$30.3 million, a decline of \$1.95 million, or 6.1%, from 1994's results. A lower average interest rate spread and a \$11.2 million reduction in the average assets of the Bank combined to reduce net interest income. The interest rate spread and net interest margin were 4.51% and 4.91%, respectively, in 1995, as compared with 4.80% and 5.12% in 1994. Generally, the Bank's assets repriced less quickly than the Bank's liabilities during the year, a result due in large part to the high volume of deposit flows out of savings accounts and into higher cost certificates of deposit.

Provision for Loan Losses. The provision for loan losses was \$2.95 million in 1995 as compared to \$4.11 million in the 1994 fiscal year. The change in the level of loan loss provisions reflected the general improvement in the overall credit quality of the Bank's balance sheet during fiscal year 1995. By June 30, 1995, both non-performing loans and non-performing assets had declined significantly from year earlier levels. During the period, total non-performing loans declined by \$1.2 million, or 18.8%. Non-performing assets showed similar improvement, falling from \$14.4 million at June 30, 1994, to \$9.5 million a year later. In addition, net charge-offs for the fiscal year 1995 were \$1.4 million, representing a decline of \$2.1 million from fiscal year 1994. At June 30, 1995, the allowance for loan losses totaled 101.99% of non-performing loans and 1.20% of total loans, up from 58.15% and 0.84%, respectively, at June 30, 1994. See "Item 1 - Business - Asset Quality Non-performing Assets and Troubled-Debt Restructurings."

Non-Interest Income. Non-interest income for the 1995 fiscal year decreased to \$1.8 million from \$2.3 million in 1994, a reduction of \$494,000. Bonds called in the low interest rate environment of the 1994 fiscal year provided \$342,000 in non-interest income, as compared to the \$52,000 generated in fiscal year 1995 by the sale of securities, a decline of \$290,000. Additionally, net gains on the sale of fixed-rate loans to the secondary mortgage market fell by \$184,000 in fiscal year 1995 as compared with fiscal year 1994, due to the change in direction of interest rates during each respective period.

Non-Interest Expense. Total non-interest expense increased \$1.3 million, or 10.5%, in the 1995 fiscal year to \$14.1 million, as compared to \$12.7 million in fiscal year 1994. The primary factor behind this increase was a \$565,000 charge taken during 1995 for possible losses from the Bank's investment in the capital stock and debentures of Nationar, which was one of the Bank's primary correspondent banks. Additionally, the Bank established a \$75,000 reserve against the possibility of losses relating to its federal funds held by Nationar at February 6, 1995. (See Item 8 - Financial Statements and Supplemental Data - Note 16 - Commitments and Contingencies)

Other factors contributing to the increase in total non-interest expense in the 1995 fiscal year were a \$418,000 increase in compensation and benefits and a \$112,000 increase in expenses associated with managing the Bank's portfolio of OREO. The increase in OREO expenses in fiscal year 1995 was due to the payment of maintenance arrears on four cooperative apartments on which the Bank foreclosed during 1995. The increase in compensation and benefits expenses reflects, in part, the Bank's establishment of a Supplemental Executive Retirement Plan ('SERP') in February of 1994 in the middle of the Bank's 1994 fiscal year. Thus, fiscal 1995 was the first full year for SERP expense accruals. Expenses attributable to the SERP were \$64,000 higher in fiscal year 1995 than in fiscal year 1994 as a result. In addition, there was a \$312,000 increase in employee salaries and benefits expense in fiscal year 1995 due to normal salary increases.

Income Tax Expense. Income tax expense declined by \$1.6 million in fiscal year 1995 as compared to fiscal year 1994 due to a decrease in pre-tax income. The Bank's effective income tax rates for the fiscal year 1995 and fiscal year 1994 were 44.0% and 46.5%, respectively. The effective rate was higher in fiscal year 1994 due to several factors, the most important of which were the application of accrued tax loss carryforwards to a capital gain on one of the Bank's mutual fund investments, and the impact of a graduated federal tax rate schedule, which increased the Bank's marginal tax rate in fiscal year 1994 due to higher pre-tax earnings.

Liquidity and Capital Resources

The Company's primary sources of funds are deposits, proceeds from principal and interest payments on loans, mortgage-backed securities and investments, and, to a lesser extent, proceeds from the sale of fixed-rate mortgage loans to the secondary mortgage market. While maturities and scheduled amortization of loans and investments are a predictable source of funds, deposit flows, mortgage prepayments and mortgage loan sales are influenced by general interest rates, economic conditions and competition.

The Company completed the sale of 14,547,500 shares of common stock at \$10.00 per share on June 26, 1996, realizing net proceeds of \$141.4 million and utilized approximately \$88.0 million of the proceeds to purchase 100% of the Bank's common stock. The Bank used these proceeds, along with cash generated in the Bank's ordinary course of business, to fund the Merger Consideration of \$101.3 million paid to Conestoga shareholders for the Acquisition.

The Bank is required to maintain an average daily balance of liquid assets and short-term liquid assets as a percentage of net withdrawable deposit accounts plus short-term borrowings as defined by OTS regulations. The minimum required liquidity and short-term liquidity ratios are currently 5.0% and 1.0%, respectively. At June 30, 1996, the Bank's liquidity ratio and short-term liquid asset ratios were 43.0% and 37.0%, respectively. The levels of the Bank's short-term liquid assets are dependent on the Bank's operating, financing and investing activities during any given period.

The primary investing activities of the Bank are the origination of multi-family and single-family mortgage loans, and the purchase of mortgage-backed and other securities. During the fiscal years ended June 30, 1996, 1995 and 1994, the Bank's loan originations totaled \$114.9 million, \$47.4 million and \$64.7 million, respectively. Purchases of mortgage-backed and other securities totaled \$574.5 million, \$55.4 million and \$101.3 million for the fiscal years ended June 30, 1996, 1995, and 1994, respectively. These activities were funded primarily by principal repayments on loans, mortgage-backed securities and other securities. Loan sales provided additional liquidity to the Bank, totaling \$5.1 million, \$2.8 million and \$19.9 million for the fiscal years ended June 30, 1996, 1995, and 1994 respectively.

The Bank experienced a net increase in total deposits of \$395.3 million and \$8.1 million respectively in the fiscal years ended June 30, 1996 and 1995, respectively, while the fiscal year ended June 30, 1994 produced a decrease in total deposits of \$17.3 million. As discussed previously, the increase in deposits during the year ended June 30, 1996 was attributable primarily to the acquisition of \$394.3 million in deposits from Conestoga. Deposit flows are affected by the level of interest rates, the interest rates and products offered by local competitors, and other factors.

The Bank closely monitors its liquidity position on a daily basis. Excess short-term liquidity is invested in overnight federal funds sales and various money market investments. In the event that the Bank should require funds beyond its ability to generate them internally, additional sources of funds are available through the use of the Bank's \$152.0 million borrowing limit at the FHLBNY. At June 30, 1996, the Bank had \$15.7 million in medium term borrowings outstanding at the FHLBNY and additional overall borrowing capacity from the FHLBNY of \$136.3 million.

Loan commitments totaled \$81.2 million at June 30, 1996, comprised of \$80.2 million in multi-family commitments and residential mortgage loan commitments totaling \$971,000. Management of the Company anticipates that it will have sufficient funds available to meet its current loan commitments. Certificates of deposit which are scheduled to mature in one year or less from June 30, 1996 totaled \$359.4 million. From October 1, 1994 to June 30, 1996, the Company experienced an 80.4% retention rate of funds from maturing certificates of deposit. Based upon this experience and the Company's current pricing strategy, management believes that a significant portion of such deposits will remain with the Company.

At June 30, 1996, the Bank was in compliance with all applicable regulatory capital requirements. Tangible capital totaled \$119.1 million, or 9.49% of total tangible assets, compared to a 1.50% regulatory requirement; core capital, at 9.50%, exceeded the required 3.0% regulatory minimum, and total risk-based capital, at 21.24% of risk weighted assets, exceeded the 8.0% regulatory requirement.

Impact of Inflation and Changing Prices

The Financial Statements and Notes thereto presented herein have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Bank's operations. Unlike industrial companies, nearly all of the assets and liabilities of the Bank are monetary in nature. As a result, interest rates have a greater impact on the Bank's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Impact of Accounting Standards

In December, 1990 the FASB issued SFAS No. 106, which significantly changed the prevailing practice of accounting for post-retirement benefits (such as health care benefits) on a cash basis to requiring an accrual, during the years that the employee

renders the necessary service, of the expected cost of providing those benefits to an employee and the employee's beneficiaries and covered dependents. The Bank adopted SFAS No. 106 effective July 1, 1995, electing to record the entire accumulated benefit obligations immediately. The net cumulative effect of the adjustment of \$1.0 million (after reduction for income taxes of \$879,000) to apply retroactively to prior years was included as a charge to net income for the year ended June 30, 1996.

In May 1993, the FASB issued Statement of Financial Accounting Standards No. 114, 'Accounting by Creditors for Impairment of a Loan' ('SFAS No. 114'). Under the provisions of SFAS No. 114, a loan is considered impaired when, based on current information and events, it is probable that the lender will be unable to collect all principal and interest due according to the contractual terms of the loan agreement. SFAS No. 114 requires lenders to measure impairment of a loan based on (i) the present value of expected future cash flows discounted at the loan's effective interest rate, (ii) the loan's observable market price or (iii) the fair value of the collateral if the loan is collateral-dependent. SFAS No. 114 also applies to restructured loans and eliminates the requirement to classify loans that are in-substance foreclosures as foreclosed assets except for loans where the creditor has physical possession of the underlying collateral, but not legal title. As amended by SFAS No. 118, SFAS No. 114 allows a creditor to use existing methods for recognizing interest income on impaired loans. The Bank adopted SFAS No. 114 effective July 1, 1995. Adoption of this standard did not have a material effect upon the Bank's financial condition or results from operations.

In March 1995, the FASB issued SFAS No. 121, 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of' which requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment and reported at the lower of carrying amount or fair value, less cost to sell, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 121 is effective for fiscal years beginning after December 15, 1995. Management anticipates that the adoption of SFAS No. 121 will not have a material impact on the financial condition or results of operations of the Bank.

In May 1995, the FASB issued Statement of Financial Accounting Standards No. 122, 'Accounting for Mortgage Servicing Rights' ('SFAS 122'). SFAS No. 122 amends Statement of Financial Accounting Standards No. 65, 'Accounting for Certain Mortgage Banking Activities,' requiring separate capitalization of the costs of rights to service mortgage loans for others regardless of whether these rights are acquired through a purchase or loan origination activity. SFAS No. 122 is effective for fiscal years beginning after December 15, 1995, and applies only to servicing rights on loans sold subsequent to adoption. Management anticipates that the adoption of SFAS No. 122 will not have a material impact upon the financial condition or results of operations of the Bank.

In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123, 'Accounting for Stock-Based Compensation' ('SFAS No. 123'). SFAS No. 123 encourages a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt this method for all employee stock compensation plans. Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. SFAS No. 123 is effective for fiscal years beginning after December 15, 1995.

On November 15, 1995, the FASB issued a special report entitled: 'A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities, Questions and Answers' ('The Guide'). The Guide permitted a one-time reassessment and related reclassifications from the held to maturity category (no later than December 31, 1995) that will not call into question the intent of the enterprise to hold other debt securities at maturity in the future. In December, 1995, the Bank performed a reassessment of its investment and mortgage-backed securities portfolios which resulted in a reclassification of approximately \$3.3 million of investment securities from held-to-maturity into available for sale. The impact upon the Bank's financial condition resulting from this transfer was not material. There was no impact on the Bank's results from operations resulting from this transfer.

In June 1996, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 125 'Accounting for Transfers of Financial Assets and Extinguishments of Liabilities.' The statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are borrowings. This statement also requires that liabilities and derivatives incurred or obtained as part of a transfer be measured initially at fair value. This statement also provides guidance on measurement of servicing rights on assets transferred and derecognition of liabilities transferred. The statement is effective for all transfers, servicing, or extinguishments occurring after December 31, 1996. Adoption of

this standard is not expected to have a material effect upon the Company's financial condition or results of operations.

In November 1993, the American Institute of Certified Public Accountants ('AICPA') issued Statement of Position No. 93-6, 'Employers' Accounting for Employee Stock Ownership Plans' ('SOP 93-6') which is effective for fiscal years beginning after December 15, 1993. SOP 93-6 will apply to the Bank's ESOP and requires the recognition of compensation expense by employers based on the fair value of ESOP shares. Under SOP 93-6, the Bank will recognize compensation expense equal to the fair value of the ESOP shares that become committed to be released to participant accounts. To the extent that the fair value of the Bank's ESOP shares at the time they become committed to be released differs from the original cost of such shares, the difference will be charged or credited to shareholders' equity. The cost of the stock acquired by the ESOP which has not yet been committed to be released to participant accounts will be reflected as a reduction of shareholders' equity.

In December 1994, the AICPA issued Statement of Position No. 94-6, 'Disclosure of Certain Significant Risks and Uncertainties' ('SOP 94-6') which is effective for fiscal years ending after December 15, 1995. SOP 94-6 requires disclosure in the financial statements about certain risks and uncertainties that could significantly affect the amounts reported in the financial statements in the near term and relate to: (i) the nature of operations; (ii) the necessary use of estimates in the preparation of financial statements, and; (iii) significant concentrations in certain aspects of operations. The adoption of SOP 94-6 did not have a material impact upon the financial condition or results of operations of the Bank.

Item 8. - Financial Statements and Supplementary Data

Financial Statements begin on following page.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors of
the Dime Community Bancorp, Inc. and Subsidiary

We have audited the accompanying consolidated statements of condition of the Dime Community Bancorp, Inc. and Subsidiary (the 'Company') as of June 30, 1996 and 1995, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Dime Community Bancorp, Inc. and Subsidiary as of June 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1996 in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 15, effective July 1, 1995, the Company changed its method of accounting for postretirement benefits other than pensions to comply with Statement of Financial Accounting Standards No. 106. As discussed in Notes 1 and 14, effective July 1, 1993 the Company changed its method of accounting for income taxes to comply with Statement of Financial Accounting Standards No. 109.

/s/ Deloitte & Touche llp

New York, New York
August 30, 1996

DIME COMMUNITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CONDITION
JUNE 30, 1996 AND 1995
(In Thousands)

	1996	1995
ASSETS:		
Cash and due from banks.....	\$17,055	\$6,807
Investment securities held to maturity (estimated market value of \$43,428 and \$51,254 at June 30, 1996 and June 30, 1995 respectively) (Notes 2, 4 and 12).....	43,552	51,475
Investment securities available for sale (Notes 2,4, and 12):		
Bonds and notes (amortized cost of \$338,141 and \$42,350 at June 30, 1996 and June 30, 1995, respectively).....	338,089	42,349
Marketable equity securities (historical cost of \$2,977 and \$3,304 at June 30, 1996 and June 30, 1995, respectively).....	3,205	3,070
Mortgage-backed securities held to maturity (estimated market value of \$52,596 and \$54,172 at June 30, 1996 and June 30, 1995 respectively) (Notes 5 and 12).....	52,580	53,815
Mortgage-backed securities available for sale (amortized cost of \$156,962 and \$36,728 at June 30, 1996 and June 30, 1995, respectively) (Notes 5 and 12).....	157,361	37,733
Federal funds sold (Note 2).....	115,130	17,809
Loans (Note 6):		
Real estate.....	577,663	425,965
Other loans.....	5,564	3,751
Less allowance for loan losses.....	(7,812)	(5,174)
Total loans, net.....	575,415	424,542
Loans held for sale.....	459	138
Premises and fixed assets (Note 9).....	14,399	5,921
Federal Home Loan Bank of New York capital stock (Note 10).....	7,604	4,801
Other real estate owned, net(Note 7).....	1,946	4,466
Goodwill (Note 3).....	28,438	-
Other assets (Notes 14 and 15).....	16,588	9,813
TOTAL ASSETS.....	\$1,371,821	\$662,739
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Due to depositors (Note 11).....	\$950,114	\$554,841
Escrow and other deposits (Note 2).....	141,732	12,109
Securities sold under agreements to repurchase (Note 12).....	11,998	2,110
Federal Home Loan Bank of New York advances (Note 13).....	15,710	15,710
Payable for securities purchased.....	33,994	-
Accrued postretirement benefit obligation (Note 15).....	2,381	-
Other liabilities (Notes 1 and 15).....	2,821	902
TOTAL LIABILITIES.....	1,158,750	585,672
COMMITMENTS AND CONTINGENCIES (Note 16)		
STOCKHOLDERS' EQUITY:		
Preferred Stock (\$0.01 par, 9,000,000 shares authorized, none outstanding at June 30, 1996 and 1995).....	-	-
Common Stock (\$0.01 par, 45,000,000 shares authorized, 14,547,500 shares outstanding at June 30, 1996, none outstanding at June 30,1995).....	145	-
Additional paid-incapital.....	141,240	-
Employee Stock Ownership Plan (Note 15).....	(11,541)	-
Retained earnings (Notes 2 and 14).....	82,916	76,651
Unrealized gain on securities available for sale, net of deferred taxes...	311	416
TOTAL STOCKHOLDERS' EQUITY.....	213,071	77,067
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$1,371,821	\$662,739

See notes to consolidated financial statements.

DIME COMMUNITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 1996, 1995 AND 1994
(In Thousands)

	For the Years Ended June 30,		
	1996	1995	1994
Interest income:			
Loans secured by real estate.....	\$39,314	\$38,375	\$40,596
Other loans.....	340	307	337
Investment securities.....	5,738	4,402	3,454
Mortgage-backed securities.....	5,927	5,464	4,858
Federal funds sold.....	1,300	675	576
Total interest income.....	52,619	49,223	49,821
Interest expense:			
Deposits and escrow.....	22,508	17,933	16,637
Borrowed funds.....	1,008	1,013	957
Total interest expense.....	23,516	18,946	17,594
Net interest income.....	29,103	30,277	32,227
Provision for loan losses (Note 6).....	2,979	2,950	4,105
Net interest income after provision for loan losses.....	26,124	27,327	28,122
Non-interest income:			
Service charges and other fees.....	911	1,047	995
Net gain (loss) on sales and redemptions of securities and other assets...	(30)	159	495
Net gain on sales of loans.....	12	33	217
Other.....	482	534	560
Total non-interest income.....	1,375	1,773	2,267
Non-interest expense:			
Salaries and employee benefits.....	7,359	6,879	6,461
ESOP benefit expense.....	114	-	-
Occupancy and equipment.....	1,775	1,610	1,613
Federal deposit insurance premiums.....	109	1,245	1,268
Data processing costs.....	557	481	477
Provision for losses on Other real estate owned (Note 7).....	586	-	-
Other.....	3,521	3,838	2,895
Total non-interest expense.....	14,021	14,053	12,714
Income before income taxes and cumulative effect of changes in accounting principles.....	13,478	15,047	17,675
Income tax expense (Note 14).....	6,181	6,621	8,211
Income before cumulative effect of changes in accounting principles.....	7,297	8,426	9,464
Cumulative effect on prior years of changing to a different method of accounting for:			
Income taxes (Notes 1 and 14).....	-	-	(383)
Post-retirement benefits other than pensions (Notes 1 and 15).....	(1,032)	-	-
Net income.....	\$6,265	\$8,426	\$9,081

See notes to consolidated financial statements.

DIME COMMUNITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED JUNE 30, 1996, 1995 AND 1994
(In Thousands Except Per Share Amounts)

	For the Years Ended June 30,		
	1996	1995	1994
<hr/>			
Common Stock (Par value \$0.01):			
Balance at beginning of period.....	\$ -	\$ -	\$ -
Issuance of common stock in initial public offering (14,547,500 shares)...	145	-	-
Balance at end of period.....	145	-	-
<hr/>			
Additional paid-in capital:			
Balance at beginning of period.....	-	-	-
Issuance of common stock in initial public offering.....	145,330	-	-
Cost of issuance of common stock.....	(4,107)	-	-
Allocation of ESOP stock.....	17	-	-
Balance at end of period.....	141,240	-	-
<hr/>			
Employee Stock Ownership Plan:			
Balance at beginning of period.....	-	-	-
Common stock acquired by ESOP.....	(11,638)	-	-
Allocation of ESOP stock.....	97	-	-
Balance at end of period.....	(11,541)	-	-
<hr/>			
Retained earnings:			
Balance at beginning of period.....	76,651	68,225	59,144
Net income for the period.....	6,265	8,426	9,081
Balance at end of period.....	82,916	76,651	68,225
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Marketable equity securities valuation reserve:			
Balance at beginning of period.....	-	(306)	(225)
Change in marketable equity valuation reserve.....	-	-	(81)
Effect of adoption of SFAS 115.....	-	306	-
Balance at end of period.....	-	-	(306)
<hr/>			
Unrealized gain(loss) on securities available for sale, net:			
Balance at beginning of period.....	416	-	-
Effect of adoption of SFAS 115, net of deferred taxes.....	-	(146)	-
Change in unrealized gain (loss) on securities available for sale during the year, net of deferred taxes.....	(105)	562	-
Balance at end of period.....	\$ 311	\$ 416	\$ -
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See notes to consolidated financial statements.

DIME COMMUNITY BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1996, 1995 AND 1994
(In Thousands)

	For the Years Ended June 30,		
	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$6,265	\$8,426	\$9,081
Adjustments to reconcile net income to net cash provided by operating activities:			
Net gain on investment and mortgage-backed securities called.....	(79)	-	(342)
Net loss on investment and mortgage-backed securities sold.....	164	11	-
Net gain on sale of loans held for sale.....	(12)	(33)	(217)
Depreciation and amortization.....	127	1,509	1,662
ESOP plan compensation expense.....	114	-	-
Provision for loan losses.....	2,979	2,950	4,105
Decrease (increase) in loans held for sale.....	(310)	580	902
Decrease (increase) in other assets and other real estate owned.....	3,040	3,762	(1,260)
Increase in accrued postretirement benefit obligation.....	2,115	-	-
Increase in payable for securities purchased.....	33,994	-	-
Increase in other liabilities.....	1,677	291	53
	50,074	17,496	13,984
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (increase) decrease in Federal funds sold.....	(52,253)	(10,780)	14,008
Proceeds from maturities of investment securities held to maturity.....	13,065	2,060	29,800
Proceeds from maturities of investment securities available for sale.....	399,135	26,300	-
Proceeds from calls of investment securities held to maturity.....	11,056	-	11,420
Proceeds from calls of investment securities available for sale.....	11,323	-	-
Proceeds from sale of investment securities available for sale.....	501	-	-
Proceeds from sale of mortgage-backed securities held to maturity.....	2,555	1,067	-
Purchases of investment securities held to maturity.....	(9,292)	(1,000)	(71,542)
Purchases of investment securities available for sale.....	(541,951)	(43,251)	-
Purchases of mortgage-backed securities held to maturity.....	(11,714)	(6,093)	(29,753)
Purchases of mortgage-backed securities available for sale.....	(11,554)	(5,053)	-
Principal collected on mortgage-backed securities held to maturity.....	9,995	7,905	16,906
Principal collected on mortgage-backed securities available for sale.....	15,877	5,690	-
Net (increase) decrease in loans.....	(41,856)	(215)	25,670
Cash disbursed in acquisition of Conestoga Bancorp, net of cash acquired	(93,074)	-	-
Purchases of fixed assets.....	(779)	(125)	(226)
Sale (purchase) of Federal Home Loan Bank capital stock.....	(123)	188	(6)
	(299,089)	(23,307)	(3,723)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in due to depositors.....	1,019	8,080	(17,350)
Net (decrease) increase in escrow and other deposits.....	128,625	(1,187)	2,967
Net proceeds from issuance of common stock.....	129,730	-	-
Proceeds from FHLB advances.....	-	-	6,005
Decrease in repurchase agreements.....	(111)	(51)	(115)
	259,263	6,842	(8,493)
INCREASE IN CASH AND DUE FROM BANKS.....	10,248	1,031	1,768
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD.....	6,807	5,776	4,008
	\$17,055	\$6,807	\$5,776
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for income taxes.....	\$ 6,993	\$ 5,996	\$9,689
Cash paid for interest.....	\$ 23,744	\$18,932	\$17,575
Transfer of investment and mortgage-backed securities held-to-maturity to available for sale.....	\$ 3,300	\$70,000	\$ -

On June 26, 1996, the Bank acquired all of the outstanding common stock of Conestoga Bancorp, Inc. for cash.

In connection with this acquisition, the following assets were acquired and liabilities assumed:

Fair Value of Investments, Loans and Other Assets Acquired, net	\$ 507,023
Cash paid for Common Stock	(101,272)

Deposits and Other Liabilities Assumed	\$ 405,751

See notes to consolidated financial statements.

DIME COMMUNITY BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED JUNE 30, 1996, 1995 AND 1994
(In Thousands Except Per Share Amounts)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Dime Community Bancorp, Inc. (the "Company") is a Delaware corporation organized by the Bank for the purpose of acquiring all of the capital stock of The Dime Savings Bank of Williamsburgh (the "Bank") issued in the Conversion on June 26, 1996. Presently, the only significant assets of the Company are the capital stock of the Bank, the Company's loan to the Bank's ESOP, and investments of the net conversion proceeds retained by the Company. The Company is subject to the financial reporting requirements of the Securities Exchange Act of 1934, as amended.

The Bank was originally founded in 1864 as a New York State-chartered mutual savings bank. On November 1, 1995, the Bank converted to a federal mutual savings bank. The Bank has been, and intends to continue to be, a community-oriented financial institution providing financial services and loans for housing within its market areas. The Bank maintains its headquarters in the Williamsburgh section of the borough of Brooklyn. Fourteen additional offices are located in the boroughs of Brooklyn, Queens, and the Bronx, and in Nassau County.

The sale of the Company's stock and the merger of Conestoga Bancorp, Inc. into the Bank occurred substantially at year-end (June 26, 1996). Accordingly, the Company's results of operations for the year ended June 30, 1996 are substantially comprised of the results of operations of the Bank, and earnings per share information for the Company for the year ended June 30, 1996 is not meaningful.

Summary of Significant Accounting Policies - The accounting and reporting policies of the Company conform to generally accepted accounting principles. The following is a description of the significant policies:

Principles of Consolidation - The accompanying 1996 consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary, the Bank. All financial statements presented include the accounts of the Bank's three wholly-owned subsidiaries, Havemeyer Equities Corp. ('HEC'), Boulevard Funding Corp. ('BFC') and Havemeyer Brokerage Corp. ('HBC'). HBC is currently engaged in the sale of insurance and annuity products primarily to the Bank's customers and members of the local community. BFC and HEC were established in order to invest in real estate joint ventures and other real estate assets. BFC and HEC had no investments in real estate at June 30, 1996 and are currently inactive. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investment Securities and Mortgage-backed Securities - Purchases and sales of Investments and Mortgage-backed securities are recorded on trade date. Gains and losses on sales of Investment and Mortgage-backed securities are recorded on the specific identification basis.

On July 1, 1994, the Bank adopted SFAS No. 115, 'Accounting for Investments in Debt and Equity Securities' ('SFAS 115'). The Statement requires that debt and equity securities that have readily determinable fair values be carried at fair value unless they are held to maturity. Debt securities are classified as held to maturity and carried at amortized cost only if the reporting entity has a positive intent and ability to hold these securities to maturity. If not classified as held to maturity, such securities are classified as securities available for sale or as trading securities. Unrealized holding gains or losses on securities available for sale are excluded from earnings and reported net of income taxes as a separate component of stockholders' equity. The effect of adopting this statement was not material. At June 30, 1996 and 1995, all equity securities are classified as available for sale. At June 30, 1994, all debt securities were carried at amortized cost and all equity securities were carried at lower of cost or market.

Loans Held for Sale - Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or estimated market value.

Allowance for Loan Losses - It is the policy of the Bank to provide a valuation allowance for estimated losses on loans based on the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations which may affect the borrower's ability to repay, estimated value of underlying collateral and current economic conditions in the Bank's lending area. The allowance is increased by provisions for loan losses charged to operations and is reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's

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past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. While management uses available information to estimate losses on loans, future additions to the allowance may be necessary based on changes in economic conditions beyond management's control. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on judgments different from those of management. Management believes, based upon all relevant and available information, that the allowance for loan losses is adequate to absorb losses inherent in the portfolio.

On July 1, 1995, the Bank adopted Statement of Financial Accounting Standards No. 114, 'Accounting by Creditors for Impairment of a Loan' ('SFAS 114'). The Statement requires all creditors to account for impaired loans, except those loans that are accounted for at fair value or at the lower of cost or fair value, at the present value of expected future cash flows discounted at the loan's effective interest rate. As an expedient, creditors may account for impaired loans at the fair value of the collateral or at the observable market price of the loan if one exists. The adoption of SFAS No. 114, as amended by SFAS No. 118, did not have a material effect on the Bank's financial condition or results of operations.

Loan Fees - Loan origination fees and certain direct loan origination costs are deferred and amortized as a yield adjustment over the contractual loan terms.

Other Real Estate Owned, net - Properties acquired as a result of foreclosure on a mortgage loan are classified as Other real estate owned and are recorded at the lower of the recorded investment in the related loan or the fair value of the property at the date of acquisition, with any resulting write down charged to the allowance for loan losses. Subsequent write downs are charged to the valuation allowance for possible losses on Other real estate owned.

Prior to July 1, 1995, the Bank was required to include in Other real estate owned loans which have been in substance foreclosed. Effective July 1, 1995, the Bank adopted SFAS 114. The provisions of this Statement eliminated the Bank's requirement to include in substance foreclosed loans in other real estate, except where the Bank has completed foreclosure proceedings. In substance foreclosed real estate is not material to the financial condition or results of operations of the Bank.

Premises and Fixed Assets - Land is stated at original cost. Buildings and furniture and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the properties as follows:

Buildings	2.22% to 2.50% per year
Furniture and equipment	10% per year

Leasehold improvements are amortized over the remaining non-cancelable terms of the related leases.

Income Taxes - Pursuant to Statement of Financial Accounting Standards No. 109, 'Accounting for Income Taxes' ('SFAS 109'), on July 1, 1993, the Bank changed prospectively from the deferred method to the liability method of accounting for income taxes. The effect of the adoption of this standard is reflected in the financial statements as the cumulative effect of adopting a change in accounting principle.

Cash Flows - For purposes of the Consolidated Statement of Cash Flows, the Bank considers cash and due from banks to be cash equivalents.

Recently Issued Accounting Standards - On July 1, 1995, the Bank adopted Statement of Financial Accounting Standards No. 106, 'Employers' Accounting for Postretirement Benefits Other Than Pensions.' This Statement requires accrual of postretirement benefits (such as health care benefits) during the years an employee provides services. The cumulative effect of the adoption of this standard on prior years was approximately \$1,032 (after reduction for income taxes of \$879). As permitted by the Statement, the Bank elected to record the full liability at the time of adoption.

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In March 1995, the FASB issued SFAS No. 121, 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of' which requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment and reported at the lower of carrying amount or fair value, less cost to sell, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 121 is effective for fiscal years beginning after December 15, 1995. Management anticipates that the adoption of SFAS No. 121 will not have a material impact on the financial condition or results of operations of the Bank.

In May 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 122, 'Accounting for Mortgage Servicing Rights.' The Statement which amends Statement of Financial Accounting Standards No. 65, 'Accounting for Certain Mortgage Banking Activities,' requires separate capitalization of the costs of rights to service mortgage loans for others regardless of whether these rights are acquired through a purchase or loan origination activity. Adoption of this Statement is required for fiscal years beginning after December 15, 1995. Given the current level of the Bank's mortgage banking activities, adoption of this Standard is not expected to have a material effect upon the Bank's financial condition or results of operations.

In June 1996, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 125 'Accounting for Transfers of Financial Assets and Extinguishments of Liabilities.' The statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are borrowings. This statement also requires that liabilities and derivatives incurred or obtained as part of a transfer be measured initially at fair value. This statement also provides guidance on measurement of servicing rights on assets transferred and derecognition of liabilities transferred. The statement is effective for all transfers, servicing, or extinguishments occurring after December 31, 1996. Adoption of this standard is not expected to have a material effect upon the Company's financial condition or results of operations.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in the accompanying financial statements where estimates are significant include the allowance for loans losses and the carrying value of other real estate.

Reclassification - Certain June 30, 1995, and 1994 amounts have been reclassified to conform to the June 30, 1996 presentation.

2. CONVERSION TO STOCK FORM OF OWNERSHIP:

On November 2, 1995, the Board of Directors of the Bank adopted a Plan of Conversion to convert from mutual to stock form. As part of the conversion, the Company was incorporated under Delaware law for the purpose of acquiring and holding all of the outstanding stock of the Bank. On June 26, 1996, the Company completed its initial public offering and issued 14,547,500 shares of common stock (par value \$.01 per share) at a price of \$10.00 per share, resulting in net proceeds of approximately \$141,368 prior to the acquisition of stock by the Employee Stock Ownership Plan. The Company retained approximately \$53,397 of the net proceeds and used the remaining net proceeds to purchase all of the outstanding stock of the Bank. Costs related to the conversion were charged against the Company's proceeds from the sale of the stock.

The Company received approximately \$131,078 of excess proceeds resulting from the oversubscription of the Company's initial public offering. In accordance with the terms of the offering, these funds were refunded on July 1, 1996 inclusive of interest earned at the Bank's existing passbook rate for the period held. The excess proceeds were recorded in Escrow and other deposits, and were invested in short-term investment securities and Federal funds sold at June 30, 1996.

At the time of conversion, the Bank established a liquidation account in an amount equal to the retained earnings of the Bank as of the date of the most recent financial statements contained in the final conversion prospectus. The liquidation

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account will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits as of each anniversary date. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation, each eligible account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the current adjusted qualifying balances for accounts then held.

As discussed in Note 3, the Company acquired Conestoga Bancorp, Inc. on June 26, 1996. The liquidation account previously established by Conestoga's subsidiary, Pioneer Savings Bank, F.S.A. during its initial public offering in March, 1993, was assumed by the Company in the acquisition.

The Company may not declare or pay cash dividends on or repurchase any of its shares of common stock if the effect thereof would cause stockholders' equity to be reduced below applicable regulatory capital maintenance requirements, the amount required for the liquidation account, or if such declaration and payment would otherwise violate regulatory requirements.

3. BUSINESS ACQUISITIONS

On June 26, 1996, the Bank completed the acquisition of Conestoga Bancorp, Inc., the holding company for the Pioneer Savings Bank, F.S.B. The Bank received approximately \$170,836, \$124,411 and \$111,991 of investment securities, mortgage-backed securities and loans, respectively, at fair value and assumed approximately \$394,250 of customer deposit liabilities. Approximately \$10,000 of investment securities acquired were classified as held-to-maturity at June 30, 1996. All other securities acquired were classified as available for sale. Total cash paid for the acquisition was \$101,272. The goodwill generated in the transaction of \$28,438 is being amortized on a straight line basis over 12 years for financial reporting purposes.

This acquisition was recorded using the purchase method of accounting; accordingly, the purchase price is allocated to the respective assets acquired and liabilities assumed based on their estimated fair values.

A pro forma consolidated statement of condition is not presented since the assets and liabilities were merged on June 26, 1996. The information below presents, on an unaudited pro forma basis, the consolidated statement of operations for the Company for the years ended June 30, 1996 and 1995. All information below is adjusted for the acquisition of Conestoga, as if the transaction had been consummated on July 1, 1995 and 1994 respectively for the years ended June 30, 1996 and 1995.

	Pro Forma for Year Ended June 30,	
	1996	1995
Net interest income.....	\$43,129	\$44,658
Provision for possible loan losses.....	3,083	2,914
Non-interest income.....	3,965	3,603
Non-interest expense:		
Goodwill amortization.....	2,350	2,347
Other non-interest expense.....	20,540	19,833
	22,890	22,180
Income before income taxes	\$21,121	\$23,167
	=====	=====

On December 4, 1995, a purported class action complaint was filed in the Delaware Chancery Court, New Castle County, on behalf of the stockholders of Conestoga by Jeffrey Simon ('Plaintiff') against Conestoga, each of the members of the Conestoga Board, and the Company. The Plaintiff alleges that each of the members of Conestoga's Board breached his fiduciary duties to Conestoga stockholders by, among other things, agreeing to accept the Acquisition consideration, which Plaintiff alleges is inadequate. The Company is alleged to have aided and abetted this breach. Plaintiff seeks various remedies, including compensatory damages in an unspecified amount. The Company intends to pursue vigorously their defenses in this action.

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4. INVESTMENT SECURITIES HELD TO MATURITY AND AVAILABLE FOR SALE

The amortized cost, gross unrealized gains and losses and estimated market value of investment securities held to maturity at June 30, 1996 were as follows:

	Investment Securities Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	\$18,705	\$ -	\$(58)	\$18,647
Obligations of state and political subdivisions.....	2,048	31	-	2,079
Corporate securities.....	20,531	34	(117)	20,448
Public utilities.....	2,268	-	(14)	2,254
	\$43,552	\$65	\$(189)	\$43,428
	=====	=====	=====	=====

The amortized cost and estimated market value of investment securities held to maturity at June 30, 1996, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Estimated Amortized Cost	Market Value
Due in one year or less.....	\$19,039	\$19,025
Due after one year through five years....	15,100	14,972
Due after five years through ten years...	8,093	8,111
Due after ten years.....	1,320	1,320
	\$43,552	\$43,428
	=====	=====

During the year ended June 30, 1996, proceeds from the calls of investment securities held to maturity totaled \$11,056. A gain of \$56 was realized on these calls. There were no sales of investment securities held to maturity during the year ended June 30, 1996.

The amortized/historical cost, gross unrealized gains and losses and estimated market value of investment securities available for sale at June 30, 1996 were as follows:

	Investment Securities Available for Sale			
	Amortized/ Historical Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	\$277,240	\$20	\$(80)	\$277,180
Corporate securities.....	58,652	27	-	58,679
Public utilities.....	2,249	9	(28)	2,230
	338,141	56	(108)	338,089
Equity securities:				
Mutual funds.....	2,977	229	(1)	3,205
	\$341,118	\$285	\$(109)	\$341,294
	=====	=====	=====	=====

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During the year ended June 30, 1996, proceeds from the sales and calls of investment securities available for sale totaled \$501 and \$11,323, respectively. A loss of \$195 and gain of \$24 resulted from the sales and calls respectively.

The amortized/historical cost and estimated market value of investment securities available for sale at June 30, 1996, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized/ Historical Cost	Estimated Market Value
Due in one year or less.....	\$273,351	\$273,354
Due after one year through five years....	60,416	60,379
Due after five years through ten years...	3,376	3,348
Due after ten years.....	3,975	4,213
	\$341,118	\$341,294

The amortized cost, gross unrealized gains and losses and estimated market value of investment securities held to maturity at June 30, 1995 were as follows:

	Investment Securities Held to Maturity			Estimated Market Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Debt securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	\$15,000	\$2	\$(170)	\$14,832
Obligations of state and political subdivisions.....	2,168	44	-	2,212
Corporate securities.....	23,712	47	(150)	23,609
Public utilities.....	10,595	82	(76)	10,601
	\$51,475	\$175	\$(396)	\$51,254

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The amortized/historical cost, gross unrealized gains and losses and estimated market value of investment securities available for sale at June 30, 1995 were as follows:

	Investment Securities Available for Sale			
	Amortized/ Historical Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt securities:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	\$15,821	\$50	\$(10)	\$15,861
Corporate securities.....	25,516	10	(47)	25,479
Public utilities.....	1,013	-	(4)	1,009
	42,350	60	(61)	42,349
Equity securities:				
Preferred stock.....	694	-	(265)	429
Mutual funds.....	2,610	99	(68)	2,641
	3,304	99	(333)	3,070
	\$45,654	\$159	\$(394)	\$45,419

There were no calls or sales of investment securities held to maturity or available for sale during the year ended June 30, 1995.

5. MORTGAGE-BACKED SECURITIES HELD TO MATURITY AND AVAILABLE FOR SALE

The amortized cost, gross unrealized gains and losses and the estimated market value of mortgage-backed securities held to maturity at June 30, 1996 were as follows:

	Mortgage-Backed Securities Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
GNMA pass-through certificates...	\$17,997	\$437	\$(8)	\$18,426
FHLMC pass-through certificates..	27,296	15	(274)	27,037
FNMA pass-through certificates...	7,287	2	(156)	7,133
	\$52,580	\$454	\$(438)	\$52,596
	\$52,580	\$454	\$(438)	\$52,596

Proceeds from the sale of mortgage-backed securities held to maturity were approximately \$2,555 for the year ended June 30, 1996 and a gross gain of approximately \$31 was realized on these sales. The securities sold met the de minimus exemption in SFAS No. 115, as the unpaid principal at the date of sale was less than 15% of their acquired par value.

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The amortized cost, gross unrealized gains and losses and the estimated market value of mortgage-backed securities available for sale at June 30, 1996 were as follows:

Mortgage-Backed Securities Available for Sale				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Collateralized mortgage obligations	\$8,566	\$23	\$-	\$8,589
GNMA pass-through certificates.....	70,136	-	-	70,136
FHLMC pass-through certificates....	28,826	344	(54)	29,116
FNMA pass-through certificates.....	49,434	118	(32)	49,520
	\$156,962	\$485	\$(86)	\$157,361

There were no sales of mortgage-backed securities available for sale during the year ended June 30, 1996.

The amortized cost, gross unrealized gains and losses and the estimated market value of mortgage-backed securities held to maturity at June 30, 1995 were as follows:

Mortgage-Backed Securities Held to Maturity				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
GNMA pass-through certificates....	\$24,402	\$562	\$(4)	\$24,960
FHLMC pass-through certificates...	28,429	28	(244)	28,213
FNMA pass-through certificates....	984	15	-	999
	\$53,815	\$605	\$(248)	\$54,172

Proceeds from the sale of mortgage-backed securities held to maturity were approximately \$1,067 for the year ended June 30, 1995 and a gross loss of approximately \$11 was realized on these sales. The securities sold met the de minimus exemption in SFAS No. 115, as the unpaid principal at the date of sale was less than 15% of their acquired par value.

The amortized cost, gross unrealized gains and losses and estimated market value of mortgage-backed securities available for sale at June 30, 1995 were as follows:

Mortgage-Backed Securities Available for Sale				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Collateralized mortgage obligations	\$3,836	\$128	\$ -	\$3,964
FHLMC pass-through certificates....	26,458	710	-	27,168
FNMA pass-through certificates.....	6,434	167	-	6,601
	\$36,728	\$1,005	\$-	\$37,733

There were no sales of mortgage-backed securities available for sale during the year ended June 30, 1995.

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6. LOANS

Real estate loans at June 30, 1996 and 1995 consisted of the following:

	1996	1995
One-to-four family.....	\$ 169,723	\$ 58,153
Multi-family and underlying cooperative...	296,630	252,436
Nonresidential.....	37,708	26,972
F.H.A. insured mortgage loans.....	14,132	18,890
V.A. guaranteed mortgage loans.....	2,554	3,171
Co-op loans.....	59,083	67,524
	579,830	427,146
Net unearned fees.....	(2,167)	(1,181)
	\$577,663	\$425,965
	=====	=====

Other loans at June 30, 1996 and 1995 consisted of the following:

	1996	1995
Student loans.....	\$1,307	\$1,431
Passbook loans (secured by savings and time deposits)...	3,044	1,510
Consumer installment loans.....	323	336
Home improvement loans.....	891	475
	5,565	3,752
Unearned discount.....	(1)	(1)
	\$5,564	\$3,751
	=====	=====

A concentration of credit risk exists within the Bank's loan portfolio, as the majority of real estate loans are collateralized by properties located in New York City and Long Island.

The Bank originates both adjustable and fixed interest rate real estate loans. At June 30, 1996, the approximate composition of these loans was as follows:

Fixed Rate		Adjustable Rate	
Term to Maturity	Book Value	Term of Adjustment	Book Value
1 month-1 year.....	\$ 4,556	1 month-1 year.....	\$167,168
1 year-3 years.....	809	1 year-3 years.....	100,479
3 years-5 years.....	12,261	3 years-5 years....	161,822
5 years-10 years...	24,617	5 years-10 years...	28,514
Over 10 years.....	79,128	Over 10 years.....	476
	\$121,371		\$458,459
	=====		=====

The adjustable rate loans have interest rate adjustment limitations and are generally indexed to the Federal Home Loan Bank of New York five-year borrowing funds rate, the one-year constant maturity Treasury index, or the Federal Home Loan Bank national mortgage contract rate.

Loans on which the accrual of interest has been discontinued amounted to approximately \$6,551 and \$5,073 at June 30, 1996 and 1995, respectively. If interest on those loans had been accrued, interest income would have been increased by approximately \$410 and \$325 for the years ended June 30, 1996 and 1995, respectively.

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The Bank had outstanding loans considered troubled-debt restructurings of \$4,671, and \$7,651 at June 30, 1996 and 1995, respectively. Income recognized on these loans was approximately \$344 and \$587 for the years ended June 30, 1996 and 1995, respectively, compared to interest income of \$471 and \$797 calculated under the original terms of the loans, for the years ended June 30, 1996 and 1995, respectively.

At June 30, 1996, the recorded investment in loans for which impairment has been recognized under the guidance of SFAS No. 114 was approximately \$7,419. The average balance of impaired loans was approximately \$6,696 for the year ended June 30, 1996. The impaired portion of these loans is represented by specific reserves totaling \$955 allocated within the allowance for loan losses at June 30, 1996. Net principal received and interest income recognized on impaired loans during the year ended June 30, 1996 was not material. At June 30, 1996, one loan totaling \$2,681, was deemed impaired for which no reserves have been provided. This loan, which is included in troubled-debt restructurings at June 30, 1996, has performed in accordance with the provisions of the restructuring agreement signed in October, 1995. The loan has been retained on accrual status at June 30, 1996.

The following assumptions were utilized in evaluating the loan portfolio pursuant to the provisions of SFAS No. 114:

Homogenous Loans - One-to-four family residential mortgage loans and loans on cooperative apartments having a balance of less than \$203 and consumer loans are considered to be small balance homogenous loan pools and, accordingly, are not covered by SFAS No. 114.

Loans Evaluated for Impairment - All non-homogeneous loans greater than \$1,000 are individually evaluated for potential impairment. Additionally, residential mortgage loans exceeding \$203 and delinquent in excess of 60 days are evaluated for impairment. A loan is considered impaired when it is probable that all contractual amounts due will not be collected in accordance with the terms of the loan. A loan is not deemed to be impaired if a delay in receipt of payment is expected to be less than 30 days or if, during a longer period of delay, the Bank expects to collect all amounts due, including interest accrued at the contractual rate during the period of the delay. Factors considered by management include the property location, economic conditions, and any unique circumstances affecting the loan. Except as noted above, at June 30, 1996, all impaired loans were on nonaccrual status. In addition, at June 30, 1996, approximately \$1,817 of one to four family residential mortgage loans and loans on cooperative apartments with a balance of less than \$203 were on nonaccrual status. These loans are considered as a homogeneous loan pool not covered by SFAS No. 114.

Reserves and Charge-Offs - The Bank allocates a portion of its total allowance for loan losses to loans deemed impaired under SFAS No. 114. All charge-offs on impaired loans are recorded as a reduction in both loan principal and the allowance for loan losses. Management evaluates the adequacy of its allowance for loan losses on a regular basis. At June 30, 1996, management believes that its allowance is adequate to provide for losses inherent in the total loan portfolio, including impaired loans.

Measurement of Impairment - Since all impaired loans are collateralized by real estate properties, the fair value of the collateral is utilized to measure impairment.

Income Recognition - Accrual of interest is discontinued on loans identified as impaired and past due ninety days. Subsequent cash receipts are applied initially to the outstanding loan principal balance. Additional receipts beyond the recorded outstanding balance at the time interest is discontinued are recorded as recoveries in the Bank's allowance for loan losses.

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Changes in the allowance for loan losses for the years ended June 30, 1996, 1995 and 1994 were as follows:

	1996	1995	1994
Balance, beginning of period.....	\$ 5,174	\$ 3,633	\$ 2,996
Provision charged to operations.....	2,979	2,950	4,105
Loans charged off.....	(1,023)	(1,656)	(3,535)
Recoveries.....	14	247	67
Reserve acquired in purchase of Conestoga..	668	-	-
Balance, end of period.....	<u>\$ 7,812</u>	<u>\$ 5,174</u>	<u>\$ 3,633</u>

7. VALUATION ALLOWANCE FOR POSSIBLE LOSSES ON OTHER REAL ESTATE OWNED

Changes in the valuation allowance for possible losses on Other real estate owned for the year ended June 30, 1996 is summarized as follows:

Balance, beginning of period.....	\$-
Provision charged to operations.....	586
Charge-offs net of recoveries	(472)
Balance, end of period.....	<u>\$114</u>

Prior to July 1, 1995, no valuation allowance for possible losses on Other real estate owned was maintained by the Bank.

8. MORTGAGE SERVICING ACTIVITIES

At June 30, 1996 and 1995, the Bank was servicing loans for others having principal amounts outstanding of approximately \$91,050 and \$93,456 respectively. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing. In connection with these loans serviced for others, the Bank held borrowers' escrow balances of approximately \$1,055, \$1,440 and \$1,452 at June 30, 1996, 1995 and 1994, respectively.

9. PREMISES AND FIXED ASSETS

The following is a summary of premises and fixed assets at June 30, 1996 and 1995:

	1996	1995
Land.....	\$ 3,964	\$ 990
Buildings.....	12,527	6,033
Leasehold improvements.....	1,190	1,200
Furniture and equipment.....	6,673	2,881
	24,354	11,104
Less accumulated depreciation and amortization...	(9,955)	(5,183)
	<u>\$14,399</u>	<u>\$5,921</u>

Depreciation and amortization expense amounted to approximately \$501, \$459, and \$465 for the years ended June 30, 1996, 1995 and 1994, respectively.

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10. FEDERAL HOME LOAN BANK OF NEW YORK CAPITAL STOCK

The Bank is a Savings Bank Member of the Federal Home Loan Bank of New York (FHLBNY). Membership requires the purchase of shares of FHLBNY capital stock at \$100 per share. The Bank owned 76,043 and 48,006 shares at June 30, 1996 and 1995, respectively. The FHLBNY paid dividends on the capital stock of 6.9% , 7.5%, and 8.5% during the years ended June 30, 1996, 1995 and 1994, respectively.

11. DUE TO DEPOSITORS

The deposit accounts of each depositor are insured up to \$100 by either the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation ("FDIC").

Deposits are summarized as follows:

	June 30, 1996		June 30, 1995	
	Effective Cost	Liability	Effective Cost	Liability
Savings accounts.....	2.50%	365,146	2.53%	238,217
Certificates of deposit.....	5.50	495,755	5.89	275,156
Money market accounts.....	2.65	45,948	2.69	16,698
NOW accounts.....	1.51	15,029	1.51	13,877
Super NOW accounts.....	1.51	552	1.51	674
Non-interest bearing checking accounts	-	27,684	-	10,219
	4.09%	\$ 950,114	4.12%	\$ 554,841

The remaining maturity distribution of Certificates of deposits at June 30, 1996 and 1995 was as follows:

	1996	1995
Maturity in three months or less....	\$124,903	\$ 58,063
Over 3 through 6 months.....	96,316	58,093
Over 6 through 12 months.....	138,137	68,459
Over 12 months.....	136,399	90,541
Total time deposits.....	\$495,755	\$275,156

The aggregate amount of Certificates of deposits with a minimum denomination of \$100 was approximately \$40,065 and \$21,659 at June 30, 1996 and 1995, respectively.

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12. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Bank has sold certain securities under agreements to repurchase with a weighted average cost of 6.0%. The transactions were accounted for as borrowings since the securities can be put back to the Bank under certain conditions. The amounts outstanding at June 30, 1996 and 1995 were \$11,998 and \$2,110, respectively. The transactions were further collateralized by GNMA/FNMA certificates with a carrying value of \$13,433, and \$2,767, and an approximate market value of \$13,660 and \$2,843, at June 30, 1996 and 1995, respectively.

13. FEDERAL HOME LOAN BANK OF NEW YORK ADVANCES

The Bank had borrowings ('Advances') from the Federal Home Loan Bank of New York totaling \$15,710 at June 30, 1996 and 1995, respectively. The advances mature within five years and bear interest at an average rate of 5.40%. At June 30, 1996, in accordance with the Advances, Collateral Pledge and Security Agreement, the Bank maintained in excess of \$15,710 of qualifying collateral (principally bonds and mortgage-backed securities), as defined, to secure such advances.

14. INCOME TAXES

Federal, State and City income tax provisions for the years ended June 30, 1996, 1995 and 1994 are comprised of the following:

	Year Ended June 30, 1996			Year Ended June 30, 1995			Year Ended June 30, 1994		
	Federal	State and City	Total	Federal	State and City	Total	Federal	State and City	Total
Current....	\$4,218	\$ 2,563	\$ 6,781	\$4,328	\$2,416	\$6,744	\$5,758	\$3,183	\$8,941
Deferred...	(332)	(268)	(600)	(314)	191	(123)	(537)	(193)	(730)
	<u>\$3,886</u>	<u>\$ 2,295</u>	<u>\$ 6,181</u>	<u>\$4,014</u>	<u>\$2,607</u>	<u>\$6,621</u>	<u>\$5,221</u>	<u>\$2,990</u>	<u>\$8,211</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

Effective July 1, 1993, the Bank adopted SFAS 109. Pursuant to SFAS 109, deferred income taxes are provided for temporary differences in the bases of certain assets and liabilities for income tax and financial reporting purposes. The cumulative effect on prior years of the adoption of SFAS 109 was an increase in the deferred tax liability of \$383 and a corresponding decrease to income.

A deferred asset of \$879 was recorded as a result of the adoption of SFAS 106. The deferred asset is netted against the cumulative effect of the adoption of this standard. Additionally, deferred tax assets include \$1,908 related to the tax effect of purchase accounting fair value adjustments resulting from the acquisition of Conestoga Bancorp, Inc. Deferred tax liabilities include \$2,029 which were originally recorded on Conestoga's books. Deferred tax liabilities also include a decrease of \$91 resulting from adjustments pursuant to SFAS 115.

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The components of Federal and net State and City deferred income taxes as of June 30, 1996 and 1995, respectively, were as follows:

	June 30, 1996		June 30, 1995	
	Federal	State and City	Federal	State and City
Deferred tax assets				
Deferred loan fees.....	\$ 47	\$ 30	\$ 100	\$ 63
Excess book bad debt over tax bad debt reserve	2,300	-	2,639	-
Reserve for loss on investments.....	61	38	163	104
Accumulated postretirement benefit obligation.	598	374	-	-
Tax effect of purchase accounting fair value adjustments.....	1,173	735	-	-
Other.....	9	18	47	27
	-----		-----	
Total deferred tax assets.....	4,188	1,195	2,949	194
Less: Valuation allowance on deferred tax assets	-	-	-	-
	-----		-----	
Deferred tax assets after valuation allowance.	\$4,188	\$ 1,195	\$2,949	\$ 194
	=====		=====	
Deferred tax liabilities:				
Excess tax bad debt over book bad debt reserve	\$ -	\$ 2,083	\$ -	\$ 1,706
Excess tax depreciation to book depreciation..	309	196	-	-
Tax effect of unrealized gain on securities available for sale.....	160	104	216	139
	-----		-----	
Total deferred tax liabilities.....	\$ 469	\$ 2,383	\$ 216	\$ 1,845
	=====		=====	
Net deferred tax asset (liability).....	\$3,719	\$(1,188)	\$2,733	\$ (1,651)
	=====		=====	

The provision for income taxes for the years ended June 30, 1996, 1995 and 1994 differs from that computed at the Federal statutory rate as follows:

	1996	1995	1994
Tax at Federal statutory rate.....	\$4,717	\$5,266	\$6,186
State and local taxes, net of Federal income tax benefit.....	1,492	1,694	1,944
Reserve for loss on sale of loans.....	-	(185)	-
Utilization of capital loss on sale of securities..	-	(86)	-
Other, net.....	(28)	(68)	81

	\$6,181	\$6,621	\$8,211
	=====		
Effective rate.....	45.9%	44.0%	46.5%
	=====		

Savings banks that meet certain definitions, tests, and other conditions prescribed by the Internal Revenue Code are allowed to deduct, with limitations, a bad debt deduction. This deduction can be computed as a percentage of taxable income before such deduction or based upon actual loss experience.

Pursuant to SFAS 109, the Bank is not required to provide deferred taxes on its tax loan loss reserve as of December 31, 1987 ("base year reserve"). The amount of this reserve on which no deferred taxes have been provided is approximately \$12,153. This reserve could be recognized as taxable income and create a current tax liability using the income tax rates then in effect if one of the following occur: 1) the Bank's retained earnings represented by the reserve

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is used for purposes other than to absorb losses from bad debts, including dividends or distributions in liquidation; 2) the Bank fails to qualify as a Bank as provided by the Internal Revenue Code, or 3) there is a change in federal tax law.

On August 20, 1996, legislation was signed into law which repealed the percentage of taxable income method tax bad debt deduction available for thrift institutions. This repeal is effective for the Bank's taxable year beginning January 1, 1996. In addition, the legislation requires the Bank to include in taxable income its bad debt reserves in excess of its base year reserve over a 6-8 year period depending upon the maintenance of certain loan origination levels. Since the percentage of taxable income method tax bad debt deduction and the corresponding increase in the tax bad debt reserve in excess of the base year have been treated as temporary differences pursuant to SFAS 109, this change in tax law will have no effect on the Company's future consolidated statement of operations. Since the Bank's bad debt reserve as of exceeds its base year reserve by \$3,100, approximately \$176 will be currently payable as a result of the legislation.

On July 30, 1996, New York State enacted legislation, effective January 1, 1996, which generally retains the percentage of taxable income method tax bad debt deduction and does not require the Bank to recapture into income its excess tax bad debt reserves over its base year reserve for New York State tax purposes.

15. EMPLOYEE BENEFIT PLANS

Employee Retirement Plan - The Bank is a participant in a noncontributory defined benefit retirement plan with the Savings Bank Retirement System. Substantially all full-time employees are eligible for participation after one year of service. In addition, a participant must be at least 21 years of age at the date of enrollment.

The retirement cost (benefit) for the pension plan includes the following components:

	Year Ended June 30,		
	1996	1995	1994
Service cost.....	\$ 206	\$ 216	\$ 231
Interest cost.....	488	455	428
Actual return on plan assets....	(546)	(227)	(339)
Net amortization and deferral...	(82)	(325)	(177)
Net periodic pension cost.....	\$ 66	\$ 119	\$ 143

The funded status of the plan as of June 30, 1996 and 1995 was as follows:

	1996	1995
Accumulated benefit obligation, including vested benefits of \$8,613, and \$5,037 respectively.....	\$ 8,848	\$5,304
Projected benefit obligation.....	\$ 9,960	\$6,180
Plan assets at fair value (investments in trust funds managed by RSI).....	10,594	6,284
Excess of plan assets over projected benefit obligation.....	634	104
Unrecognized loss from experience different from that assumed.....	967	747
Unrecognized net transition asset.....	(167)	(261)
Unrecognized net past service liability.....	(271)	(284)
Prepaid retirement expense included in Other assets.....	\$1,163	\$306

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Major assumptions utilized at June 30, 1996 and 1995 are as follows:

	1996	1995
Discount rate.....	7.50%	8.25%
Rate of increase in compensation levels.....	5.50	6.00
Expected long-term rate on plan assets.....	9.00	9.00

Directors' Retirement Plan - Effective July 1, 1996, the Company adopted a non-qualified Retirement plan for all of its Outside Directors, which will provide benefits to each eligible Outside Director commencing upon his termination of Board service or at age 65. Each Outside Director who serves or has agreed to serve as an outside director will automatically become a participant in the plan. The plan is not expected to have a material effect upon the Company's results of operations.

Supplemental Executive Retirement Plan ('SERP') - The Bank established a Supplemental Executive Retirement Plan ('SERP') for its executive officers. The SERP was established to compensate the executive officers for any curtailments in benefits due to the statutory limitations on benefit plans. The SERP exists as a nonqualified plan which supplements the existing qualified plans. Defined benefit and defined contribution costs are incurred annually related to the SERP.

The defined benefit cost for the SERP plan for the years ended June 30, 1996 and 1995 includes the following components:

	Years Ended June 30,	
	1996	1995
Service cost.....	\$ 56	\$ 51
Interest cost.....	88	75
Net amortization and deferral...	49	54
Net periodic pension cost.....	\$ 193	\$180
	=====	=====

The defined contribution costs incurred by the Bank related to the SERP plan for the years ended June 30, 1996 and 1995 were \$25 and \$20, respectively.

The funded status of the defined benefit portion of the plan as of June 30, 1996 and 1995 was as follows:

	1996	1995
Accumulated benefit obligation, fully vested at June 30, 1996 and 1995, respectively.....	\$ 450	\$ 165
Projected benefit obligation.....	\$1,690	\$ 870
Plan assets at fair value.....	-	-
Deficiency of plan assets over projected benefit obligation.....	(1,690)	(870)
Unrecognized loss from experience different from that assumed.....	884	230
Unrecognized net past service liability.....	317	343
Accrued retirement expense included in Other liabilities.....	\$(489)	\$(297)

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Major assumptions utilized at June 30, 1996 and 1995 are as follows:

	1996	1995
	-----	-----
Discount rate.....	7.50%	8.25%
Rate of increase in compensation levels...	5.50	6.00

401(k) Plan - The Bank also has a 401(k) plan which covers substantially all employees. Prior to May 31, 1996, under such plan the Bank matched 50% of each participant's contribution up to 6% of the participant's annual compensation for the first four years of participation and thereafter 100% of the participant's contribution up to a maximum of 6%. Effective May 31, 1996, the plan was amended whereby the Bank ceased all matching contributions. Participation in the 401(k) plan is voluntary. A salaried employee becomes eligible for the plan after completion of one year of service. The Bank contributed approximately \$181, \$190, and \$170 for the years ended June 30, 1996, 1995 and 1994, respectively, to the plan. At June 30, 1996, the 401(k) plan owns participant investments totaling \$2,092 in the Company's common stock.

Postretirement Benefits other than Pensions - The Bank offers additional postretirement benefits to its retired employees who have provided at least five (5) consecutive years of credited service and were active employees prior to April 1, 1991, as follows:

(1) Employees who retired prior to April 1, 1991 receive full medical coverage in effect until their death at no cost to such retirees;

(2) Eligible employees retiring after April 1, 1991 will be eligible for continuation of their medical coverage in effect at the time of such employees' retirement until their death. Throughout an employee's retirement, the Bank will continue to pay the premiums for this coverage up to the premium amount paid for the first year of retirement coverage. Should the premiums increase, the employee will have to pay the differential to maintain full medical coverage.

Postretirement medical benefits are only available to those full-time employees who, upon termination of service, start collecting retirement benefits immediately from the Bank. The Bank reserves the right at any time, and to the extent permitted by law, to change, terminate or discontinue any of the group benefits, and can exercise the maximum discretion permitted by law, in administering, interpreting, modifying or taking any other action with respect to the plan or benefits.

The Bank accrues the cost of such benefits during the years an employee renders the necessary service. The Bank adopted Statement of Financial Accounting Standards No. 106, "Accounting for Postretirement Benefits Other than Pensions," effective July 1, 1995. The Bank elected to record the full accumulated postretirement benefit obligation upon adoption. This resulted in a cumulative effect adjustment of \$1,032 (after reduction for income taxes of \$879), which is shown in the consolidated statement of income for the year ended June 30, 1996.

The postretirement cost for the plan for the year ended June 30, 1996 includes the following components:

Service cost.....	\$ 62
Interest cost.....	167

Net periodic postretirement cost...	\$229
	====

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The funded status of the plan as of June 30, 1996 was as follows:

Accumulated postretirement benefit obligation:	
Retirees.....	\$ 1,364
Fully eligible active participants.....	173
Other active participants.....	1,005

Total.....	2,542
Plan assets at fair value.....	-

Deficiency of plan assets over accumulated benefit obligation (funded status).....	2,542
Unrecognized loss.....	(161)

Accrued postretirement benefit obligation.....	\$2,381
	=====

The assumed medical cost trend rates used in computing the accumulated postretirement benefit obligation was 10% in 1995 and was assumed to decrease gradually to 5.5% in 2005 and to remain at that level thereafter. Increasing the assumed medical care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation by approximately \$175.

The assumed discount rate and rate of compensation increase used to measure the accumulated postretirement benefit obligation at June 30, 1996 were 7.5% and 5.5%, respectively.

Employee Stock Ownership Plan - In connection with the conversion, the Board of Directors of the Company adopted the Dime Community Bancorp Employee Stock Ownership Plan (the "ESOP"). The ESOP borrowed \$11,638 from the Company and used the funds to purchase 1,163,800 shares of the Company's common stock. The loan will be repaid principally from the Bank's discretionary contributions to the ESOP over a period of time not to exceed 10 years. The Bank's obligation to make such contributions is reduced by any investment earnings realized on such contributions or any dividends paid by the Company on stock held in the unallocated account. At June 30, 1996, the loan had an outstanding balance of \$11,541 and a fixed rate of 8.0%.

Shares purchased with the loan proceeds are held in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants on the basis of compensation, as described in the plan, in the year of allocation. The ESOP vests at a rate of 25% per

year of service beginning after two years with full vesting after five years, or upon attainment of age 65, death, disability, retirement or change of control. ESOP benefit expense totaled \$114 for the year ended June 30, 1996. Shares of common stock allocated to participating employees totaled 9,698 at June 30, 1996.

16. COMMITMENTS AND CONTINGENCIES

Mortgage Loan Commitments and Lines of Credit - At June 30, 1996 and 1995, the Bank had outstanding commitments to make mortgage loans aggregating approximately \$81,252 and \$26,163, respectively.

At June 30, 1996, commitments to originate fixed rate and adjustable rate mortgage loans were \$455 and \$80,797, respectively. Interest rates on fixed rate commitments ranged between 7.25% to 9.0%. Substantially all of the Bank's commitments will expire within two months.

The Bank had available at June 30, 1996 unused lines of credit with the Federal Home Loan Bank of New York totaling \$64,165, expiring on August 8, 1996. These credit lines were renewed on August 8, 1996 for one year.

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Lease Commitments - At June 30, 1996, aggregate net minimum annual rental commitments on leases are as follows:

Calendar Year Ending: Amount	

1996.....	\$ 273
1997.....	229
1998.....	237
1999.....	257
2000.....	259
Thereafter.....	1,475

	\$2,730
	=====

Net rental expense for the years ended June 30, 1996, 1995 and 1994 approximated \$278, \$267, and \$206, respectively.

Litigation - The Company and its subsidiary are subject to certain pending and threatened legal actions which arise out of the normal course of business. Management believes that the resolution of any pending or threatened litigation will not have a material adverse effect on the financial condition or results of operations.

Outstanding Claims with Nationar - On February 8, 1995 the New York State Banking Department took possession of Nationar, a check clearing and trust company. At that time, the Bank had \$2,500 invested in Nationar, comprised of approximately \$1,900 in cash demand accounts and Federal funds sold and approximately \$567 in debenture bonds and stock. During the year ended June 30, 1995, the Bank established reserves for possible losses related to investments in Nationar. The following is a summary of activity in the reserve account:

	Year ended June 30,	
	1996	1995
	-----	-----
Beginning balance	640	-
Provision for losses, net of recoveries received.....	143	640
Charge-off of investments deemed uncollectible.....	(567)	-
	-----	-----
Ending balance	216	640
	=====	=====

During the year ended June 30, 1996, management of the Bank deemed the investments in debentures worthless, and accordingly charged-off all outstanding amounts against the established reserve. The Bank received approximately \$1,700 in refunds from the New York State Banking Department which was related primarily to its cash demand accounts. At June 30, 1996, the Bank has outstanding claims totaling \$216 which are fully reserved.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair value amounts have been determined by the Bank using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Investment Securities and Mortgage-Backed Securities - The fair value of these securities is based on quoted market prices obtained from an independent pricing service.

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Federal Funds Sold - The fair value of these assets, principally overnight deposits, is assumed to be equal to their carrying value due to their short maturity.

Federal Home Loan Bank of New York (FHLB NY) Stock - The fair value of FHLB NY stock is assumed to be equal to the carrying value as the stock is carried at par value and redeemable at par value by the FHLB NY.

Loans and Loans Held for Sale - The fair value of approximately 4.0% of loans receivable is determined by utilizing secondary market prices. The fair value of the remainder of the portfolio is determined by discounting the future cash flows, net of prepayments of the loans using a rate for which similar loans would be originated to new borrowers with similar terms.

Deposits - The fair value of savings, money market, NOW, Super NOW and checking accounts is assumed to be their carrying amount. The fair value of certificates of deposit is based upon the current rates for instruments of the same remaining maturity.

Escrow, Other Deposits and Borrowed Funds - The estimated fair value of escrow, other deposits and borrowed funds is assumed to be their carrying amount.

Other Liabilities - The estimated fair value of other liabilities, which primarily include trade accounts payable, is assumed to be their carrying amount.

Commitments to Extend Credit - The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

The estimated fair values of the Bank's financial instruments at June 30, 1996 and 1995 were as follows:

	June 30, 1996	
	Carrying Amount	Fair Value
Assets:		
Investment securities held to maturity.....	\$ 43,552	\$ 43,428
Investment securities available for sale.....	341,294	341,294
Mortgage-backed securities held to maturity.....	52,580	52,596
Mortgage-backed securities available for sale.....	157,361	157,361
Loans and loans held for sale.....	583,686	579,754
Federal funds sold.....	115,130	115,130
FHLB stock.....	7,604	7,604
Liabilities:		
Savings, money market, NOW, Super NOW and checking accounts	454,359	454,359
Certificates of deposit.....	495,755	494,975
Escrow, other deposits and borrowed funds.....	169,440	169,440
Other liabilities.....	36,816	36,816
Off-balance-sheet liability-commitments to extend credit...	-	(664)

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June 30, 1995

 Carrying Fair
 Amount Value

Assets:		
Investment securities held to maturity.....	\$ 51,475	\$ 51,254
Investment securities available for sale.....	45,419	45,419
Mortgage-backed securities held to maturity.....	53,815	54,172
Mortgage-backed securities available for sale.....	37,733	37,733
Loans and loans held for sale.....	429,854	427,895
Federal funds sold.....	17,809	17,809
FHLB stock.....	4,801	4,801
Liabilities:		
Savings, money market, NOW, Super NOW and checking accounts	279,685	279,685
Certificates of deposit.....	275,156	274,020
Escrow, other deposits and borrowed funds.....	29,929	29,929
Other liabilities.....	902	902
Off-balance-sheet liability-commitments to extend credit...	-	(56)

18. REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory--and possibly additional discretionary-- actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Effective November 1, 1995, the Bank converted from a state-chartered mutual savings bank to a Federally chartered mutual savings bank. Prior to the conversion, the Bank was required under FDIC capital regulations to have minimum Tier 1, total capital, and minimum leverage ratios of 4%, 8% and 3% respectively. At June 30, 1995, the Bank's Tier 1, total capital and leverage ratios were 20.89%, 22.31%, and 11.63% respectively. Deposits assumed by the Bank in the acquisitions of its Avenue M branch in 1993 and Conestoga Bancorp, Inc. in 1996 are insured by the Savings Association Insurance Fund of the FDIC, to the extent applicable by law. All other deposits, including future deposit accounts of the Bank, are insured by the Bank Insurance Fund of the FDIC to the extent applicable by law.

At June 30, 1996, the Bank's primary regulator is the Office of Thrift Supervision ('OTS'). Under OTS capital regulations, the Bank is required to maintain minimum tangible capital, core capital and total risk-based capital to risk-adjusted assets ratios of 1.5%, 3% and 8%, respectively.

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The Company and Bank's actual capital amounts and ratios at June 30, 1996 are presented in the following table. There was no deduction from capital for interest-rate risk.

	Actual		Minimum Capital Requirement	
	Amount	Ratio	Amount	Ratio
As of June 30, 1996:				
Tangible Capital:				
Consolidated Company.....	\$ 184,188	12.66%	N/A	N/A
Bank.....	\$ 119,125	9.49% >=	\$18,828	>= 1.5%
Core Capital:				
Consolidated Company.....	\$ 184,322	13.72%	N/A	N/A
Bank.....	\$ 119,259	9.50% >=	\$37,659	>= 3.0%
Risk-based capital:				
Consolidated Company.....	\$ 191,778	31.23%	N/A	N/A
Bank.....	\$ 126,715	21.24% >=	\$47,718	>= 8.0%

As discussed in Note 2, the Bank received approximately \$131,078 of excess proceeds resulting from the oversubscription of the Company's initial public offering. The Bank's tangible, core, and risk-based capital ratios were 10.60%, 10.61%, and 23.86% respectively, excluding the effects of the excess proceeds on the balance sheet, at June 30, 1996.

The following is a reconciliation of generally accepted accounting principles (GAAP) capital to regulatory capital for the Bank:

	June 30, 1996		
	Tangible Capital	Core Capital	Risk-Based Capital
GAAP capital.....	\$148,008	\$148,008	\$148,008
Non-allowable assets:			
Core deposit intangible.....	(134)	-	-
Unrealized gain on AFS securities...	(311)	(311)	(311)
Goodwill.....	(28,438)	(28,438)	(28,438)
General valuation allowance.....	-	-	7,456
Regulatory capital.....	119,125	119,259	126,715
Minimum capital requirement.....	18,828	37,659	47,718
Regulatory capital-excess.....	\$100,297	\$ 81,600	\$78,997

Under its prompt corrective action regulations, the OTS is required to take certain supervisory actions with respect to undercapitalized institutions. These regulations establish a framework for the classification of depository institutions into five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Generally, an institution is considered well capitalized if it has a leverage ratio of core capital of at least 5.0%, a Tier I risk-based capital ratio of at least 6.0% and a total risk-based capital ratio of at least

DIME COMMUNITY BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED JUNE 30, 1996, 1995 AND 1994
(In Thousands Except Per Share Amounts)

10.0%. As The most recent notification from the Office of Thrift Supervision categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

19. QUARTERLY FINANCIAL INFORMATION

The following represents the unaudited results of operations for each of the quarters during the fiscal years ended June 30, 1996 and 1995:

	For the Three Months Ended			
	September 30, 1995	December 31, 1995	March 31, 1996	June 30, 1996
Net interest income.....	\$ 6,913	\$ 7,379	\$ 7,171	\$ 7,640
Provision for possible loan losses.....	600	351	900	1,128
Net interest income after provision for possible loan losses.....	6,313	\$ 7,028	6,271	6,512
Non-interest income.....	414	186	379	396
Non-interest expense.....	2,922	3,478	3,901	3,720
Income before income taxes and cumulative effect of change in accounting principle	3,805	3,736	2,749	3,188
Income tax expense.....	1,741	1,705	1,266	1,469
Income before cumulative effect of change in accounting principle.....	2,064	2,031	1,483	1,719
Cumulative effect of change in accounting principle.....	(1,032)	-	-	-
Net income	<u>\$ 1,032</u>	<u>\$ 2,031</u>	<u>\$ 1,483</u>	<u>\$ 1,719</u>

	For the Three Months Ended			
	September 30, 1994	December 31, 1994	March 31, 1995	June 30, 1995
Net interest income.....	\$ 7,863	\$ 7,936	\$ 7,401	\$ 7,077
Provision for possible loan losses.....	737	738	738	737
Net interest income after provision for possible loan losses.....	7,126	\$ 7,198	6,663	6,340
Non-interest income.....	428	378	465	502
Non-interest expense.....	3,250	3,292	3,591	3,920
Income before income taxes.....	4,304	4,284	3,537	2,922
Income tax expense.....	1,783	2,010	1,638	1,190
Net income	<u>\$ 2,521</u>	<u>\$ 2,274</u>	<u>\$ 1,899</u>	<u>\$ 1,732</u>

20. DIME COMMUNITY BANCORP, INC. PARENT COMPANY ONLY FINANCIAL STATEMENTS:

The Company began operations on June 26, 1996. Since operations began substantially at year-end, substantially all of the Company's results from operations represent the earnings of its wholly-owned subsidiary. As a result, a separate statement of operations for the Company for the year ended June 30, 1996 is not presented .

The following statement of condition as of June 30, 1996, and the related statement of cash flows for the year ended June 30, 1996, reflect the Company's investment in its wholly-owned subsidiary, the Bank, using the equity method of accounting.

DIME COMMUNITY BANCORP, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE
 YEARS ENDED JUNE 30, 1996, 1995 AND 1994
 (In Thousands Except Per Share Amounts)

DIME COMMUNITY BANCORP, INC.
 STATEMENT OF CONDITION
 (In thousands except share and per share amounts)

	June 30, 1996

ASSETS:	
Cash and due from banks.....	\$ 117
Investment securities available for sale.....	33,994
Federal funds sold.....	53,623
ESOP loan to subsidiary.....	11,541
Investment in subsidiary.....	148,008
Other assets.....	23

TOTAL ASSETS.....	\$ 247,306
	=====
LIABILITIES:	
Payable for securities purchased.....	33,994
Other liabilities.....	241

TOTAL LIABILITIES.....	34,235

STOCKHOLDERS' EQUITY:	
Preferred Stock (\$.01 par, 9,000,000 shares authorized, none outstanding at June 30,1996).....	-
Common Stock (\$.01 par, 45,000,000 shares authorized, 14,547,500 shares outstanding at June 30,1996).....	145
Additional paid-in capital.....	141,240
Employee Stock Ownership Plan.....	(11,541)
Retained earnings.....	82,916
Unrealized gain on securities available for sale, net of deferred taxes.....	311

TOTAL STOCKHOLDERS' EQUITY.....	213,071

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$ 247,306
	=====

DIME COMMUNITY BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED JUNE 30, 1996, 1995 AND 1994
(In Thousands Except Per Share Amounts)

DIME COMMUNITY BANCORP, INC.
STATEMENT OF CASH FLOWS
(In thousands except share and per share amounts)

	Year Ended June 30, 1996 -----
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income.....	\$ 6,265
Adjustments to reconcile net income to net cash provided by operating activities:	
Undistributed earnings of subsidiary bank.....	(6,238)
Increase in other assets.....	(23)
Increase in payable for securities purchased.....	33,994
ESOP compensation expense	114
Increase in other liabilities.....	241

Net cash provided by operating activities.....	34,353

CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in federal funds sold.....	(53,623)
Equity in undistributed earnings of subsidiary.....	(76,349)
Purchases of investment securities available for sale.....	(33,994)

Net cash provided by (used in) investing activities.....	(163,966)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Net Proceeds from issuance of common stock.....	129,730

Net cash provided by (used in) financing activities.....	129,730

Net increase in cash and cash equivalents.....	117
CASH AND CASH EQUIVALENTS, beginning of period.....	-

CASH AND CASH EQUIVALENTS, end of period.....	\$ 117
	=====

* * * * *

Item 9. - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. - Directors and Executive Officers of the Company

Information regarding directors and executive officers of the Company is presented under the headings "Election of Directors - Nominees for Election as Director," "- Continuing Directors," "- Meetings and Committees of the Board of Directors," "-Directors' Compensation," "-Executive Officers," and "-Executive Compensation" in the Company's definitive Proxy Statement for its Annual Meeting of Shareholders to be held on December 17, 1996 (the "Proxy Statement") which will be filed with the SEC within 120 days of June 30, 1996, and is incorporated herein by reference.

Item 11. - Executive Compensation

Information regarding executive and director compensation is presented under the headings "Election of Directors - Directors' Compensation," "-Executive Compensation," "-Summary Compensation Table," "Employment Agreements," "- Employee Retention Agreements," "-Employee Severance Compensation Plan," and "- Benefits," in the Proxy Statement and is incorporated herein by reference.

Item 12. - Security Ownership of Certain Beneficial Owners and Management

Information regarding security ownership of certain beneficial owners and management is included under the heading "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in the Proxy Statement and is incorporated herein by reference.

Item 13. - Certain Relationships and Related Transactions.

Information regarding certain relationships and related transactions is included under the heading "Transactions with Certain Related Persons" in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements

The following consolidated financial statements and schedules of the Company, and the independent auditors' report thereon are included in this Form 10-K at Item 8.

Independent Auditors' Report

Consolidated Statements of Financial Condition at June 30, 1996 and 1995

Consolidated Statements of Operations for each of the years in the three year period ended June 30, 1996

Consolidated Statements of Stockholders' Equity for each of the years in the three year period ended June 30, 1996

Consolidated Statements of Cash Flows for each of the years in the three year period ended June 30, 1996

Notes to Consolidated Financial Statements

Quarterly Results of Operations (Unaudited) for each of the years in the two year period ended June 30, 1996

2. Financial Statement Schedules

Financial Statement Schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

(b) Exhibits Required by Item 601 of Securities and Exchange Commission Regulation S-K:

Exhibit
Number

- - - - -

- 3.1 Certificate of Incorporation of Dime Community Bancorp, Inc. (Incorporated by reference to Exhibit 31 to the Registration Statement on Form S-1, No. 33-80735 filed on December 22, 1995, as amended (the "Registration Statement"))
- 3.2 Bylaws of Dime Community Bancorp, Inc. (Incorporated by reference to Exhibit 3.2 to the Registration Statement)
- 4.1 Certificate of Incorporation of Dime Community Bancorp, Inc. (See Exhibit 3.1 hereto)
- 4.2 Bylaws of Dime Community Bancorp, Inc. (See Exhibit 3.2 hereto)
- 4.3 Draft Stock Certificate of Dime Community Bancorp, Inc. (Incorporated by reference to Exhibit 4.3 to the Registration Statement)
- 10.1 Agency Agreement, by and among Dime Community Bancorp, Inc., The Dime Savings Bank of Williamsburgh and Sandler O'Neill & Partners, L.P. (Incorporated by reference to Exhibit 1.1 to the Registration Statement)
- 10.2 Agreement and Plan of Merger dated as of the 2nd day of November, 1995 by and between The Dime Savings Bank of Williamsburgh and Conestoga Bancorp, Inc. (Incorporated by reference to the Schedule 13D of The Dime Savings Bank of Williamsburgh, filed with the Commission on November 23, 1995)
- 10.3 Stock Option Agreement dated as of the 2nd day of November, 1995 by and between The Dime Savings Bank of Williamsburgh and Conestoga Bancorp, Inc. (Incorporated by reference to the Schedule 13D of The Dime Savings Bank of Williamsburgh, filed with the Commission on November 23, 1995)
- 10.4 Engagement Letter, dated September 11, 1995 between The Dime Savings Bank of Williamsburgh and Ryan Beck & Co., Inc. (Incorporated by referenced to Exhibit 10.3 to the Registration Statement)
- 10.5 Amended and Restated Employment Agreement between The Dime Savings Bank of Williamsburgh and Vincent F. Palagiano
- 10.6 Amended and Restated Employment Agreement between The Dime Savings Bank of Williamsburgh and Michael P. Devine

Exhibit
Number

- - - - -

- 10.7 Amended and Restated Employment Agreement between The Dime Savings Bank of Williamsburgh and Kenneth J. Mahon
- 10.8 Employment Agreement between Dime Community Bancorp, Inc. and Vincent F. Palagiano
- 10.9 Employment Agreement between Dime Community Bancorp, Inc. and Michael P. Devine
- 10.10 Employment Agreement between Dime Community Bancorp, Inc. and Kenneth J. Mahon
- 10.11 Form of Employee Retention Agreements by and among The Dime Savings Bank of Williamsburgh, Dime Community Bancorp, Inc. and certain executive officers
- 10.12 Employee Stock Ownership Plan of Dime Community Bancorp, Inc. and certain affiliates (Incorporated by reference to Exhibit 10.14 to the Registration Statement)
- 10.13 First Amendment to Employee Stock Ownership Plan of Dime Community Bancorp, Inc. and Certain Affiliates
- 10.14 ESOP Loan Commitment Letter and ESOP Loan Documents
- 10.15 The Dime Savings Bank of Williamsburgh 401(k) Savings Plan in RSI Retirement Trust (Incorporated by reference to Exhibit 10.14 to the Registration Statement)

- 10.16 Seventh, Eighth and Ninth Amendments to The Dime Savings Bank of Williamsburgh 401(k) Savings Plan in RSI Retirement Trust
- 10.17 The Dime Savings Bank of Williamsburgh Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit 10.16 to the Registration Statement)
- 10.18 Severance Pay Plan of The Dime Savings Bank of Williamsburgh
- 10.19 Retirement Plan for Board Members of Dime Community Bancorp, Inc.
- 21.1 Subsidiaries of the Registrant (Incorporated by reference to Exhibit 21.1 to the Registration Statement)
- 27.1 Financial Data Schedule (EDGAR filing only)

SIGNATURES

Pursuant to the requirements of Section 13 or 15 of the Securities Exchange Act of 1934, as amended, the Registrant certifies that it has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on September 24, 1996.

Dime Community Bancorp, Inc.

By: /s/ Vincent F. Palagiano
 Vincent F. Palagiano
 Chairman of the Board
 President and Chief

Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ Vincent F. Palagiano Vincent F. Palagiano	Chairman of the Board, President and Chief Executive Officer (Principal executive officer)	September 24, 1996
/s/ Michael P. Devine Michael P. Devine	Executive Vice President, Chief Operating Officer and Secretary and Director	September 24, 1996
/s/ Kenneth J. Mahon Kenneth J. Mahon	Senior Vice President and Chief Financial Officer (Principal financial officer)	September 24, 1996
/s/ Anthony Bergamo Anthony Bergamo	Director	September 24, 1996
/s/ George L. Clark, Jr. George L. Clark, Jr.	Director	September 24, 1996
/s/ Steven D. Cohn Steven D. Cohn	Director	September 24, 1996
/s/ Patrick E. Curtin Patrick E. Curtin	Director	September 24, 1996
/s/ Joseph H. Farrell Joseph H. Farrell	Director	September 24, 1996
/s/ Fred P. Fehrenbach Fred P. Fehrenbach	Director	September 24, 1996
/s/ John J. Flynn John J. Flynn	Director	September 24, 1996
/s/ Malcolm T. Kitson Malcolm T. Kitson	Director	September 24, 1996
/s/ Stanley Meisels Stanley Meisels	Director	September 24, 1996
/s/ Louis V. Varone Louis V. Varone	Director	September 24, 1996

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

EXHIBITS
to
FORM 10-K

SEC File No. 0-27782

DIME COMMUNITY BANCORP, INC.
Brooklyn, New York

DESIGNATION	DESCRIPTION	PAGE
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10.16	Seventh, Eighth and Ninth Amendments to The Dime Savings Bank of Williamsburgh 401(k)	

Savings Plan in RSI Retirement Trust

- 10.17 The Dime Savings Bank of Williamsburgh
Supplemental Executive Retirement Plan
(Incorporated by reference to Exhibit 10.16 to the
Registration Statement)
- 10.18 Severance Pay Plan of The Dime Savings Bank of
Williamsburgh
- 10.19 Retirement Plan for Board Members of Dime
Community Bancorp, Inc.
- 21.1 Subsidiaries of the Registrant (Incorporated by
reference to Exhibit 21.1 to the Registration
Statement)
- 27.1 Financial Data Schedule (EDGAR filing only)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 26th day of June, 1996, by and between The Dime Savings Bank of Williamsburgh, a mutual savings bank organized and operating under the federal laws of the United States and having an office at 209 Havemeyer Street, Brooklyn, New York 11211 ("Bank") and Vincent F. Palagiano, residing at [home address deleted] and amends and restates the Amended and Restated Employment Agreement made as of October 1, 1995 between the Bank and Mr. Palagiano.

W I T N E S S E T H :

WHEREAS, Mr. Palagiano currently serves the Bank in the capacity of Chairman of the Board, President and Chief Executive Officer; and

WHEREAS, the Bank and Mr. Palagiano are parties to an Employment Agreement made and entered into as of the 1st day of January, 1992 and amended and restated as of the 1st day of October, 1995 ("Prior Agreement"); and

WHEREAS, the Bank and Mr. Palagiano desire to amend and restate the Prior Agreement in its entirety as set forth herein; and

WHEREAS, for purposes of securing for the Bank Mr. Palagiano's continued services, the Board of Directors of the Bank ("Board") has approved and authorized the execution of this Agreement with Mr. Palagiano; and

WHEREAS, Mr. Palagiano is willing to continue to make his services available to the Bank on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and obligations hereinafter set forth, the Bank and Mr. Palagiano hereby agree as follows:

1. Representations and Warranties of the Parties.

(a) The Bank hereby represents and warrants to Mr. Palagiano that:

(i) it has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of its obligations hereunder; and

(ii) the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate action on the part of the Bank; and

(iii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which the Bank is a party or by which it is bound, or (B) any provision of law, including, without limitation, any statute, rule or regulation or any order of any order of any court or administrative agency, applicable to the Bank or its business.

(b) Mr. Palagiano hereby represents and warrants to the Bank that:

(i) he has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of his obligations hereunder; and

(ii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which he is a party or by which he is bound, or (B) including, without limitation, any statute, rule or regulation or any order of any court or administrative agency, applicable to him.

2. Employment. The Bank hereby continues the employment of Mr. Palagiano, and Mr. Palagiano hereby accepts such continued employment, during the period and upon the terms and conditions set forth in this Agreement.

3. Employment Period.

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this section 3 ("Employment Period"). The Employment Period shall be for an initial term of three years beginning on the date of this Agreement and ending on the third anniversary date of this Agreement, plus such extensions, if any, as are provided by the Board pursuant to section 3(b).

(b) Prior to the first anniversary of the date of this

Agreement and each anniversary date thereafter (each, an "Anniversary Date"), the Board shall review the terms of this Agreement and Mr. Palagiano's performance of services hereunder and may, in the absence of objection from Mr. Palagiano, approve an extension of the Employment Period. In such event, the Employment Period shall be extended to the third anniversary of the relevant Anniversary Date.

(c) If, prior to the date on which the Employment Period would end pursuant to section 3(a) or (b) of this Agreement, a Change in Control (as defined in section 13 of this Agreement) occurs and the Bank is not subject to rules and regulations of the Office of Thrift Supervision, then the Employment Period shall be extended through and including the third anniversary of the earliest date after the effective date of such Change of Control on which either the Bank or Mr. Palagiano elects, by written notice pursuant to section 3(d) of this Agreement to the non-electing party, to discontinue the Employment Period; provided, however, that this section shall not apply in the event that, prior to the Change of Control (as defined in section 13 of this Agreement), Mr. Palagiano has provided written notice to the Bank of his intent to discontinue the Employment Period.

(d) The Bank or Mr. Palagiano may, at any time by written notice given to the other, elect to terminate this Agreement. Any such notice given by the Bank shall be accompanied by a certified copy of a resolution, adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board duly called and held, authorizing the giving of such notice.

(e) Notwithstanding anything herein contained to the contrary: (i) Mr. Palagiano's employment with the Bank may be terminated during the Employment Period, in accordance with the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Mr. Palagiano's employment following the expiration of the Employment Period upon such terms and conditions as the Bank and Mr. Palagiano may mutually agree upon.

(f) For all purposes of this Agreement, any reference to the "Remaining Unexpired Employment Period" as of any specified date shall mean a period commencing on the date specified and ending on the last day of the third (3rd) year from the date specified, or, if neither party has given notice electing a discontinuance of the Employment Period, on the third (3rd) anniversary of the date specified.

4. Duties. During the Employment Period, Mr. Palagiano shall:

(a) except to the extent allowed under section 7 of this Agreement, devote his full business time and attention to the business and affairs of the Bank and use his best efforts to advance the Bank's interests;

(b) serve as Chairman of the Board, President and Chief Executive Officer if duly appointed and/or elected to serve in such position; and

(c) have such functions, duties and responsibilities not inconsistent with his title and office as may be assigned to him by or under the authority of the Board, in accordance with organization Certificate, By-laws, Applicable Laws, Statutes and Regulations, custom and practice of the Bank as in effect on the date first above written. Mr. Palagiano shall have such authority as is necessary or appropriate to carry out his assigned duties. Mr. Palagiano shall report to and be subject to direction and supervision by the Board.

(d) none of the functions, duties and responsibilities to be performed by Mr. Palagiano pursuant to this Agreement shall be deemed to include those functions, duties and responsibilities performed by Mr. Palagiano in his capacity as director of the Bank.

5. Compensation -- Salary and Bonus. In consideration for services rendered by Mr. Palagiano under this Agreement, the Bank shall pay to Mr. Palagiano a salary at an annual rate equal to:

(a) during the period beginning on January 1, 1996 and ending on December 31, 1996, no less than \$450,000;

(b) during each calendar year that begins after December 31, 1996, such amount as the Board may, in its discretion, determine, but in no event less than the rate in effect on December 31, 1996; or

(c) for each calendar year that begins on or after a Change in Control, the product of Mr. Palagiano's annual rate of salary in effect immediately prior to such calendar year, multiplied by the greatest of:

(i) 1.06;

(ii) the quotient of (A) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the immediately preceding calendar year, divided by (B) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the second preceding calendar year; and

(iii) the quotient of (A) the average annual rate of salary, determined as of the first day of such calendar year, of the officers of the Bank (other than Mr. Palagiano) who are assistant vice presidents or more senior officers, divided by (B) the average annual rate of salary, determined as of the first day of the immediately preceding calendar year, of the officers of the Bank (other than Mr. Palagiano) who are assistant vice presidents or more senior officers;

The salary payable under this section 5 shall be paid in approximately equal installments in accordance with the Bank's customary payroll practices. Nothing in this section 5 shall be construed as prohibiting the payment to Mr. Palagiano of a salary in excess of that prescribed under this section 5 or of additional cash or non-cash compensation in a form other than salary, to the extent that such payment is duly authorized by or under the authority of the Board.

(d) no portion of the compensation paid to Mr. Palagiano pursuant to this Agreement shall be deemed to be compensation received by Mr. Palagiano in his capacity as director of the Bank.

6. Employee Benefits Plans and Programs; Other Compensation. Except as otherwise provided in this Agreement, Mr. Palagiano shall be treated as an employee of the Bank and be entitled to participate in and receive benefits under the Bank's Retirement Plan, Incentive Savings Plan, group life and health (including medical and major medical) and disability insurance plans, and such other employee benefit plans and programs, including but not limited to any long-term or short-term incentive compensation plans or programs (whether or not employee benefit plans or programs), as the Bank may maintain from time to time, in accordance with the terms and conditions of such employee benefit plans and programs and compensation plans and programs and with the Bank's customary practices. Following a Change in Control, all such benefits to Mr. Palagiano shall be continued on terms and conditions substantially identical to, and in no event less favorable than, those in effect prior to the Change in Control.

In the event of a conversion of the Bank from a mutual savings bank to a form of organization owned by stockholders ("Conversion"), the Bank will provide, or cause to be provided, to Mr. Palagiano in connection with such Conversion, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Palagiano in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Bank and satisfactory to Mr. Palagiano, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions.

7. Board Memberships and Personal Activities. Mr. Palagiano may serve as a member of the board of directors of such business, community and charitable organizations as he may disclose to the Board from time to time, and he may engage in personal business and investment activities for his own account; provided, however, that such service and personal business and investment activities shall not materially interfere with the performance of his duties under this Agreement. Mr. Palagiano may also serve as an officer or director of any parent of the Bank on such terms and conditions as the Bank and its parent may mutually agree upon, and such service shall not be deemed to materially interfere with Mr. Palagiano's performance of his duties hereunder or otherwise result in a material breach of this Agreement.

8. Working Facilities and Expenses. Mr. Palagiano's principal place of employment shall be at the Bank's executive offices at the address first above written, or at such other location in the New York metropolitan area as determined by the Board. The Bank shall provide Mr. Palagiano, at his principal place of employment, with a private office, stenographic services and other support services and facilities suitable to his

position with the Bank and necessary or appropriate in connection with the performance of his assigned duties under this Agreement. The Bank shall provide Mr. Palagiano with an automobile suitable to his position with the Bank in accordance with its prior practices, and such automobile shall be used by Mr. Palagiano in carrying out his duties under this Agreement, including commuting between his residence and his principal place of employment. The Bank shall reimburse Mr. Palagiano for his ordinary and necessary business expenses, including, without limitation, all expenses associated with his business use of the aforementioned automobile, fees for memberships in such clubs and organizations as Mr. Palagiano and the Bank shall mutually agree are necessary and appropriate for business purposes and travel and entertainment expenses incurred in connection with the performance of his duties under this Agreement, upon presentation to the Bank of an itemized account of such expenses in such form as the Bank may reasonably require. Mr. Palagiano shall be entitled to no less than four (4) weeks of paid vacation during each year in the Employment Period.

9. Termination Giving Rise to Severance Benefits.

(a) In the event that Mr. Palagiano's employment with the Bank shall terminate during the Employment Period on account of the termination of Mr. Palagiano's employment with the Bank other than:

(i) a Termination for Cause (within the meaning of section 12(a) of this Agreement);

(ii) a voluntary resignation by Mr. Palagiano other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement);

(iii) a termination on account of Mr. Palagiano's death; or

(iv) a termination after both of the following conditions exist: (A) Mr. Palagiano has been absent from the full-time service of the Bank on account of his Disability (as defined in section 11(b) of this Agreement) for at least six (6) consecutive months; and (B) Mr. Palagiano shall have failed to return to work in the full-time service of the Bank within thirty (30) days after written notice requesting such return is given to Mr. Palagiano by the Bank; then the Bank shall provide to Mr. Palagiano the benefits and pay to Mr. Palagiano the amounts provided under section 9(b) of this Agreement.

(b) In the event that Mr. Palagiano's employment with the Bank shall terminate under circumstances described in section 9(a) of this Agreement or if the Bank terminates this Agreement pursuant to section 3(d), the following benefits and amounts shall be paid or provided to Mr. Palagiano (or, in the event of his death, to his estate):

(i) his earned but unpaid salary as of the date of the termination of his employment with the Bank, payable when due but in no event later than thirty (30) days following his termination of employment with the Bank;

(ii) (A) the benefits, if any, to which Mr. Palagiano and his family and dependents are entitled as a former employee, or family or dependents of a former employee, under the employee benefit plans and programs and compensation plans and programs maintained for the benefit of the Bank's officers and employees, in accordance with the terms of such plans and programs in effect on the date of his termination of employment, or if his termination of employment occurs after a Change in Control, on the date of his termination of employment or on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Palagiano, where credit is given for three additional years of service and age in determining eligibility and benefits for any plan and program where age and service are relevant factors, and (B) payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual rate of salary for such year;

(iii) continued group life, health (including hospitalization, medical and major medical, dental, accident and long-term disability insurance benefits), in addition to that provided pursuant to section 9(b)(ii) of this Agreement and after taking into account the coverage provided by any subsequent employer, if and to the extent necessary to provide Mr. Palagiano and his family and dependents for the Remaining Unexpired Employment Period, coverage identical to and in any event no less favorable than the coverage to which they would have been entitled under such plans (as in effect on the date of his termination of employment, or, if his termination of employment occurs after a Change in Control, on the date of his termination of employment or during the one-year period ending on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Palagiano) if he had continued working for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement;

(iv) within thirty (30) days following his termination

of employment with the Bank, a lump sum payment in an amount equal to the present value of the salary and the bonus that Mr. Palagiano would have earned if he had worked for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) and the highest bonus as a percentage of the rate of salary provided for under this Agreement, where such present value is to be determined using a discount rate of six percent (6%) per annum, compounded, in the case of salary, with the frequency corresponding to the Bank's regular payroll periods with respect to its officers, and, in the case of bonus, annually;

(v) within thirty (30) days following his termination of employment with the Bank, a lump sum payment in an amount equal to the excess, if any, of: (A) the present value of the benefits to which he would be entitled under any defined benefit plans maintained by, or covering employees of, the Bank (including any "excess benefit plan" within the meaning of section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement and been fully vested in such plan or plans and had continued working for the Bank during the Remaining Unexpired Employment Period, such benefits to be determined as of the date of termination of employment by adding to the service actually recognized under such plans an additional period equal to the Remaining Unexpired Employment Period and by adding to the compensation recognized under such plans for the year in which termination of employment occurs all amounts payable under sections 9(b)(i), (iv) and (vii), over (B) the present value of the benefits to which he is actually entitled under any such plans maintained by, or covering employees of, the Bank as of the date of his termination where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded monthly, and the mortality tables prescribed under section 72 of the Internal Revenue Code of 1986 ("Code");

(vi) within thirty (30) days following his termination of employment with the Bank, a lump sum payment in an amount equal to the excess, if any, of (A) the present value of the benefits attributable to the Bank's contribution to which he would be entitled under any defined contribution plans maintained by, or covering employees of, the Bank (including any "excess benefit plan" within the meaning of section 3(36) of ERISA, or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, and made the maximum amount of employee contributions, if any, required or permitted under such plan or plans, and been eligible for the highest rate in matching contributions under such plan or plans during the Remaining Unexpired Employment Period which is prior to Mr. Palagiano's termination of employment with the Bank, and been fully vested in such plan or plans, over (B) the present value of the benefits attributable to the Bank's contributions to which he is actually entitled under such plans as of the date of his termination of employment with the Bank, where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded with the frequency corresponding to the Bank's regular payroll periods with respect to its officers;

(vii) the payments that would have been made to Mr. Palagiano under any incentive compensation plan maintained by, or covering employees of, the Bank (other than bonus payments to which section 9(b)(iv) of this Agreement is applicable) if he had continued working for the Bank during the Remaining Unexpired Employment Period and had earned an incentive award in each calendar year that ends during the Remaining Unexpired Employment Period in an amount equal to the product of (A) the maximum percentage rate of compensation at which an award was ever available to Mr. Palagiano under such incentive compensation plan, multiplied by (B) the compensation that would have been paid to Mr. Palagiano during each calendar year at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, such payments to be made at the same time and in the same manner as payments are made to other officers of the Bank pursuant to the terms of such incentive compensation plan; provided, however, that payments under this section 9(b)(vii) shall not be made to Mr. Palagiano for any year on account of which no payments are made to any of the Bank's officers under any such incentive compensation plan; and

(viii) the benefits to which Mr. Palagiano is entitled under the Bank's Supplemental Executive Retirement Plan (or other excess benefits plan with the meaning of section 3(36) of ERISA or other special or supplemental plan) shall be paid to him in a lump sum, where such lump sum is computed using the mortality tables under the Bank's tax-qualified pension plan and a discount rate of 6% per annum.

The payments specified in section 9(b) (viii) shall be made within thirty (30) days after the date of Mr. Palagiano's election, and if the amount may be increased by a subsequent Change in Control, any additional payment shall be made within thirty (30) days of such Change in Control.

(c) Mr. Palagiano shall not be required to mitigate the amount of any payment provided for in this section 9 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this section 9 be reduced by any compensation earned by Mr. Palagiano as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by Mr. Palagiano to the Bank, or otherwise except as specifically provided in section 9(b) (iii) of this Agreement. The Bank and Mr. Palagiano hereby stipulate that the damages which may be incurred by Mr. Palagiano as a consequence of any such termination of employment are not capable of accurate measurement as of the date first above written and that the benefits and payments provided for in this Agreement constitute a reasonable estimate under the circumstances of all damages sustained as a consequence of any such termination of employment, other than damages arising under or out of any stock option, restricted stock or other non-qualified stock acquisition or investment plan or program, it being understood and agreed that this Agreement shall not determine the measurement of damages under any such plan or program in respect of any termination of employment.

10. Termination Without Severance Benefits. In the event that Mr. Palagiano's employment with the Bank shall terminate during the Employment Period on account of:

(a) Termination for Cause (within the meaning of section 12(a) of this Agreement);

(b) voluntary resignation by Mr. Palagiano other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement); or

(c) Mr. Palagiano's death;

then the Bank shall have no further obligations under this Agreement, other than the payment to Mr. Palagiano (or, in the event of his death, to his estate) of his earned but unpaid salary as of the date of the termination of his employment, and the provision of such other benefits, if any, to which he is entitled as a former employee under the Bank's employee benefit plans and programs and compensation plans and programs and payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual salary for such year.

11. Death and Disability.

(a) Death. If Mr. Palagiano's employment is terminated by reason of Mr. Palagiano's death during the Employment Period, this Agreement shall terminate without further obligations to Mr. Palagiano's legal representatives under this Agreement, other than for payment of amounts and provision of benefits under sections 9(b) (i) and (ii); provided, however, that if Mr. Palagiano dies while in the employment of the Bank, his designated beneficiary(ies) shall receive a death benefit, payable through life insurance or otherwise, which is the equivalent on a net after-tax basis of the death benefit payable under a term life insurance policy, with a stated death benefit of three times Mr. Palagiano's then Annual Base Salary.

(b) Disability. If Mr. Palagiano's employment is terminated by reason of Mr. Palagiano's Disability as defined in section 11(c) during the Employment Period, this Agreement shall terminate without further obligations to Mr. Palagiano, other than for payment of amounts and provision of benefits under section 9(b) (i) and (ii); provided, however, that in the event of Mr. Palagiano's Disability while in the employment of the Bank, the Bank will pay to him a lump sum amount equal to three times his then Annual Base Salary.

(c) For purposes of this Agreement, "Disability" shall be defined in accordance with the terms of the Bank's long term disability policy.

(d) Payments under this section 11 shall be made within 30 days after Mr. Palagiano's death or disability.

12. Definition of Termination for Cause and Resignation for Good Reason.

(a) Mr. Palagiano's termination of employment with the Bank shall be deemed a "Termination for Cause" if such termination occurs for "cause," which, for purposes of this Agreement shall mean personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist order, or any material breach of this Agreement, in each case as measured against standards generally prevailing at the relevant time in

the savings and community banking industry; provided, however, that Mr. Palagiano shall not be deemed to have been discharged for cause unless and until he shall have received a written notice of termination from the Board, accompanied by a resolution duly adopted by affirmative vote of a majority of the entire Board at a meeting called and held for such purpose (after reasonable notice to Mr. Palagiano and a reasonable opportunity for Mr. Palagiano to make oral and written presentations to the members of the Board, on his own behalf, or through a representative, who may be his legal counsel, to refute the grounds for the proposed determination) finding that in the good faith opinion of the Board grounds exist for discharging Mr. Palagiano for cause.

(b) Mr. Palagiano's termination of employment with the Bank shall be deemed a Resignation for Good Reason if such termination occurs following any one or more of the following events:

(i) (A) the assignment to Mr. Palagiano of any duties inconsistent with Mr. Palagiano's status as Chairman of the Board, President and Chief Executive Officer of the Bank or (B) a substantial adverse alteration in the nature or status of Mr. Palagiano's responsibilities from those in effect immediately prior to the alteration; or (C) any Change in Control described in section 13(b);

(ii) a reduction by the Bank in Mr. Palagiano's annual base salary as in effect on the date first above written or as the same may be increased from time to time, unless such reduction was mandated at the initiation of any regulatory authority having jurisdiction over the Bank;

(iii) the relocation of the Bank's principal executive offices to a location outside the New York metropolitan area or the Bank's requiring Mr. Palagiano to be based anywhere other than the Bank's principal executive offices except for required travel on the Bank's business to an extent substantially consistent with Mr. Palagiano's business travel obligations at the date first above written;

(iv) the failure by the Bank, without Mr. Palagiano's consent, to pay to Mr. Palagiano, within seven (7) days of the date when due, (A) any portion of his compensation, or (B) any portion of an installment of deferred compensation under any deferred compensation program of the Bank, which failure is not inadvertent and immaterial and which is not promptly cured by the Bank after notice of such failure is given to the Bank by the Executive;

(v) the failure by the Bank to continue in effect any compensation plan in which Mr. Palagiano participates which is material to his total compensation, including but not limited to the Retirement Plan and the Bank's Incentive Savings Plan or any substitute plans unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Bank to continue his participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of his participation relative to other participants, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Bank;

(vi) the failure by the Bank to continue to provide Mr. Palagiano with benefits substantially similar to those enjoyed by Mr. Palagiano under the Retirement Plan and the Bank's Incentive Savings Plan or under any of the Bank's life, health (including hospitalization, medical and major medical), dental, accident, and long-term disability insurance benefits, in which Mr. Palagiano is participating, or the taking of any action by the Bank which would directly or indirectly materially reduce any of such benefits or deprive Mr. Palagiano of the number of paid vacation days to which he is entitled, on the basis of years of service with the Bank, rank or otherwise, in accordance with the Bank's normal vacation policy, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Bank;

(vii) the failure of the Bank to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in section 15(a) of this Agreement;

(viii) any purported termination of employment by the Bank which is not effected pursuant the provisions of section 12(a) regarding Termination for Cause or on account of Disability;

(ix) a material breach of this Agreement by the Bank, which the Bank fails to cure within thirty (30) days following written notice thereof from Mr. Palagiano;

(x) in the event of a Change in Control described in section 13(b) of this Agreement, a failure of the Bank to provide, or cause to be provided, to Mr. Palagiano in connection with such Change in Control, stock-based compensation and benefits, including, without limitation, stock options,

restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Palagiano in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Bank and satisfactory to Mr. Palagiano, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions; or

(xi) a requirement that Mr. Palagiano report to any person or group other than the Board;

(xii) in the event of a Change in Control described in section 13(a) of this Agreement, termination of employment for any or no reason whatsoever during the period of sixty (60) days beginning on the first anniversary of the effective date of such Change in Control.

13. Definition of Change in Control. For purposes of this Agreement, a Change in Control of the Bank shall mean:

(a) the occurrence of any event upon which any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan maintained for the benefit of employees of the Bank; (B) a corporation owned, directly or indirectly, by the stockholders of the Bank in substantially the same proportions as their ownership of stock of the Bank; or (C) Mr. Palagiano, or any group otherwise constituting a person in which Mr. Palagiano is a member, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities issued by the Bank representing 25% or more of the combined voting power of all of the Bank's then outstanding securities; or

(b) the occurrence of any event upon which the individuals who on the date first above written are members of the Board, together with individuals (other than any individual designated by a person who has entered into an agreement with the Bank to effect a transaction described in section 13(a) or 13(c) of this Agreement) whose election by the Board or nomination for election by the Bank's stockholders was approved by the affirmative vote of at least two-thirds of the members of Board then in office who were either members of the Board on the date first above written or whose nomination or election was previously so approved cease for any reason to constitute a majority of the members of the Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Bank (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(c) the shareholders of the Bank approve either:

(i) a merger or consolidation of the Bank with any other corporation, other than a merger or consolidation following which both of the following conditions are satisfied:

(A) either (A) the members of the Board of the Bank immediately prior to such merger or consolidation constitute at least a majority of the members of the governing body of the institution resulting from such merger or consolidation; or (B) the shareholders of the Bank own securities of the institution resulting from such merger or consolidation representing 80% or more of the combined voting power of all such securities then outstanding in substantially the same proportions as their ownership of voting securities of the Bank before such merger or consolidation; and

(B) the entity which results from such merger or consolidation expressly agrees in writing to assume and perform the Bank's obligations under this Agreement; or

(ii) a plan of complete liquidation of the Bank or an agreement for the sale or disposition by the Bank of all or substantially all of its assets; and

(d) any event which would be described in section 13(a), (b) or (c) if the term "Company" were substituted for the term "Bank" therein. Such an event shall be deemed to be a Change in Control under the relevant provision of section 13(a), (b) or (c).

It is understood and agreed that more than one Change in Control may occur at the same or different times during the Employment Period and that the provisions of this Agreement shall apply with equal force and effect with respect to each such Change in Control.

14. No Effect on Employee Benefit Plans or Programs. Except as expressly provided in this Agreement, the termination of Mr. Palagiano's employment during the Employment Period or thereafter, whether by the Bank or by Mr. Palagiano, shall have no effect on the rights and obligations of the parties hereto under the Bank's the Retirement Plan and the Bank's Incentive Savings Plan, group life, health (including hospitalization, medical and major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs (whether or not employee benefit plans or programs) and, following the conversion of the Bank to stock form, any stock option and appreciation rights plan, employee stock ownership plan and restricted stock plan, as may be maintained by, or cover employees of, the Bank from time to time.

15. Successors and Assigns.

(a) The Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no such succession had taken place. Failure of the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall be deemed to constitute a material breach of the Bank's obligations under this Agreement.

(b) This Agreement will inure to the benefit of and be binding upon Mr. Palagiano, his legal representatives and testate or intestate distributees, and the Bank, their respective successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the respective assets and business of the Bank may be sold or otherwise transferred.

16. Notices. Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be in writing and shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed to such party at the address listed below or at such other address as one such party may by written notice specify to the other party:

If to Mr. Palagiano:

[Home address deleted].

If to the Bank:

The Dime Savings Bank of Williamsburgh
209 Havemeyer Street
Brooklyn, New York 11211

Attention: Corporate Secretary

With a copy to:

Thacher Proffitt & Wood
Two World Trade Center, 39th Floor
New York, New York 10048

Attention: W. Edward Bright

17. Indemnification and Attorneys' Fees. The Bank shall pay to or on behalf of Mr. Palagiano all reasonable costs, including legal fees, incurred by him in connection with or arising out of his consultation with legal counsel or in connection with or arising out of any action, suit or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, that Mr. Palagiano shall have substantially prevailed on the merits pursuant to a judgment, decree or order of a court of competent jurisdiction or of an arbitrator in an arbitration proceeding, or in a settlement; provided, further, that this section 17 shall not obligate the Bank to pay costs and legal fees on behalf of Mr. Palagiano under this Agreement in excess of \$50,000. For purposes of this Agreement, any settlement agreement which provides for payment of any amounts in settlement of the Bank's obligations hereunder shall be conclusive evidence of Mr. Palagiano's entitlement to indemnification hereunder, and any such indemnification payments shall be in addition to amounts payable pursuant to such settlement agreement, unless such settlement agreement expressly provides otherwise.

18. Severability. A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

19. Waiver. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A waiver

of any provision of this Agreement must be made in writing, designated as a waiver, and signed by the party against who its enforcement is sought. Any waiver or relinquishment of such right or power at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

20. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

21. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without reference to conflicts of law principles.

22. Headings and Construction. The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any reference to a section number shall refer to a section of this Agreement, unless otherwise stated. Any reference to the term "Board" shall mean the Board of Trustees of the Bank while the Bank is a mutual savings bank and the Board of Directors of the Bank while the Bank is a stock savings bank. Any reference to the term "Bank" shall mean the Bank in its mutual form prior to the conversion and in its stock form on and after the conversion. If the Bank does not convert to stock form, any reference to the Bank's being a stock savings bank shall have no effect.

23. Entire Agreement; Modifications. This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof, including the Amended and Restated Employment Agreement dated October 1, 1995 between the Bank and Mr. Palagiano. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto.

24. Arbitration Clause. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; the expense of such arbitration shall be borne by the Bank.

25. Required Regulatory Provisions. The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Association:

(a) Notwithstanding anything herein contained to the contrary, in no event shall the aggregate amount of compensation payable to the Executive under section 9(b) hereof (exclusive of amounts described in section 9(b)(i) and (viii)) exceed the three times the Executive's average annual total compensation for the last five consecutive calendar years to end prior to his termination of employment with the Association (or for his entire period of employment with the Association if less than five calendar years).

(b) Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Association, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. Section 1828(k), and any regulations promulgated thereunder.

(c) Notwithstanding anything herein contained to the contrary, if the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the affairs of the Association pursuant to a notice served under section 8(e)(3) or 8(g)(1) of the FDI Act, 12 U.S.C. Section 1818(e)(3) or 1818(g)(1), the Association's obligations under this Agreement shall be suspended as of the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Association, in its discretion, may (i) pay to the Executive all or part of the compensation withheld while the Association's obligations hereunder were suspended and (ii) reinstate, in whole or in part, any of the obligations which were suspended.

(d) Notwithstanding anything herein contained to the contrary, if the Executive is removed and/or permanently prohibited from participating in the conduct of the Association's affairs by an order issued under section 8(e)(4) or 8(g)(1) of the FDI Act, 12 U.S.C. Section 1818(e)(4) or (g)(1), all prospective obligations of the Association under this Agreement shall terminate as of the effective date of the order, but vested rights and obligations of the Association and the Executive shall not be affected.

(e) Notwithstanding anything herein contained to the contrary, if the Association is in default (within the meaning of section 3(x)(1) of the FDI Act, 12 U.S.C. Section 1813(x)(1), all prospective obligations of the Association under this

Agreement shall terminate as of the date of default, but vested rights and obligations of the Association and the Executive shall not be affected.

(f) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Association hereunder shall be terminated, except to the extent that a continuation of this Agreement is necessary for the continued operation of the Association: (i) by the Director of the OTS or his designee or the Federal Deposit Insurance Corporation ("FDIC"), at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Association under the authority contained in section 13(c) of the FDI Act, 12 U.S.C. Section 1823(c); (ii) by the Director of the OTS or his designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Association or when the Association is determined by such Director to be in an unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

If and to the extent that any of the foregoing provisions shall cease to be required or by applicable law, rule or regulation, the same shall become inoperative as though eliminated by formal amendment of this Agreement.

IN WITNESS WHEREOF, the Bank has caused this Agreement to be executed and Mr. Palagiano has hereto set his hand, all as of the day and year first above written.

/s/ Vincent F. Palagiano
VINCENT F. PALAGIANO

ATTEST

THE DIME SAVINGS BANK
OF WILLIAMSBURGH

By: /s/ Evelyn McLoughlin
Assistant Secretary

By: /s/ Anthony Bergamo
for the Board of Directors

[Seal]

[Witnessed and attested to by Notary Public].

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 26th day of June, 1996, by and between The Dime Savings Bank of Williamsburgh, a mutual savings bank organized and operating under the federal laws of the United States and having an office at 209 Havemeyer Street, Brooklyn, New York 11211 ("Bank") and Michael P. Devine, residing at [home address deleted] and amends and restates the Amended and Restated Employment Agreement made as of October 1, 1995 between the Bank and Mr. Devine.

W I T N E S S E T H :

WHEREAS, Mr. Devine currently serves the Bank in the capacity of Executive Vice President, Secretary and Chief Operating Officer; and

WHEREAS, the Bank and Mr. Devine are parties to an Employment Agreement made and entered into as of the 1st day of January, 1992 and amended and restated as of the 1st day of October, 1995 ("Prior Agreement"); and

WHEREAS, the Bank and Mr. Devine desire to amend and restate the Prior Agreement in its entirety as set forth herein; and

WHEREAS, for purposes of securing for the Bank Mr. Devine's continued services, the Board of Directors of the Bank ("Board") has approved and authorized the execution of this Agreement with Mr. Devine; and

WHEREAS, Mr. Devine is willing to continue to make his services available to the Bank on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and obligations hereinafter set forth, the Bank and Mr. Devine hereby agree as follows:

1. Representations and Warranties of the Parties.

(a) The Bank hereby represents and warrants to Mr. Devine that:

(i) it has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of its obligations hereunder; and

(ii) the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate action on the part of the Bank; and

(iii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which the Bank is a party or by which it is bound, or (B) any provision of law, including, without limitation, any statute, rule or regulation or any order of any order of any court or administrative agency, applicable to the Bank or its business.

(b) Mr. Devine hereby represents and warrants to the Bank that:

(i) he has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of his obligations hereunder; and

(ii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which he is a party or by which he is bound, or (B) including, without limitation, any statute, rule or regulation or any order of any court or administrative agency, applicable to him.

2. Employment. The Bank hereby continues the employment of Mr. Devine, and Mr. Devine hereby accepts such continued employment, during the period and upon the terms and conditions set forth in this Agreement.

3. Employment Period.

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this section 3 ("Employment Period"). The Employment Period shall be for an initial term of three years beginning on the date of this Agreement and ending on the third anniversary date of this Agreement, plus such extensions, if any, as are provided by the Board pursuant to section 3(b).

(b) Prior to the first anniversary of the date of this

Agreement and each anniversary date thereafter (each, an "Anniversary Date"), the Board shall review the terms of this Agreement and Mr. Devine's performance of services hereunder and may, in the absence of objection from Mr. Devine, approve an extension of the Employment Period. In such event, the Employment Period shall be extended to the third anniversary of the relevant Anniversary Date.

(c) If, prior to the date on which the Employment Period would end pursuant to section 3(a) or (b) of this Agreement, a Change in Control (as defined in section 13 of this Agreement) occurs and the Bank is not subject to rules and regulations of the Office of Thrift Supervision, then the Employment Period shall be extended through and including the third anniversary of the earliest date after the effective date of such Change of Control on which either the Bank or Mr. Devine elects, by written notice pursuant to section 3(d) of this Agreement to the non-electing party, to discontinue the Employment Period; provided, however, that this section shall not apply in the event that, prior to the Change of Control (as defined in section 13 of this Agreement), Mr. Devine has provided written notice to the Bank of his intent to discontinue the Employment Period.

(d) The Bank or Mr. Devine may, at any time by written notice given to the other, elect to terminate this Agreement. Any such notice given by the Bank shall be accompanied by a certified copy of a resolution, adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board duly called and held, authorizing the giving of such notice.

(e) Notwithstanding anything herein contained to the contrary: (i) Mr. Devine's employment with the Bank may be terminated during the Employment Period, in accordance with the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Mr. Devine's employment following the expiration of the Employment Period upon such terms and conditions as the Bank and Mr. Devine may mutually agree upon.

(f) For all purposes of this Agreement, any reference to the "Remaining Unexpired Employment Period" as of any specified date shall mean a period commencing on the date specified and ending on the last day of the third (3rd) year from the date specified, or, if neither party has given notice electing a discontinuance of the Employment Period, on the third (3rd) anniversary of the date specified.

4. Duties. During the Employment Period, Mr. Devine shall:

(a) except to the extent allowed under section 7 of this Agreement, devote his full business time and attention to the business and affairs of the Bank and use his best efforts to advance the Bank's interests;

(b) serve as Executive Vice President, Secretary and Chief Operating Officer if duly appointed and/or elected to serve in such position; and

(c) have such functions, duties and responsibilities not inconsistent with his title and office as may be assigned to him by or under the authority of the Board, in accordance with organization Certificate, By-laws, Applicable Laws, Statutes and Regulations, custom and practice of the Bank as in effect on the date first above written. Mr. Devine shall have such authority as is necessary or appropriate to carry out his assigned duties. Mr. Devine shall report to and be subject to direction and supervision by the Board.

(d) none of the functions, duties and responsibilities to be performed by Mr. Devine pursuant to this Agreement shall be deemed to include those functions, duties and responsibilities performed by Mr. Devine in his capacity as director of the Bank.

5. Compensation -- Salary and Bonus. In consideration for services rendered by Mr. Devine under this Agreement, the Bank shall pay to Mr. Devine a salary at an annual rate equal to:

(a) during the period beginning on January 1, 1996 and ending on December 31, 1996, no less than \$340,000;

(b) during each calendar year that begins after December 31, 1996, such amount as the Board may, in its discretion, determine, but in no event less than the rate in effect on December 31, 1996; or

(c) for each calendar year that begins on or after a Change in Control, the product of Mr. Devine's annual rate of salary in effect immediately prior to such calendar year, multiplied by the greatest of:

(i) 1.06;

(ii) the quotient of (A) the U.S. City Average All Items Consumer Price Index

for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the immediately preceding calendar year, divided by (B) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the second preceding calendar year; and

(iii) the quotient of (A) the average annual rate of salary, determined as of the first day of such calendar year, of the officers of the Bank (other than Mr. Devine) who are assistant vice presidents or more senior officers, divided by (B) the average annual rate of salary, determined as of the first day of the immediately preceding calendar year, of the officers of the Bank (other than Mr. Devine) who are assistant vice presidents or more senior officers;

The salary payable under this section 5 shall be paid in approximately equal installments in accordance with the Bank's customary payroll practices. Nothing in this section 5 shall be construed as prohibiting the payment to Mr. Devine of a salary in excess of that prescribed under this section 5 or of additional cash or non-cash compensation in a form other than salary, to the extent that such payment is duly authorized by or under the authority of the Board.

(d) no portion of the compensation paid to Mr. Devine pursuant to this Agreement shall be deemed to be compensation received by Mr. Devine in his capacity as director of the Bank.

6. Employee Benefits Plans and Programs; Other Compensation. Except as otherwise provided in this Agreement, Mr. Devine shall be treated as an employee of the Bank and be entitled to participate in and receive benefits under the Bank's Retirement Plan, Incentive Savings Plan, group life and health (including medical and major medical) and disability insurance plans, and such other employee benefit plans and programs, including but not limited to any long-term or short-term incentive compensation plans or programs (whether or not employee benefit plans or programs), as the Bank may maintain from time to time, in accordance with the terms and conditions of such employee benefit plans and programs and compensation plans and programs and with the Bank's customary practices. Following a Change in Control, all such benefits to Mr. Devine shall be continued on terms and conditions substantially identical to, and in no event less favorable than, those in effect prior to the Change in Control.

In the event of a conversion of the Bank from a mutual savings bank to a form of organization owned by stockholders ("Conversion"), the Bank will provide, or cause to be provided, to Mr. Devine in connection with such Conversion, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Devine in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Bank and satisfactory to Mr. Devine, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions.

7. Board Memberships and Personal Activities. Mr. Devine may serve as a member of the board of directors of such business, community and charitable organizations as he may disclose to the Board from time to time, and he may engage in personal business and investment activities for his own account; provided, however, that such service and personal business and investment activities shall not materially interfere with the performance of his duties under this Agreement. Mr. Devine may also serve as an officer or director of any parent of the Bank on such terms and conditions as the Bank and its parent may mutually agree upon, and such service shall not be deemed to materially interfere with Mr. Devine's performance of his duties hereunder or otherwise result in a material breach of this Agreement.

8. Working Facilities and Expenses. Mr. Devine's principal place of employment shall be at the Bank's executive offices at the address first above written, or at such other location in the New York metropolitan area as determined by the Board. The Bank shall provide Mr. Devine, at his principal place of employment, with a private office, stenographic services and other support services and facilities suitable to his position with the Bank and necessary or appropriate in connection with the performance of his assigned duties under this Agreement. The Bank shall provide Mr. Devine with an automobile suitable to his position with the Bank in accordance with its prior practices,

and such automobile shall be used by Mr. Devine in carrying out his duties under this Agreement, including commuting between his residence and his principal place of employment. The Bank shall reimburse Mr. Devine for his ordinary and necessary business expenses, including, without limitation, all expenses associated with his business use of the aforementioned automobile, fees for memberships in such clubs and organizations as Mr. Devine and the Bank shall mutually agree are necessary and appropriate for business purposes and travel and entertainment expenses incurred in connection with the performance of his duties under this Agreement, upon presentation to the Bank of an itemized account of such expenses in such form as the Bank may reasonably require. Mr. Devine shall be entitled to no less than four (4) weeks of paid vacation during each year in the Employment Period.

9. Termination Giving Rise to Severance Benefits.

(a) In the event that Mr. Devine's employment with the Bank shall terminate during the Employment Period on account of the termination of Mr. Devine's employment with the Bank other than:

(i) a Termination for Cause (within the meaning of section 12(a) of this Agreement);

(ii) a voluntary resignation by Mr. Devine other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement);

(iii) a termination on account of Mr. Devine's death; or

(iv) a termination after both of the following conditions exist: (A) Mr. Devine has been absent from the full-time service of the Bank on account of his Disability (as defined in section 11(b) of this Agreement) for at least six (6) consecutive months; and (B) Mr. Devine shall have failed to return to work in the full-time service of the Bank within thirty (30) days after written notice requesting such return is given to Mr. Devine by the Bank; then the Bank shall provide to Mr. Devine the benefits and pay to Mr. Devine the amounts provided under section 9(b) of this Agreement.

(b) In the event that Mr. Devine's employment with the Bank shall terminate under circumstances described in section 9(a) of this Agreement or if the Bank terminates this Agreement pursuant to section 3(d), the following benefits and amounts shall be paid or provided to Mr. Devine (or, in the event of his death, to his estate):

(i) his earned but unpaid salary as of the date of the termination of his employment with the Bank, payable when due but in no event later than thirty (30) days following his termination of employment with the Bank;

(ii) (A) the benefits, if any, to which Mr. Devine and his family and dependents are entitled as a former employee, or family or dependents of a former employee, under the employee benefit plans and programs and compensation plans and programs maintained for the benefit of the Bank's officers and employees, in accordance with the terms of such plans and programs in effect on the date of his termination of employment, or if his termination of employment occurs after a Change in Control, on the date of his termination of employment or on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Devine, where credit is given for three additional years of service and age in determining eligibility and benefits for any plan and program where age and service are relevant factors, and (B) payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual rate of salary for such year;

(iii) continued group life, health (including hospitalization, medical and major medical, dental, accident and long-term disability insurance benefits), in addition to that provided pursuant to section 9(b)(ii) of this Agreement and after taking into account the coverage provided by any subsequent employer, if and to the extent necessary to provide Mr. Devine and his family and dependents for the Remaining Unexpired Employment Period, coverage identical to and in any event no less favorable than the coverage to which they would have been entitled under such plans (as in effect on the date of his termination of employment, or, if his termination of employment occurs after a Change in Control, on the date of his termination of employment or during the one-year period ending on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Devine) if he had continued working for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement;

(iv) within thirty (30) days following his termination of employment with the Bank, a lump sum payment in an amount equal to the present value of the salary and the bonus that Mr. Devine would have earned if he had worked for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary (assuming, if a Change in Control has occurred, that

the annual increases under section 5(c) would apply) and the highest bonus as a percentage of the rate of salary provided for under this Agreement, where such present value is to be determined using a discount rate of six percent (6%) per annum, compounded, in the case of salary, with the frequency corresponding to the Bank's regular payroll periods with respect to its officers, and, in the case of bonus, annually;

(v) within thirty (30) days following his termination of employment with the Bank, a lump sum payment in an amount equal to the excess, if any, of: (A) the present value of the benefits to which he would be entitled under any defined benefit plans maintained by, or covering employees of, the Bank (including any "excess benefit plan" within the meaning of section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement and been fully vested in such plan or plans and had continued working for the Bank during the Remaining Unexpired Employment Period, such benefits to be determined as of the date of termination of employment by adding to the service actually recognized under such plans an additional period equal to the Remaining Unexpired Employment Period and by adding to the compensation recognized under such plans for the year in which termination of employment occurs all amounts payable under sections 9(b)(i), (iv) and (vii), over (B) the present value of the benefits to which he is actually entitled under any such plans maintained by, or covering employees of, the Bank as of the date of his termination where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded monthly, and the mortality tables prescribed under section 72 of the Internal Revenue Code of 1986 ("Code");

(vi) within thirty (30) days following his termination of employment with the Bank, a lump sum payment in an amount equal to the excess, if any, of (A) the present value of the benefits attributable to the Bank's contribution to which he would be entitled under any defined contribution plans maintained by, or covering employees of, the Bank (including any "excess benefit plan" within the meaning of section 3(36) of ERISA, or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, and made the maximum amount of employee contributions, if any, required or permitted under such plan or plans, and been eligible for the highest rate in matching contributions under such plan or plans during the Remaining Unexpired Employment Period which is prior to Mr. Devine's termination of employment with the Bank, and been fully vested in such plan or plans, over (B) the present value of the benefits attributable to the Bank's contributions to which he is actually entitled under such plans as of the date of his termination of employment with the Bank, where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded with the frequency corresponding to the Bank's regular payroll periods with respect to its officers;

(vii) the payments that would have been made to Mr. Devine under any incentive compensation plan maintained by, or covering employees of, the Bank (other than bonus payments to which section 9(b)(iv) of this Agreement is applicable) if he had continued working for the Bank during the Remaining Unexpired Employment Period and had earned an incentive award in each calendar year that ends during the Remaining Unexpired Employment Period in an amount equal to the product of (A) the maximum percentage rate of compensation at which an award was ever available to Mr. Devine under such incentive compensation plan, multiplied by (B) the compensation that would have been paid to Mr. Devine during each calendar year at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, such payments to be made at the same time and in the same manner as payments are made to other officers of the Bank pursuant to the terms of such incentive compensation plan; provided, however, that payments under this section 9(b)(vii) shall not be made to Mr. Devine for any year on account of which no payments are made to any of the Bank's officers under any such incentive compensation plan; and

(viii) the benefits to which Mr. Devine is entitled under the Bank's Supplemental Executive Retirement Plan (or other excess benefits plan with the meaning of section 3(36) of ERISA or other special or supplemental plan) shall be paid to him in a lump sum, where such lump sum is computed using the mortality tables under the Bank's tax-qualified pension plan and a discount rate of 6% per annum.

The payments specified in section 9(b) (viii) shall be made within thirty (30) days after the date of Mr. Devine's election, and if the amount may be increased by a subsequent Change in Control, any additional payment shall be made within thirty (30) days of such Change in Control.

(c) Mr. Devine shall not be required to mitigate the amount of any payment provided for in this section 9 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this section 9 be reduced by any compensation earned by Mr. Devine as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by Mr. Devine to the Bank, or otherwise except as specifically provided in section 9(b) (iii) of this Agreement. The Bank and Mr. Devine hereby stipulate that the damages which may be incurred by Mr. Devine as a consequence of any such termination of employment are not capable of accurate measurement as of the date first above written and that the benefits and payments provided for in this Agreement constitute a reasonable estimate under the circumstances of all damages sustained as a consequence of any such termination of employment, other than damages arising under or out of any stock option, restricted stock or other non-qualified stock acquisition or investment plan or program, it being understood and agreed that this Agreement shall not determine the measurement of damages under any such plan or program in respect of any termination of employment.

10. Termination Without Severance Benefits. In the event that Mr. Devine's employment with the Bank shall terminate during the Employment Period on account of:

(a) Termination for Cause (within the meaning of section 12(a) of this Agreement);

(b) voluntary resignation by Mr. Devine other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement); or

(c) Mr. Devine's death;

then the Bank shall have no further obligations under this Agreement, other than the payment to Mr. Devine (or, in the event of his death, to his estate) of his earned but unpaid salary as of the date of the termination of his employment, and the provision of such other benefits, if any, to which he is entitled as a former employee under the Bank's employee benefit plans and programs and compensation plans and programs and payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual salary for such year.

11. Death and Disability.

(a) Death. If Mr. Devine's employment is terminated by reason of Mr. Devine's death during the Employment Period, this Agreement shall terminate without further obligations to Mr. Devine's legal representatives under this Agreement, other than for payment of amounts and provision of benefits under sections 9(b) (i) and (ii); provided, however, that if Mr. Devine dies while in the employment of the Bank, his designated beneficiary(ies) shall receive a death benefit, payable through life insurance or otherwise, which is the equivalent on a net after-tax basis of the death benefit payable under a term life insurance policy, with a stated death benefit of three times Mr. Devine's then Annual Base Salary.

(b) Disability. If Mr. Devine's employment is terminated by reason of Mr. Devine's Disability as defined in section 11(c) during the Employment Period, this Agreement shall terminate without further obligations to Mr. Devine, other than for payment of amounts and provision of benefits under section 9(b) (i) and (ii); provided, however, that in the event of Mr. Devine's Disability while in the employment of the Bank, the Bank will pay to him a lump sum amount equal to three times his then Annual Base Salary.

(c) For purposes of this Agreement, "Disability" shall be defined in accordance with the terms of the Bank's long term disability policy.

(d) Payments under this section 11 shall be made within 30 days after Mr. Devine's death or disability.

12. Definition of Termination for Cause and Resignation for Good Reason.

(a) Mr. Devine's termination of employment with the Bank shall be deemed a "Termination for Cause" if such termination occurs for "cause," which, for purposes of this Agreement shall mean personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist order, or any material breach of this Agreement, in each case as measured against standards generally prevailing at the relevant time in the savings and community banking industry; provided, however, that Mr. Devine shall not be deemed to have been discharged for cause unless and until he shall have received a written notice of termination from the Board, accompanied by a resolution duly adopted by affirmative vote of a majority of the entire Board at a meeting called and held for such purpose (after reasonable

notice to Mr. Devine and a reasonable opportunity for Mr. Devine to make oral and written presentations to the members of the Board, on his own behalf, or through a representative, who may be his legal counsel, to refute the grounds for the proposed determination) finding that in the good faith opinion of the Board grounds exist for discharging Mr. Devine for cause.

(b) Mr. Devine's termination of employment with the Bank shall be deemed a Resignation for Good Reason if such termination occurs following any one or more of the following events:

(i) (A) the assignment to Mr. Devine of any duties inconsistent with Mr. Devine's status as Executive Vice President, Secretary and Chief Operating Officer of the Bank or (B) a substantial adverse alteration in the nature or status of Mr. Devine's responsibilities from those in effect immediately prior to the alteration; or (C) any Change in Control described in section 13(b);

(ii) a reduction by the Bank in Mr. Devine's annual base salary as in effect on the date first above written or as the same may be increased from time to time, unless such reduction was mandated at the initiation of any regulatory authority having jurisdiction over the Bank;

(iii) the relocation of the Bank's principal executive offices to a location outside the New York metropolitan area or the Bank's requiring Mr. Devine to be based anywhere other than the Bank's principal executive offices except for required travel on the Bank's business to an extent substantially consistent with Mr. Devine's business travel obligations at the date first above written;

(iv) the failure by the Bank, without Mr. Devine's consent, to pay to Mr. Devine, within seven (7) days of the date when due, (A) any portion of his compensation, or (B) any portion of an installment of deferred compensation under any deferred compensation program of the Bank, which failure is not inadvertent and immaterial and which is not promptly cured by the Bank after notice of such failure is given to the Bank by the Executive;

(v) the failure by the Bank to continue in effect any compensation plan in which Mr. Devine participates which is material to his total compensation, including but not limited to the Retirement Plan and the Bank's Incentive Savings Plan or any substitute plans unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Bank to continue his participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of his participation relative to other participants, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Bank;

(vi) the failure by the Bank to continue to provide Mr. Devine with benefits substantially similar to those enjoyed by Mr. Devine under the Retirement Plan and the Bank's Incentive Savings Plan or under any of the Bank's life, health (including hospitalization, medical and major medical), dental, accident, and long-term disability insurance benefits, in which Mr. Devine is participating, or the taking of any action by the Bank which would directly or indirectly materially reduce any of such benefits or deprive Mr. Devine of the number of paid vacation days to which he is entitled, on the basis of years of service with the Bank, rank or otherwise, in accordance with the Bank's normal vacation policy, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Bank;

(vii) the failure of the Bank to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in section 15(a) of this Agreement;

(viii) any purported termination of employment by the Bank which is not effected pursuant the provisions of section 12(a) regarding Termination for Cause or on account of Disability;

(ix) a material breach of this Agreement by the Bank, which the Bank fails to cure within thirty (30) days following written notice thereof from Mr. Devine;

(x) in the event of a Change in Control described in section 13(b) of this Agreement, a failure of the Bank to provide, or cause to be provided, to Mr. Devine in connection with such Change in Control, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Devine in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Bank and satisfactory to Mr. Devine, whose agreement shall not be unreasonably withheld, are no less

favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions; or

(xi) a change in the position to which Mr. Devine reports;

(xii) in the event of a Change in Control described in section 13(a) of this Agreement, termination of employment for any or no reason whatsoever during the period of sixty (60) days beginning on the first anniversary of the effective date of such Change in Control.

13. Definition of Change in Control. For purposes of this Agreement, a Change in Control of the Bank shall mean:

(a) the occurrence of any event upon which any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan maintained for the benefit of employees of the Bank; (B) a corporation owned, directly or indirectly, by the stockholders of the Bank in substantially the same proportions as their ownership of stock of the Bank; or (C) Mr. Devine, or any group otherwise constituting a person in which Mr. Devine is a member, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities issued by the Bank representing 25% or more of the combined voting power of all of the Bank's then outstanding securities; or

(b) the occurrence of any event upon which the individuals who on the date first above written are members of the Board, together with individuals (other than any individual designated by a person who has entered into an agreement with the Bank to effect a transaction described in section 13(a) or 13(c) of this Agreement) whose election by the Board or nomination for election by the Bank's stockholders was approved by the affirmative vote of at least two-thirds of the members of Board then in office who were either members of the Board on the date first above written or whose nomination or election was previously so approved cease for any reason to constitute a majority of the members of the Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Bank (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(c) the shareholders of the Bank approve either:

(i) a merger or consolidation of the Bank with any other corporation, other than a merger or consolidation following which both of the following conditions are satisfied:

(A) either (A) the members of the Board of the Bank immediately prior to such merger or consolidation constitute at least a majority of the members of the governing body of the institution resulting from such merger or consolidation; or (B) the shareholders of the Bank own securities of the institution resulting from such merger or consolidation representing 80% or more of the combined voting power of all such securities then outstanding in substantially the same proportions as their ownership of voting securities of the Bank before such merger or consolidation; and

(B) the entity which results from such merger or consolidation expressly agrees in writing to assume and perform the Bank's obligations under this Agreement; or

(ii) a plan of complete liquidation of the Bank or an agreement for the sale or disposition by the Bank of all or substantially all of its assets; and

(d) any event which would be described in section 13(a), (b) or (c) if the term "Company" were substituted for the term "Bank" therein. Such an event shall be deemed to be a Change in Control under the relevant provision of section 13(a), (b) or (c).

It is understood and agreed that more than one Change in Control may occur at the same or different times during the Employment Period and that the provisions of this Agreement shall apply with equal force and effect with respect to each such Change in Control.

14. No Effect on Employee Benefit Plans or Programs. Except as expressly provided in this Agreement, the termination of Mr. Devine's employment during the Employment Period or thereafter, whether by the Bank or by Mr. Devine, shall have no effect on the rights and obligations of the parties hereto under the Bank's the Retirement Plan and the Bank's Incentive Savings Plan, group life, health (including hospitalization, medical and

major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs (whether or not employee benefit plans or programs) and, following the conversion of the Bank to stock form, any stock option and appreciation rights plan, employee stock ownership plan and restricted stock plan, as may be maintained by, or cover employees of, the Bank from time to time.

15. Successors and Assigns.

(a) The Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no such succession had taken place. Failure of the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall be deemed to constitute a material breach of the Bank's obligations under this Agreement.

(b) This Agreement will inure to the benefit of and be binding upon Mr. Devine, his legal representatives and testate or intestate distributees, and the Bank, their respective successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the respective assets and business of the Bank may be sold or otherwise transferred.

16. Notices. Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be in writing and shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed to such party at the address listed below or at such other address as one such party may by written notice specify to the other party:

If to Mr. Devine:

[Home address deleted].

If to the Bank:

The Dime Savings Bank of Williamsburgh
209 Havemeyer Street
Brooklyn, New York 11211

Attention: Corporate Secretary

With a copy to:

Thacher Proffitt & Wood
Two World Trade Center, 39th Floor
New York, New York 10048

Attention: W. Edward Bright

17. Indemnification and Attorneys' Fees. The Bank shall pay to or on behalf of Mr. Devine all reasonable costs, including legal fees, incurred by him in connection with or arising out of his consultation with legal counsel or in connection with or arising out of any action, suit or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, that Mr. Devine shall have substantially prevailed on the merits pursuant to a judgment, decree or order of a court of competent jurisdiction or of an arbitrator in an arbitration proceeding, or in a settlement; provided, further, that this section 17 shall not obligate the Bank to pay costs and legal fees on behalf of Mr. Devine under this Agreement in excess of \$50,000. For purposes of this Agreement, any settlement agreement which provides for payment of any amounts in settlement of the Bank's obligations hereunder shall be conclusive evidence of Mr. Devine's entitlement to indemnification hereunder, and any such indemnification payments shall be in addition to amounts payable pursuant to such settlement agreement, unless such settlement agreement expressly provides otherwise.

18. Severability. A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

19. Waiver. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A waiver of any provision of this Agreement must be made in writing, designated as a waiver, and signed by the party against who its enforcement is sought. Any waiver or relinquishment of such right or power at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

20. Counterparts. This Agreement may be executed in

two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

21. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without reference to conflicts of law principles.

22. Headings and Construction. The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any reference to a section number shall refer to a section of this Agreement, unless otherwise stated. Any reference to the term "Board" shall mean the Board of Trustees of the Bank while the Bank is a mutual savings bank and the Board of Directors of the Bank while the Bank is a stock savings bank. Any reference to the term "Bank" shall mean the Bank in its mutual form prior to the conversion and in its stock form on and after the conversion. If the Bank does not convert to stock form, any reference to the Bank's being a stock savings bank shall have no effect.

23. Entire Agreement; Modifications. This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof, including the Amended and Restated Employment Agreement dated October 1, 1995 between the Bank and Mr. Devine. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto.

24. Arbitration Clause. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; the expense of such arbitration shall be borne by the Bank.

25. Required Regulatory Provisions. The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Association:

(a) Notwithstanding anything herein contained to the contrary, in no event shall the aggregate amount of compensation payable to the Executive under section 9(b) hereof (exclusive of amounts described in section 9(b)(i) and (viii)) exceed the three times the Executive's average annual total compensation for the last five consecutive calendar years to end prior to his termination of employment with the Association (or for his entire period of employment with the Association if less than five calendar years).

(b) Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Association, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. Section 1828(k), and any regulations promulgated thereunder.

(c) Notwithstanding anything herein contained to the contrary, if the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the affairs of the Association pursuant to a notice served under section 8(e)(3) or 8(g)(1) of the FDI Act, 12 U.S.C. Section 1818(e)(3) or 1818(g)(1), the Association's obligations under this Agreement shall be suspended as of the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Association, in its discretion, may (i) pay to the Executive all or part of the compensation withheld while the Association's obligations hereunder were suspended and (ii) reinstate, in whole or in part, any of the obligations which were suspended.

(d) Notwithstanding anything herein contained to the contrary, if the Executive is removed and/or permanently prohibited from participating in the conduct of the Association's affairs by an order issued under section 8(e)(4) or 8(g)(1) of the FDI Act, 12 U.S.C. Section 1818(e)(4) or (g)(1), all prospective obligations of the Association under this Agreement shall terminate as of the effective date of the order, but vested rights and obligations of the Association and the Executive shall not be affected.

(e) Notwithstanding anything herein contained to the contrary, if the Association is in default (within the meaning of section 3(x)(1) of the FDI Act, 12 U.S.C. Section 1813(x)(1)), all prospective obligations of the Association under this Agreement shall terminate as of the date of default, but vested rights and obligations of the Association and the Executive shall not be affected.

(f) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Association hereunder shall be terminated, except to the extent that a continuation of this Agreement is necessary for the continued

operation of the Association: (i) by the Director of the OTS or his designee or the Federal Deposit Insurance Corporation ("FDIC"), at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Association under the authority contained in section 13(c) of the FDI Act, 12 U.S.C. Section 1823(c); (ii) by the Director of the OTS or his designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Association or when the Association is determined by such Director to be in an unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

If and to the extent that any of the foregoing provisions shall cease to be required or by applicable law, rule or regulation, the same shall become inoperative as though eliminated by formal amendment of this Agreement.

IN WITNESS WHEREOF, the Bank has caused this Agreement to be executed and Mr. Devine has hereto set his hand, all as of the day and year first above written.

/s/ Michael P. Devine
MICHAEL P. DEVINE

ATTEST

THE DIME SAVINGS BANK
OF WILLIAMSBURGH

By: /s/ Evelyn McLoughlin
Assistant Secretary

By: /s/ Anthony Bergamo
for the Board of Directors

[Seal]

[Witnessed and attested to by Notary Public].

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 26th day of June, 1996, by and between The Dime Savings Bank of Williamsburgh, a mutual savings bank organized and operating under the federal laws of the United States and having an office at 209 Havemeyer Street, Brooklyn, New York 11211 ("Bank") and Kenneth J. Mahon, residing at [home address deleted] and amends and restates the Amended and Restated Employment Agreement made as of October 1, 1995 between the Bank and Mr. Mahon.

W I T N E S S E T H :

WHEREAS, Mr. Mahon currently serves the Bank in the capacity of Senior Vice President and Chief Financial Officer; and

WHEREAS, the Bank and Mr. Mahon are parties to an Employment Agreement made and entered into as of the 1st day of January, 1992 and amended and restated as of the 1st day of October, 1995 ("Prior Agreement"); and

WHEREAS, the Bank and Mr. Mahon desire to amend and restate the Prior Agreement in its entirety as set forth herein; and

WHEREAS, for purposes of securing for the Bank Mr. Mahon's continued services, the Board of Directors of the Bank ("Board") has approved and authorized the execution of this Agreement with Mr. Mahon; and

WHEREAS, Mr. Mahon is willing to continue to make his services available to the Bank on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and obligations hereinafter set forth, the Bank and Mr. Mahon hereby agree as follows:

1. Representations and Warranties of the Parties.

(a) The Bank hereby represents and warrants to Mr. Mahon that:

(i) it has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of its obligations hereunder; and

(ii) the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate action on the part of the Bank; and

(iii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which the Bank is a party or by which it is bound, or (B) any provision of law, including, without limitation, any statute, rule or regulation or any order of any order of any court or administrative agency, applicable to the Bank or its business.

(b) Mr. Mahon hereby represents and warrants to the Bank that:

(i) he has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of his obligations hereunder; and

(ii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which he is a party or by which he is bound, or (B) including, without limitation, any statute, rule or regulation or any order of any court or administrative agency, applicable to him.

2. Employment. The Bank hereby continues the employment of Mr. Mahon, and Mr. Mahon hereby accepts such continued employment, during the period and upon the terms and conditions set forth in this Agreement.

3. Employment Period.

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this section 3 ("Employment Period"). The Employment Period shall be for an initial term of three years beginning on the date of this Agreement and ending on the third anniversary date of this Agreement, plus such extensions, if any, as are provided by the Board pursuant to section 3(b).

(b) Prior to the first anniversary of the date of this

Agreement and each anniversary date thereafter (each, an "Anniversary Date"), the Board shall review the terms of this Agreement and Mr. Mahon's performance of services hereunder and may, in the absence of objection from Mr. Mahon, approve an extension of the Employment Period. In such event, the Employment Period shall be extended to the third anniversary of the relevant Anniversary Date.

(c) If, prior to the date on which the Employment Period would end pursuant to section 3(a) or (b) of this Agreement, a Change in Control (as defined in section 13 of this Agreement) occurs and the Bank is not subject to rules and regulations of the Office of Thrift Supervision, then the Employment Period shall be extended through and including the third anniversary of the earliest date after the effective date of such Change of Control on which either the Bank or Mr. Mahon elects, by written notice pursuant to section 3(d) of this Agreement to the non-electing party, to discontinue the Employment Period; provided, however, that this section shall not apply in the event that, prior to the Change of Control (as defined in section 13 of this Agreement), Mr. Mahon has provided written notice to the Bank of his intent to discontinue the Employment Period.

(d) The Bank or Mr. Mahon may, at any time by written notice given to the other, elect to terminate this Agreement. Any such notice given by the Bank shall be accompanied by a certified copy of a resolution, adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board duly called and held, authorizing the giving of such notice.

(e) Notwithstanding anything herein contained to the contrary: (i) Mr. Mahon's employment with the Bank may be terminated during the Employment Period, in accordance with the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Mr. Mahon's employment following the expiration of the Employment Period upon such terms and conditions as the Bank and Mr. Mahon may mutually agree upon.

(f) For all purposes of this Agreement, any reference to the "Remaining Unexpired Employment Period" as of any specified date shall mean a period commencing on the date specified and ending on the last day of the third (3rd) year from the date specified, or, if neither party has given notice electing a discontinuance of the Employment Period, on the third (3rd) anniversary of the date specified.

4. Duties. During the Employment Period, Mr. Mahon shall:

(a) except to the extent allowed under section 7 of this Agreement, devote his full business time and attention to the business and affairs of the Bank and use his best efforts to advance the Bank's interests;

(b) serve as Senior Vice President and Chief Financial Officer if duly appointed and/or elected to serve in such position; and

(c) have such functions, duties and responsibilities not inconsistent with his title and office as may be assigned to him by or under the authority of the Board, in accordance with organization Certificate, By-laws, Applicable Laws, Statutes and Regulations, custom and practice of the Bank as in effect on the date first above written. Mr. Mahon shall have such authority as is necessary or appropriate to carry out his assigned duties. Mr. Mahon shall report to and be subject to direction and supervision by the Board.

5. Compensation -- Salary and Bonus. In consideration for services rendered by Mr. Mahon under this Agreement, the Bank shall pay to Mr. Mahon a salary at an annual rate equal to:

(a) during the period beginning on January 1, 1996 and ending on December 31, 1996, no less than \$178,000;

(b) during each calendar year that begins after December 31, 1996, such amount as the Board may, in its discretion, determine, but in no event less than the rate in effect on December 31, 1996; or

(c) for each calendar year that begins on or after a Change in Control, the product of Mr. Mahon's annual rate of salary in effect immediately prior to such calendar year, multiplied by the greatest of:

(i) 1.06;

(ii) the quotient of (A) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the immediately preceding calendar

year, divided by (B) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the second preceding calendar year; and

(iii) the quotient of (A) the average annual rate of salary, determined as of the first day of such calendar year, of the officers of the Bank (other than Mr. Mahon) who are assistant vice presidents or more senior officers, divided by (B) the average annual rate of salary, determined as of the first day of the immediately preceding calendar year, of the officers of the Bank (other than Mr. Mahon) who are assistant vice presidents or more senior officers;

The salary payable under this section 5 shall be paid in approximately equal installments in accordance with the Bank's customary payroll practices. Nothing in this section 5 shall be construed as prohibiting the payment to Mr. Mahon of a salary in excess of that prescribed under this section 5 or of additional cash or non-cash compensation in a form other than salary, to the extent that such payment is duly authorized by or under the authority of the Board.

6. Employee Benefits Plans and Programs; Other Compensation. Except as otherwise provided in this Agreement, Mr. Mahon shall be treated as an employee of the Bank and be entitled to participate in and receive benefits under the Bank's Retirement Plan, Incentive Savings Plan, group life and health (including medical and major medical) and disability insurance plans, and such other employee benefit plans and programs, including but not limited to any long-term or short-term incentive compensation plans or programs (whether or not employee benefit plans or programs), as the Bank may maintain from time to time, in accordance with the terms and conditions of such employee benefit plans and programs and compensation plans and programs and with the Bank's customary practices. Following a Change in Control, all such benefits to Mr. Mahon shall be continued on terms and conditions substantially identical to, and in no event less favorable than, those in effect prior to the Change in Control.

In the event of a conversion of the Bank from a mutual savings bank to a form of organization owned by stockholders ("Conversion"), the Bank will provide, or cause to be provided, to Mr. Mahon in connection with such Conversion, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Mahon in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Bank and satisfactory to Mr. Mahon, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions.

7. Board Memberships and Personal Activities. Mr. Mahon may serve as a member of the board of directors of such business, community and charitable organizations as he may disclose to the Board from time to time, and he may engage in personal business and investment activities for his own account; provided, however, that such service and personal business and investment activities shall not materially interfere with the performance of his duties under this Agreement. Mr. Mahon may also serve as an officer or director of any parent of the Bank on such terms and conditions as the Bank and its parent may mutually agree upon, and such service shall not be deemed to materially interfere with Mr. Mahon's performance of his duties hereunder or otherwise result in a material breach of this Agreement.

8. Working Facilities and Expenses. Mr. Mahon's principal place of employment shall be at the Bank's executive offices at the address first above written, or at such other location in the New York metropolitan area as determined by the Board. The Bank shall provide Mr. Mahon, at his principal place of employment, with a private office, stenographic services and other support services and facilities suitable to his position with the Bank and necessary or appropriate in connection with the performance of his assigned duties under this Agreement. The Bank shall reimburse Mr. Mahon for his ordinary and necessary business expenses, including, without limitation, fees for memberships in such clubs and organizations as Mr. Mahon and the Bank shall mutually agree are necessary and appropriate for business purposes and travel and entertainment expenses incurred in connection with the performance of his duties under this Agreement, upon presentation to the Bank of an itemized account of such expenses in such form as the Bank may reasonably require. Mr. Mahon shall be entitled to no less than four (4) weeks of paid vacation during each year in the Employment Period.

9. Termination Giving Rise to Severance Benefits.

(a) In the event that Mr. Mahon's employment with the Bank shall terminate during the Employment Period on account of the termination of Mr. Mahon's employment with the Bank other than:

(i) a Termination for Cause (within the meaning of section 12(a) of this Agreement);

(ii) a voluntary resignation by Mr. Mahon other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement);

(iii) a termination on account of Mr. Mahon's death; or

(iv) a termination after both of the following conditions exist: (A) Mr. Mahon has been absent from the full-time service of the Bank on account of his Disability (as defined in section 11(b) of this Agreement) for at least six (6) consecutive months; and (B) Mr. Mahon shall have failed to return to work in the full-time service of the Bank within thirty (30) days after written notice requesting such return is given to Mr. Mahon by the Bank; then the Bank shall provide to Mr. Mahon the benefits and pay to Mr. Mahon the amounts provided under section 9(b) of this Agreement.

(b) In the event that Mr. Mahon's employment with the Bank shall terminate under circumstances described in section 9(a) of this Agreement or if the Bank terminates this Agreement pursuant to section 3(d), the following benefits and amounts shall be paid or provided to Mr. Mahon (or, in the event of his death, to his estate):

(i) his earned but unpaid salary as of the date of the termination of his employment with the Bank, payable when due but in no event later than thirty (30) days following his termination of employment with the Bank;

(ii) (A) the benefits, if any, to which Mr. Mahon and his family and dependents are entitled as a former employee, or family or dependents of a former employee, under the employee benefit plans and programs and compensation plans and programs maintained for the benefit of the Bank's officers and employees, in accordance with the terms of such plans and programs in effect on the date of his termination of employment, or if his termination of employment occurs after a Change in Control, on the date of his termination of employment or on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Mahon, where credit is given for three additional years of service and age in determining eligibility and benefits for any plan and program where age and service are relevant factors, and (B) payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual rate of salary for such year;

(iii) continued group life, health (including hospitalization, medical and major medical, dental, accident and long-term disability insurance benefits), in addition to that provided pursuant to section 9(b)(ii) of this Agreement and after taking into account the coverage provided by any subsequent employer, if and to the extent necessary to provide Mr. Mahon and his family and dependents for the Remaining Unexpired Employment Period, coverage identical to and in any event no less favorable than the coverage to which they would have been entitled under such plans (as in effect on the date of his termination of employment, or, if his termination of employment occurs after a Change in Control, on the date of his termination of employment or during the one-year period ending on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Mahon) if he had continued working for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement;

(iv) within thirty (30) days following his termination of employment with the Bank, a lump sum payment in an amount equal to the present value of the salary and the bonus that Mr. Mahon would have earned if he had worked for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) and the highest bonus as a percentage of the rate of salary provided for under this Agreement, where such present value is to be determined using a discount rate of six percent (6%) per annum, compounded, in the case of salary, with the frequency corresponding to the Bank's regular payroll periods with respect to its officers, and, in the case of bonus, annually;

(v) within thirty (30) days following his termination of employment with the Bank, a lump sum payment in an amount equal to the excess, if any, of: (A) the present value of the benefits to which he would be entitled under any defined benefit plans maintained by, or covering employees of, the Bank (including any "excess benefit plan" within the meaning of section 3(36) of the Employee Retirement Income Security Act of

1974, as amended ("ERISA"), or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement and been fully vested in such plan or plans and had continued working for the Bank during the Remaining Unexpired Employment Period, such benefits to be determined as of the date of termination of employment by adding to the service actually recognized under such plans an additional period equal to the Remaining Unexpired Employment Period and by adding to the compensation recognized under such plans for the year in which termination of employment occurs all amounts payable under sections 9(b)(i), (iv) and (vii), over (B) the present value of the benefits to which he is actually entitled under any such plans maintained by, or covering employees of, the Bank as of the date of his termination where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded monthly, and the mortality tables prescribed under section 72 of the Internal Revenue Code of 1986 ("Code");

(vi) within thirty (30) days following his termination of employment with the Bank, a lump sum payment in an amount equal to the excess, if any, of (A) the present value of the benefits attributable to the Bank's contribution to which he would be entitled under any defined contribution plans maintained by, or covering employees of, the Bank (including any "excess benefit plan" within the meaning of section 3(36) of ERISA, or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Bank during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, and made the maximum amount of employee contributions, if any, required or permitted under such plan or plans, and been eligible for the highest rate in matching contributions under such plan or plans during the Remaining Unexpired Employment Period which is prior to Mr. Mahon's termination of employment with the Bank, and been fully vested in such plan or plans, over (B) the present value of the benefits attributable to the Bank's contributions to which he is actually entitled under such plans as of the date of his termination of employment with the Bank, where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded with the frequency corresponding to the Bank's regular payroll periods with respect to its officers;

(vii) the payments that would have been made to Mr. Mahon under any incentive compensation plan maintained by, or covering employees of, the Bank (other than bonus payments to which section 9(b)(iv) of this Agreement is applicable) if he had continued working for the Bank during the Remaining Unexpired Employment Period and had earned an incentive award in each calendar year that ends during the Remaining Unexpired Employment Period in an amount equal to the product of (A) the maximum percentage rate of compensation at which an award was ever available to Mr. Mahon under such incentive compensation plan, multiplied by (B) the compensation that would have been paid to Mr. Mahon during each calendar year at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, such payments to be made at the same time and in the same manner as payments are made to other officers of the Bank pursuant to the terms of such incentive compensation plan; provided, however, that payments under this section 9(b)(vii) shall not be made to Mr. Mahon for any year on account of which no payments are made to any of the Bank's officers under any such incentive compensation plan; and

(viii) the benefits to which Mr. Mahon is entitled under the Bank's Supplemental Executive Retirement Plan (or other excess benefits plan with the meaning of section 3(36) of ERISA or other special or supplemental plan) shall be paid to him in a lump sum, where such lump sum is computed using the mortality tables under the Bank's tax-qualified pension plan and a discount rate of 6% per annum.

The payments specified in section 9(b) (viii) shall be made within thirty (30) days after the date of Mr. Mahon's election, and if the amount may be increased by a subsequent Change in Control, any additional payment shall be made within thirty (30) days of such Change in Control.

(c) Mr. Mahon shall not be required to mitigate the amount of any payment provided for in this section 9 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this section 9 be reduced by any compensation earned by Mr. Mahon as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by Mr. Mahon to the Bank, or otherwise except as specifically provided in section 9(b) (iii) of this Agreement. The Bank and Mr. Mahon hereby stipulate that the damages which may be incurred by Mr. Mahon as a consequence of any such termination of employment are not capable of accurate measurement as of the date first above written and that the benefits and payments provided for in this Agreement constitute a reasonable estimate under the circumstances of all damages

sustained as a consequence of any such termination of employment, other than damages arising under or out of any stock option, restricted stock or other non-qualified stock acquisition or investment plan or program, it being understood and agreed that this Agreement shall not determine the measurement of damages under any such plan or program in respect of any termination of employment.

10. Termination Without Severance Benefits. In the event that Mr. Mahon's employment with the Bank shall terminate during the Employment Period on account of:

(a) Termination for Cause (within the meaning of section 12(a) of this Agreement);

(b) voluntary resignation by Mr. Mahon other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement); or

(c) Mr. Mahon's death;

then the Bank shall have no further obligations under this Agreement, other than the payment to Mr. Mahon (or, in the event of his death, to his estate) of his earned but unpaid salary as of the date of the termination of his employment, and the provision of such other benefits, if any, to which he is entitled as a former employee under the Bank's employee benefit plans and programs and compensation plans and programs and payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual salary for such year.

11. Death and Disability.

(a) Death. If Mr. Mahon's employment is terminated by reason of Mr. Mahon's death during the Employment Period, this Agreement shall terminate without further obligations to Mr. Mahon's legal representatives under this Agreement, other than for payment of amounts and provision of benefits under sections 9(b) (i) and (ii); provided, however, that if Mr. Mahon dies while in the employment of the Bank, his designated beneficiary(ies) shall receive a death benefit, payable through life insurance or otherwise, which is the equivalent on a net after-tax basis of the death benefit payable under a term life insurance policy, with a stated death benefit of three times Mr. Mahon's then Annual Base Salary.

(b) Disability. If Mr. Mahon's employment is terminated by reason of Mr. Mahon's Disability as defined in section 11(c) during the Employment Period, this Agreement shall terminate without further obligations to Mr. Mahon, other than for payment of amounts and provision of benefits under section 9(b) (i) and (ii); provided, however, that in the event of Mr. Mahon's Disability while in the employment of the Bank, the Bank will pay to him a lump sum amount equal to three times his then Annual Base Salary.

(c) For purposes of this Agreement, "Disability" shall be defined in accordance with the terms of the Bank's long term disability policy.

(d) Payments under this section 11 shall be made within 30 days after Mr. Mahon's death or disability.

12. Definition of Termination for Cause and Resignation for Good Reason.

(a) Mr. Mahon's termination of employment with the Bank shall be deemed a "Termination for Cause" if such termination occurs for "cause," which, for purposes of this Agreement shall mean personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist order, or any material breach of this Agreement, in each case as measured against standards generally prevailing at the relevant time in the savings and community banking industry; provided, however, that Mr. Mahon shall not be deemed to have been discharged for cause unless and until he shall have received a written notice of termination from the Board, accompanied by a resolution duly adopted by affirmative vote of a majority of the entire Board at a meeting called and held for such purpose (after reasonable notice to Mr. Mahon and a reasonable opportunity for Mr. Mahon to make oral and written presentations to the members of the Board, on his own behalf, or through a representative, who may be his legal counsel, to refute the grounds for the proposed determination) finding that in the good faith opinion of the Board grounds exist for discharging Mr. Mahon for cause.

(b) Mr. Mahon's termination of employment with the Bank shall be deemed a Resignation for Good Reason if such termination occurs following any one or more of the following events:

(i) (A) the assignment to Mr. Mahon of any duties inconsistent with Mr. Mahon's status as Senior Vice President and Chief Financial Officer of the Bank or (B) a substantial adverse

alteration in the nature or status of Mr. Mahon's responsibilities from those in effect immediately prior to the alteration; or (C) any Change in Control described in section 13(b);

(ii) a reduction by the Bank in Mr. Mahon's annual base salary as in effect on the date first above written or as the same may be increased from time to time, unless such reduction was mandated at the initiation of any regulatory authority having jurisdiction over the Bank;

(iii) the relocation of the Bank's principal executive offices to a location outside the New York metropolitan area or the Bank's requiring Mr. Mahon to be based anywhere other than the Bank's principal executive offices except for required travel on the Bank's business to an extent substantially consistent with Mr. Mahon's business travel obligations at the date first above written;

(iv) the failure by the Bank, without Mr. Mahon's consent, to pay to Mr. Mahon, within seven (7) days of the date when due, (A) any portion of his compensation, or (B) any portion of an installment of deferred compensation under any deferred compensation program of the Bank, which failure is not inadvertent and immaterial and which is not promptly cured by the Bank after notice of such failure is given to the Bank by the Executive;

(v) the failure by the Bank to continue in effect any compensation plan in which Mr. Mahon participates which is material to his total compensation, including but not limited to the Retirement Plan and the Bank's Incentive Savings Plan or any substitute plans unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Bank to continue his participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of his participation relative to other participants, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Bank;

(vi) the failure by the Bank to continue to provide Mr. Mahon with benefits substantially similar to those enjoyed by Mr. Mahon under the Retirement Plan and the Bank's Incentive Savings Plan or under any of the Bank's life, health (including hospitalization, medical and major medical), dental, accident, and long-term disability insurance benefits, in which Mr. Mahon is participating, or the taking of any action by the Bank which would directly or indirectly materially reduce any of such benefits or deprive Mr. Mahon of the number of paid vacation days to which he is entitled, on the basis of years of service with the Bank, rank or otherwise, in accordance with the Bank's normal vacation policy, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Bank;

(vii) the failure of the Bank to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in section 15(a) of this Agreement;

(viii) any purported termination of employment by the Bank which is not effected pursuant the provisions of section 12(a) regarding Termination for Cause or on account of Disability;

(ix) a material breach of this Agreement by the Bank, which the Bank fails to cure within thirty (30) days following written notice thereof from Mr. Mahon;

(x) in the event of a Change in Control described in section 13(b) of this Agreement, a failure of the Bank to provide, or cause to be provided, to Mr. Mahon in connection with such Change in Control, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Mahon in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Bank and satisfactory to Mr. Mahon, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions; or

(xi) a change in the position to which Mr. Mahon reports;

(xii) in the event of a Change in Control described in section 13(a) of this Agreement, termination of employment for any or no reason whatsoever during the period of sixty (60) days beginning on the first anniversary of the effective date of such Change in Control.

13. Definition of Change in Control. For purposes of this Agreement, a Change in Control of the Bank shall mean:

(a) the occurrence of any event upon which any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan maintained for the benefit of employees of the Bank; (B) a corporation owned, directly or indirectly, by the stockholders of the Bank in substantially the same proportions as their ownership of stock of the Bank; or (C) Mr. Mahon, or any group otherwise constituting a person in which Mr. Mahon is a member, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities issued by the Bank representing 25% or more of the combined voting power of all of the Bank's then outstanding securities; or

(b) the occurrence of any event upon which the individuals who on the date first above written are members of the Board, together with individuals (other than any individual designated by a person who has entered into an agreement with the Bank to effect a transaction described in section 13(a) or 13(c) of this Agreement) whose election by the Board or nomination for election by the Bank's stockholders was approved by the affirmative vote of at least two-thirds of the members of Board then in office who were either members of the Board on the date first above written or whose nomination or election was previously so approved cease for any reason to constitute a majority of the members of the Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Bank (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(c) the shareholders of the Bank approve either:

(i) a merger or consolidation of the Bank with any other corporation, other than a merger or consolidation following which both of the following conditions are satisfied:

(A) either (A) the members of the Board of the Bank immediately prior to such merger or consolidation constitute at least a majority of the members of the governing body of the institution resulting from such merger or consolidation; or (B) the shareholders of the Bank own securities of the institution resulting from such merger or consolidation representing 80% or more of the combined voting power of all such securities then outstanding in substantially the same proportions as their ownership of voting securities of the Bank before such merger or consolidation; and

(B) the entity which results from such merger or consolidation expressly agrees in writing to assume and perform the Bank's obligations under this Agreement; or

(ii) a plan of complete liquidation of the Bank or an agreement for the sale or disposition by the Bank of all or substantially all of its assets; and

(d) any event which would be described in section 13(a), (b) or (c) if the term "Company" were substituted for the term "Bank" therein. Such an event shall be deemed to be a Change in Control under the relevant provision of section 13(a), (b) or (c).

It is understood and agreed that more than one Change in Control may occur at the same or different times during the Employment Period and that the provisions of this Agreement shall apply with equal force and effect with respect to each such Change in Control.

14. No Effect on Employee Benefit Plans or Programs. Except as expressly provided in this Agreement, the termination of Mr. Mahon's employment during the Employment Period or thereafter, whether by the Bank or by Mr. Mahon, shall have no effect on the rights and obligations of the parties hereto under the Bank's the Retirement Plan and the Bank's Incentive Savings Plan, group life, health (including hospitalization, medical and major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs (whether or not employee benefit plans or programs) and, following the conversion of the Bank to stock form, any stock option and appreciation rights plan, employee stock ownership plan and restricted stock plan, as may be maintained by, or cover employees of, the Bank from time to time.

15. Successors and Assigns.

(a) The Bank shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Bank to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank

would be required to perform it if no such succession had taken place. Failure of the Bank to obtain such assumption and agreement prior to the effectiveness of any such succession shall be deemed to constitute a material breach of the Bank's obligations under this Agreement.

(b) This Agreement will inure to the benefit of and be binding upon Mr. Mahon, his legal representatives and testate or intestate distributees, and the Bank, their respective successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the respective assets and business of the Bank may be sold or otherwise transferred.

16. Notices. Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be in writing and shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed to such party at the address listed below or at such other address as one such party may by written notice specify to the other party:

If to Mr. Mahon:

[Home address deleted].

If to the Bank:

The Dime Savings Bank of Williamsburgh
209 Havemeyer Street
Brooklyn, New York 11211

Attention: Corporate Secretary

With a copy to:

Thacher Proffitt & Wood
Two World Trade Center, 39th Floor
New York, New York 10048

Attention: W. Edward Bright, Esq.

17. Indemnification and Attorneys' Fees. The Bank shall pay to or on behalf of Mr. Mahon all reasonable costs, including legal fees, incurred by him in connection with or arising out of his consultation with legal counsel or in connection with or arising out of any action, suit or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, that Mr. Mahon shall have substantially prevailed on the merits pursuant to a judgment, decree or order of a court of competent jurisdiction or of an arbitrator in an arbitration proceeding, or in a settlement; provided, further, that this section 17 shall not obligate the Bank to pay costs and legal fees on behalf of Mr. Mahon under this Agreement in excess of \$50,000. For purposes of this Agreement, any settlement agreement which provides for payment of any amounts in settlement of the Bank's obligations hereunder shall be conclusive evidence of Mr. Mahon's entitlement to indemnification hereunder, and any such indemnification payments shall be in addition to amounts payable pursuant to such settlement agreement, unless such settlement agreement expressly provides otherwise.

18. Severability. A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

19. Waiver. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A waiver of any provision of this Agreement must be made in writing, designated as a waiver, and signed by the party against who its enforcement is sought. Any waiver or relinquishment of such right or power at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

20. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

21. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without reference to conflicts of law principles.

22. Headings and Construction. The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any reference to a section number shall refer to a section of this Agreement, unless otherwise stated. Any reference to the term "Board" shall mean the Board of Trustees of the Bank while the

Bank is a mutual savings bank and the Board of Directors of the Bank while the Bank is a stock savings bank. Any reference to the term "Bank" shall mean the Bank in its mutual form prior to the conversion and in its stock form on and after the conversion. If the Bank does not convert to stock form, any reference to the Bank's being a stock savings bank shall have no effect.

23. Entire Agreement; Modifications. This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof, including the Amended and Restated Employment Agreement dated October 1, 1995 between the Bank and Mr. Mahon. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto.

24. Arbitration Clause. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; the expense of such arbitration shall be borne by the Bank.

25. Required Regulatory Provisions. The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Association:

(a) Notwithstanding anything herein contained to the contrary, in no event shall the aggregate amount of compensation payable to the Executive under section 9(b) hereof (exclusive of amounts described in section 9(b)(i) and (viii)) exceed the three times the Executive's average annual total compensation for the last five consecutive calendar years to end prior to his termination of employment with the Association (or for his entire period of employment with the Association if less than five calendar years).

(b) Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Association, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. Section 1828(k), and any regulations promulgated thereunder.

(c) Notwithstanding anything herein contained to the contrary, if the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the affairs of the Association pursuant to a notice served under section 8(e)(3) or 8(g)(1) of the FDI Act, 12 U.S.C. Section 1818(e)(3) or 1818(g)(1), the Association's obligations under this Agreement shall be suspended as of the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Association, in its discretion, may (i) pay to the Executive all or part of the compensation withheld while the Association's obligations hereunder were suspended and (ii) reinstate, in whole or in part, any of the obligations which were suspended.

(d) Notwithstanding anything herein contained to the contrary, if the Executive is removed and/or permanently prohibited from participating in the conduct of the Association's affairs by an order issued under section 8(e)(4) or 8(g)(1) of the FDI Act, 12 U.S.C. Section 1818(e)(4) or (g)(1), all prospective obligations of the Association under this Agreement shall terminate as of the effective date of the order, but vested rights and obligations of the Association and the Executive shall not be affected.

(e) Notwithstanding anything herein contained to the contrary, if the Association is in default (within the meaning of section 3(x)(1) of the FDI Act, 12 U.S.C. Section 1813(x)(1), all prospective obligations of the Association under this Agreement shall terminate as of the date of default, but vested rights and obligations of the Association and the Executive shall not be affected.

(f) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Association hereunder shall be terminated, except to the extent that a continuation of this Agreement is necessary for the continued operation of the Association: (i) by the Director of the OTS or his designee or the Federal Deposit Insurance Corporation ("FDIC"), at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Association under the authority contained in section 13(c) of the FDI Act, 12 U.S.C. Section 1823(c); (ii) by the Director of the OTS or his designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Association or when the Association is determined by such Director to be in an unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

If and to the extent that any of the foregoing provisions shall cease to be required or by applicable law, rule or regulation, the same shall become inoperative as though eliminated by formal

amendment of this Agreement.

IN WITNESS WHEREOF, the Bank has caused this Agreement to be executed and Mr. Mahon has hereto set his hand, all as of the day and year first above written.

/s/ Kenneth J. Mahon
KENNETH J. MAHON

ATTEST

THE DIME SAVINGS BANK OF WILLIAMSBURGH

By: /s/ Evelyn McLoughlin
Assistant Secretary

By: /s/ Anthony Bergamo
for the Board of Directors

[Seal]

[Witnessed and attested to by Notary Public].

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 26th day of June, 1996, by and between Dime Community Bancorp, Inc., a savings and loan holding company organized and operating under the laws of the State of Delaware and having an office at 209 Havemeyer Street, Brooklyn, New York 11211 ("Company") and Vincent F. Palagiano, residing at [home address deleted].

W I T N E S S E T H :

WHEREAS, Mr. Palagiano currently serves the Company in the capacity of Chairman of the Board, President and Chief Executive Officer of its wholly owned subsidiary, The Dime Savings Bank of Williamsburgh ("Bank"); and

WHEREAS, the Company desires to assure for itself the continued availability of Mr. Palagiano's services and the ability of Mr. Palagiano to perform such services with a minimum of personal distraction in the event of a pending or threatened Change in Control (as hereinafter defined); and

WHEREAS, Mr. Palagiano is willing to continue to serve the Company on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and obligations hereinafter set forth, the Company and Mr. Palagiano hereby agree as follows:

1. Representations and Warranties of the Parties.

(a) The Company hereby represents and warrants to Mr. Palagiano that:

(i) it has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of its obligations hereunder; and

(ii) the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate action on the part of the Company; and

(iii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which the Company is a party or by which it is bound, or (B) any provision of law, including, without limitation, any statute, rule or regulation or any order of any court or administrative agency, applicable to the Company or its business.

(b) Mr. Palagiano hereby represents and warrants to the Company that:

(i) he has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of his obligations hereunder; and

(ii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which he is a party or by which he is bound, or (B) including, without limitation, any statute, rule or regulation or any order of any court or administrative agency, applicable to him.

2. Employment. The Company hereby continues the employment of Mr. Palagiano, and Mr. Palagiano hereby accepts such continued employment, during the period and upon the terms and conditions set forth in this Agreement.

3. Employment Period.

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this section 3 ("Employment Period"). The Employment Period shall be for an initial term of three years beginning on the date of this Agreement and ending on the third anniversary date of this Agreement, plus such extensions, if any, as are provided by the Board pursuant to section 3(b).

(b) Except as provided in section 3(c), beginning on the date of this Agreement, the Employment Period shall automatically be extended for one (1) additional day each day, unless either the Company or Mr. Palagiano elects not to extend the Agreement further by giving written notice to the other party, in which case the Employment Period shall end on the third anniversary of the date on which such written notice is given. Upon termination of Mr. Palagiano's employment with the Company for any reason whatsoever, any daily extensions provided pursuant to this section 3(b), if not therefore discontinued, shall

automatically cease.

(c) If, prior to the date on which the Employment Period would end pursuant to section 3(a) or (b) of this Agreement, a Change in Control (as defined in section 13 of this Agreement) occurs, then the Employment Period shall be extended through and including the third anniversary of the earliest date after the effective date of such Change in Control on which either the Company or Mr. Palagiano elects, by written notice pursuant to section 3(d) of this Agreement to the non-electing party, to discontinue the Employment Period; provided, however, that this section shall not apply in the event that, prior to the Change in Control (as defined in section 13 of this Agreement), Mr. Palagiano has provided written notice to the Company of his intent to discontinue the Employment Period.

(d) The Company or Mr. Palagiano may, at any time by written notice given to the other, elect to terminate this Agreement. Any such notice given by the Company shall be accompanied by a certified copy of a resolution, adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board duly called and held, authorizing the giving of such notice.

(e) Notwithstanding anything herein contained to the contrary: (i) Mr. Palagiano's employment with the Company may be terminated during the Employment Period, in accordance with the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Mr. Palagiano's employment following the expiration of the Employment Period upon such terms and conditions as the Company and Mr. Palagiano may mutually agree upon.

(f) For all purposes of this Agreement, any reference to the "Remaining Unexpired Employment Period" as of any specified date shall mean a period commencing on the date specified and ending on the last day of the third (3rd) year from the date specified, or, if neither party has given notice electing a discontinuance of the Employment Period, on the third (3rd) anniversary of the date specified.

4. Duties. During the Employment Period, Mr. Palagiano shall:

(a) except to the extent allowed under section 7 of this Agreement, devote his full business time and attention to the business and affairs of the Company and use his best efforts to advance the Company's interests;

(b) serve as Chairman of the Board, President and Chief Executive Officer if duly appointed and/or elected to serve in such position; and

(c) have such functions, duties and responsibilities not inconsistent with his title and office as may be assigned to him by or under the authority of the Board of Directors of the Company ("Board"), in accordance with organization Certificate, By-laws, Applicable Laws, Statutes and Regulations, custom and practice of the Company as in effect on the date first above written.

Mr. Palagiano shall have such authority as is necessary or appropriate to carry out his assigned duties. Mr. Palagiano shall report to and be subject to direction and supervision by the Board.

(d) none of the functions, duties and responsibilities to be performed by Mr. Palagiano pursuant to this Agreement shall be deemed to include those functions, duties and responsibilities performed by Mr. Palagiano in his capacity as director of the Company.

5. Compensation -- Salary and Bonus. In consideration for services rendered by Mr. Palagiano under this Agreement, the Company shall pay to Mr. Palagiano a salary at an annual rate equal to:

(a) during the period beginning on January 1, 1996 and ending on December 31, 1996, no less than \$450,000;

(b) during each calendar year that begins after December 31, 1996, such amount as the Board may, in its discretion, determine, but in no event less than the rate in effect on December 31, 1996; or

(c) for each calendar year that begins on or after a Change in Control, the product of Mr. Palagiano's annual rate of salary in effect immediately prior to such calendar year, multiplied by the greatest of:

(i) 1.06;

(ii) the quotient of (A) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for

October of the immediately preceding calendar year, divided by (B) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the second preceding calendar year; and

(iii) the quotient of (A) the average annual rate of salary, determined as of the first day of such calendar year, of the officers of the Company (other than Mr. Palagiano) who are assistant vice presidents or more senior officers, divided by (B) the average annual rate of salary, determined as of the first day of the immediately preceding calendar year, of the officers of the Company (other than Mr. Palagiano) who are assistant vice presidents or more senior officers;

The salary payable under this section 5 shall be paid in approximately equal installments in accordance with the Company's customary payroll practices. Nothing in this section 5 shall be construed as prohibiting the payment to Mr. Palagiano of a salary in excess of that prescribed under this section 5 or of additional cash or non-cash compensation in a form other than salary, to the extent that such payment is duly authorized by or under the authority of the Board.

(d) No portion of the compensation paid to Mr. Palagiano pursuant to this Agreement shall be deemed to be compensation received by Mr. Palagiano in his capacity as director of the Company.

6. Employee Benefits Plans and Programs; Other Compensation. Except as otherwise provided in this Agreement, Mr. Palagiano shall be treated as an employee of the Company and be entitled to participate in and receive benefits under the Company's Retirement Plan, Incentive Savings Plan, group life and health (including medical and major medical) and disability insurance plans, and such other employee benefit plans and programs, including but not limited to any long-term or short-term incentive compensation plans or programs (whether or not employee benefit plans or programs), as the Company may maintain from time to time, in accordance with the terms and conditions of such employee benefit plans and programs and compensation plans and programs and with the Company's customary practices. Following a Change in Control, all such benefits to Mr. Palagiano shall be continued on terms and conditions substantially identical to, and in no event less favorable than, those in effect prior to the Change in Control.

In the event of a conversion of the Bank from a mutual savings bank to a form of organization owned by stockholders ("Conversion"), the Company will provide, or cause to be provided, to Mr. Palagiano in connection with such Conversion, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Palagiano in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Company and satisfactory to Mr. Palagiano, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions.

7. Board Memberships and Personal Activities.

(a) Mr. Palagiano may serve as a member of the board of directors of such business, community and charitable organizations as he may disclose to the Board from time to time, and he may engage in personal business and investment activities for his own account; provided, however, that such service and personal business and investment activities shall not materially interfere with the performance of his duties under this Agreement.

(b) Mr. Palagiano may also serve as an officer or director of the Bank on such terms and conditions as the Company and the Bank may mutually agree upon, and such service shall not be deemed to materially interfere with Mr. Palagiano's performance of his duties hereunder or otherwise result in a material breach of this Agreement. If Mr. Palagiano is discharged or suspended, or is subject to any regulatory prohibition or restriction with respect to participation in the affairs of the Bank, he shall (subject to the Company's powers of termination hereunder) continue to perform services for the Company in accordance with this Agreement but shall not directly or indirectly provide services to or participate in the affairs of the Bank in a manner inconsistent with the terms of such discharge or suspension or any applicable regulatory order.

8. Working Facilities and Expenses. Mr. Palagiano's principal place of employment shall be at the Company's executive

offices at the address first above written, or at such other location in the New York metropolitan area as determined by the Board. The Company shall provide Mr. Palagiano, at his principal place of employment, with a private office, stenographic services and other support services and facilities suitable to his position with the Company and necessary or appropriate in connection with the performance of his assigned duties under this Agreement. The Company shall provide Mr. Palagiano with an automobile suitable to his position with the Company in accordance with its prior practices, and such automobile shall be used by Mr. Palagiano in carrying out his duties under this Agreement, including commuting between his residence and his principal place of employment. The Company shall reimburse Mr. Palagiano for his ordinary and necessary business expenses, including, without limitation, all expenses associated with his business use of the aforementioned automobile, fees for memberships in such clubs and organizations as Mr. Palagiano and the Company shall mutually agree are necessary and appropriate for business purposes and travel and entertainment expenses incurred in connection with the performance of his duties under this Agreement, upon presentation to the Company of an itemized account of such expenses in such form as the Company may reasonably require. Mr. Palagiano shall be entitled to no less than four (4) weeks of paid vacation during each year in the Employment Period.

9. Termination Giving Rise to Severance Benefits.

(a) In the event that Mr. Palagiano's employment with the Company shall terminate during the Employment Period on account of the termination of Mr. Palagiano's employment with the Company other than:

(i) a Termination for Cause (within the meaning of section 12(a) of this Agreement);

(ii) a voluntary resignation by Mr. Palagiano other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement);

(iii) a termination on account of Mr. Palagiano's death; or

(iv) a termination after both of the following conditions exist: (A) Mr. Palagiano has been absent from the full-time service of the Company on account of his Disability (as defined in section 11(b) of this Agreement) for at least six (6) consecutive months; and (B) Mr. Palagiano shall have failed to return to work in the full-time service of the Company within thirty (30) days after written notice requesting such return is given to Mr. Palagiano by the Company; then the Company shall provide to Mr. Palagiano the benefits and pay to Mr. Palagiano the amounts provided under section 9(b) of this Agreement.

(b) In the event that Mr. Palagiano's employment with the Company shall terminate under circumstances described in section 9(a) of this Agreement or if the Company terminates this Agreement pursuant to section 3(d), the following benefits and amounts shall be paid or provided to Mr. Palagiano (or, in the event of his death, to his estate):

(i) his earned but unpaid salary as of the date of the termination of his employment with the Company, payable when due but in no event later than thirty (30) days following his termination of employment with the Company;

(ii) (A) the benefits, if any, to which Mr. Palagiano and his family and dependents are entitled as a former employee, or family or dependents of a former employee, under the employee benefit plans and programs and compensation plans and programs maintained for the benefit of the Company's officers and employees, in accordance with the terms of such plans and programs in effect on the date of his termination of employment, or if his termination of employment occurs after a Change in Control, on the date of his termination of employment or on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Palagiano, where credit is given for three additional years of service and age in determining eligibility and benefits for any plan and program where age and service are relevant factors, and (B) payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual rate of salary for such year;

(iii) continued group life, health (including hospitalization, medical and major medical, dental, accident and long-term disability insurance benefits), in addition to that provided pursuant to section 9(b)(ii) of this Agreement and after taking into account the coverage provided by any subsequent employer, if and to the extent necessary to provide Mr. Palagiano and his family and dependents for the Remaining Unexpired Employment Period, coverage identical to and in any event no less favorable than the coverage to which they would have been entitled under such plans (as in effect on the date of his termination of employment, or, if his termination of employment occurs after a Change in Control, on the date of his termination of employment or during the one-year period ending on the date of such Change in Control, whichever results in more favorable

benefits as determined by Mr. Palagiano) if he had continued working for the Company during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement;

(iv) within thirty (30) days following his termination of employment with the Company, a lump sum payment in an amount equal to the present value of the salary and the bonus that Mr. Palagiano would have earned if he had worked for the Company during the Remaining Unexpired Employment Period at the highest annual rate of salary (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) and the highest bonus as a percentage of the rate of salary provided for under this Agreement, where such present value is to be determined using a discount rate of six percent (6%) per annum, compounded, in the case of salary, with the frequency corresponding to the Company's regular payroll periods with respect to its officers, and, in the case of bonus, annually;

(v) within thirty (30) days following his termination of employment with the Company, a lump sum payment in an amount equal to the excess, if any, of: (A) the present value of the benefits to which he would be entitled under any defined benefit plans maintained by, or covering employees of, the Company (including any "excess benefit plan" within the meaning of section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Company during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement and been fully vested in such plan or plans and had continued working for the Company during the Remaining Unexpired Employment Period, such benefits to be determined as of the date of termination of employment by adding to the service actually recognized under such plans an additional period equal to the Remaining Unexpired Employment Period and by adding to the compensation recognized under such plans for the year in which termination of employment occurs all amounts payable under sections 9(b)(i), (iv) and (vii), over (B) the present value of the benefits to which he is actually entitled under any such plans maintained by, or covering employees of, the Company as of the date of his termination where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded monthly, and the mortality tables prescribed under section 72 of the Internal Revenue Code of 1986 ("Code");

(vi) within thirty (30) days following his termination of employment with the Company, a lump sum payment in an amount equal to the excess, if any, of (A) the present value of the benefits attributable to the Company's contribution to which he would be entitled under any defined contribution plans maintained by, or covering employees of, the Company (including any "excess benefit plan" within the meaning of section 3(36) of ERISA, or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Company during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, and made the maximum amount of employee contributions, if any, required or permitted under such plan or plans, and been eligible for the highest rate in matching contributions under such plan or plans during the Remaining Unexpired Employment Period which is prior to Mr. Palagiano's termination of employment with the Company, and been fully vested in such plan or plans, over (B) the present value of the benefits attributable to the Company's contributions to which he is actually entitled under such plans as of the date of his termination of employment with the Company, where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded with the frequency corresponding to the Company's regular payroll periods with respect to its officers;

(vii) the payments that would have been made to Mr. Palagiano under any incentive compensation plan maintained by, or covering employees of, the Company (other than bonus payments to which section 9(b)(iv) of this Agreement is applicable) if he had continued working for the Company during the Remaining Unexpired Employment Period and had earned an incentive award in each calendar year that ends during the Remaining Unexpired Employment Period in an amount equal to the product of (A) the maximum percentage rate of compensation at which an award was ever available to Mr. Palagiano under such incentive compensation plan, multiplied by (B) the compensation that would have been paid to Mr. Palagiano during each calendar year at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, such payments to be made at the same time and in the same manner as payments are made to other officers of the Company pursuant to the terms of such incentive compensation plan; provided, however, that payments under this section 9(b)(vii) shall not be made to Mr. Palagiano for any year on account of which no payments are made to any of the Company's officers under any such incentive compensation plan; and

(viii) the benefits to which Mr. Palagiano is entitled under the Company's Supplemental Executive Retirement Plan (or other excess benefits plan with the meaning of section 3(36) of ERISA or other special or supplemental plan) shall be paid to him in a lump sum, where such lump sum is computed using the mortality tables under the Company's tax-qualified pension plan and a discount rate of 6% per annum.

The payments specified in section 9(b) (viii) shall be made within thirty (30) days after the date of Mr. Palagiano's election, and if the amount may be increased by a subsequent Change in Control, any additional payment shall be made within thirty (30) days of such Change in Control.

(c) Mr. Palagiano shall not be required to mitigate the amount of any payment provided for in this section 9 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this section 9 be reduced by any compensation earned by Mr. Palagiano as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by Mr. Palagiano to the Company, or otherwise except as specifically provided in section 9(b) (iii) of this Agreement or except as provided in section 28 to avoid duplication of payments. The Company and Mr. Palagiano hereby stipulate that the damages which may be incurred by Mr. Palagiano as a consequence of any such termination of employment are not capable of accurate measurement as of the date first above written and that the benefits and payments provided for in this Agreement constitute a reasonable estimate under the circumstances of all damages sustained as a consequence of any such termination of employment, other than damages arising under or out of any stock option, restricted stock or other non-qualified stock acquisition or investment plan or program, it being understood and agreed that this Agreement shall not determine the measurement of damages under any such plan or program in respect of any termination of employment.

10. Termination Without Severance Benefits. In the event that Mr. Palagiano's employment with the Company shall terminate during the Employment Period on account of:

(a) Termination for Cause (within the meaning of section 12(a) of this Agreement);

(b) voluntary resignation by Mr. Palagiano other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement); or

(c) Mr. Palagiano's death;

then the Company shall have no further obligations under this Agreement, other than the payment to Mr. Palagiano (or, in the event of his death, to his estate) of his earned but unpaid salary as of the date of the termination of his employment, and the provision of such other benefits, if any, to which he is entitled as a former employee under the Company's employee benefit plans and programs and compensation plans and programs and payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual salary for such year.

11. Death and Disability.

(a) Death. If Mr. Palagiano's employment is terminated by reason of Mr. Palagiano's death during the Employment Period, this Agreement shall terminate without further obligations to Mr. Palagiano's legal representatives under this Agreement, other than for payment of amounts and provision of benefits under sections 9(b) (i) and (ii); provided, however, that if Mr. Palagiano dies while in the employment of the Company, his designated beneficiary(ies) shall receive a death benefit, payable through life insurance or otherwise, which is the equivalent on a net after-tax basis of the death benefit payable under a term life insurance policy, with a stated death benefit of three times Mr. Palagiano's then Annual Base Salary.

(b) Disability. If Mr. Palagiano's employment is terminated by reason of Mr. Palagiano's Disability as defined in section 11(c) during the Employment Period, this Agreement shall terminate without further obligations to Mr. Palagiano, other than for payment of amounts and provision of benefits under section 9(b) (i) and (ii); provided, however, that in the event of Mr. Palagiano's Disability while in the employment of the Company, the Company will pay to him a lump sum amount equal to three times his then Annual Base Salary.

(c) For purposes of this Agreement, "Disability" shall be defined in accordance with the terms of the Company's long term disability policy.

(d) Payments under this section 11 shall be made within 30 days after Mr. Palagiano's death or disability.

12. Definition of Termination for Cause and Resignation for Good Reason.

(a) Mr. Palagiano's termination of employment with the

Company shall be deemed a "Termination for Cause" if such termination occurs upon:

(i) Mr. Palagiano's willful and continued failure to substantially perform his duties with the Company (other than any failure resulting from incapacity due to physical or mental illness or any actual or anticipated failure following notice by Mr. Palagiano of an intended Resignation for Good Reason) after a written demand for substantial performance is delivered to him by the Board, which demand specifically identifies the manner in which the Board believes Mr. Palagiano has not substantially performed his duties, and the failure to cure such breach within sixty (60) days following written notice thereof from the Company; or (ii) the intentional and willful engaging in dishonest conduct in connection with his performance of services for the Company resulting in his conviction of a felony, fraud, personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, willful violation of any law, rule or regulation (other than traffic violations or similar offenses), or final cease-and-desist order.

No act, or failure to act, on Mr. Palagiano's part shall be deemed willful unless done, or omitted to be done, not in good faith and without reasonable belief that such action or omission was in the best interest of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the written advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Mr. Palagiano in good faith and in the best interests of the Company. Notwithstanding the foregoing, no termination of Mr. Palagiano's employment shall be a Termination for Cause unless there shall have been delivered to Mr. Palagiano a copy of a resolution duly adopted by the affirmative vote of a majority of the Board of Directors (or, following a Change in Control, an affirmative vote of three-quarters of the Board of Directors) at a meeting of the Board called and held for such purpose (after reasonable notice to Mr. Palagiano and an opportunity for Mr. Palagiano, together with his counsel, to be heard before the Board) finding that in good faith opinion of the Board circumstances described in section 12(a) (i) or (ii) exist and specifying the particulars thereof in detail.

(b) Mr. Palagiano's termination of employment with the Company shall be deemed a Resignation for Good Reason if such termination occurs following any one or more of the following events:

(i) (A) the assignment to Mr. Palagiano of any duties inconsistent with Mr. Palagiano's status as Chairman of the Board, President and Chief Executive Officer of the Company or (B) a substantial adverse alteration in the nature or status of Mr. Palagiano's responsibilities from those in effect immediately prior to the alteration; or (C) any Change in Control described in section 13(b);

(ii) a reduction by the Company in Mr. Palagiano's annual base salary as in effect on the date first above written or as the same may be increased from time to time, unless such reduction was mandated at the initiation of any regulatory authority having jurisdiction over the Company;

(iii) the relocation of the Company's principal executive offices to a location outside the New York metropolitan area or the Company's requiring Mr. Palagiano to be based anywhere other than the Company's principal executive offices except for required travel on the Company's business to an extent substantially consistent with Mr. Palagiano's business travel obligations at the date first above written;

(iv) the failure by the Company, without Mr. Palagiano's consent, to pay to Mr. Palagiano, within seven (7) days of the date when due, (A) any portion of his compensation, or (B) any portion of an installment of deferred compensation under any deferred compensation program of the Company;

(v) the failure by the Company to continue in effect any compensation plan in which Mr. Palagiano participates which is material to his total compensation, including but not limited to the Retirement Plan and the Company's Incentive Savings Plan or any substitute plans unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue his participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of his participation relative to other participants, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Company;

(vi) the failure by the Company to continue to provide Mr. Palagiano with benefits substantially similar to those enjoyed by Mr. Palagiano under the Retirement Plan and the Company's Incentive Savings Plan or under any of the Company's life, health (including hospitalization, medical and major medical), dental, accident, and long-term disability insurance benefits, in which Mr. Palagiano is participating, or the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive Mr. Palagiano

of the number of paid vacation days to which he is entitled, on the basis of years of service with the Company, rank or otherwise, in accordance with the Company's normal vacation policy, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Company;

(vii) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in section 15(a) of this Agreement;

(viii) any purported termination of employment by the Company which is not effected pursuant the provisions of section 12(a) regarding Termination for Cause or on account of Disability;

(ix) a material breach of this Agreement by the Company, which the Company fails to cure within thirty (30) days following written notice thereof from Mr. Palagiano;

(x) in the event of a Change in Control described in section 13(b) of this Agreement, a failure of the Company to provide, or cause to be provided, to Mr. Palagiano in connection with such Change in Control, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Palagiano in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Company and satisfactory to Mr. Palagiano, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions; or

(xi) a requirement that Mr. Palagiano report to any person or group other than the Board;

(xii) in the event of a Change in Control described in section 13 of this Agreement, termination of employment for any or no reason whatsoever during the period of sixty (60) days beginning on the first anniversary of the effective date of such Change in Control.

13. Definition of Change in Control. For purposes of this Agreement, a Change in Control of the Company shall mean:

(a) the occurrence of any event upon which any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan maintained for the benefit of employees of the Company; (B) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (C) Mr. Palagiano, or any group otherwise constituting a person in which Mr. Palagiano is a member, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities issued by the Company representing 25% or more of the combined voting power of all of the Company's then outstanding securities; or

(b) the occurrence of any event upon which the individuals who on the date first above written are members of the Board, together with individuals (other than any individual designated by a person who has entered into an agreement with the Company to effect a transaction described in section 13(a) or 13(c) of this Agreement) whose election by the Board or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the members of Board then in office who were either members of the Board on the date first above written or whose nomination or election was previously so approved cease for any reason to constitute a majority of the members of the Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(c) the shareholders of the Company approve either:

(i) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation following which both of the following conditions are satisfied:

(A) either (1) the members of the Board of the Company immediately prior to such merger or consolidation constitute at least a majority of the members of the governing body of the institution resulting from such merger or consolidation; or (2) the shareholders of the Company own securities of the institution resulting from such merger or consolidation representing 80% or more of the combined voting

power of all such securities then outstanding in substantially the same proportions as their ownership of voting securities of the Company before such merger or consolidation; and

(B) the entity which results from such merger or consolidation expressly agrees in writing to assume and perform the Company's obligations under this Agreement; or

(ii) a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets; and

(d) any event which would be described in section 13(a), (b) or (c) if the term "Bank" were substituted for the term "Company" therein. Such event shall be deemed to be a Change in Control under the relevant provision of section 13(a), (b) or (c).

It is understood and agreed that more than one Change in Control may occur at the same or different times during the Employment Period and that the provisions of this Agreement shall apply with equal force and effect with respect to each such Change in Control.

14. No Effect on Employee Benefit Plans or Programs. Except as expressly provided in this Agreement, the termination of Mr. Palagiano's employment during the Employment Period or thereafter, whether by the Company or by Mr. Palagiano, shall have no effect on the rights and obligations of the parties hereto under the Company's or the Bank's Retirement Plan and the Company's Incentive Savings Plan, group life, health (including hospitalization, medical and major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs (whether or not employee benefit plans or programs) and, following the conversion of the Company to stock form, any stock option and appreciation rights plan, employee stock ownership plan and restricted stock plan, as may be maintained by, or cover employees of, the Company from time to time.

15. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be deemed to constitute a material breach of the Company's obligations under this Agreement.

(b) This Agreement will inure to the benefit of and be binding upon Mr. Palagiano, his legal representatives and testate or intestate distributees, and the Company, their respective successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the respective assets and business of the Company may be sold or otherwise transferred.

16. Notices. Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be in writing and shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed to such party at the address listed below or at such other address as one such party may by written notice specify to the other party:

If to Mr. Palagiano:

[Home address deleted].

If to the Company:

Dime Community Bancorp, Inc.

209 Havemeyer Street
Brooklyn, New York 11211
Attention: Corporate Secretary

with a copy to:

Thacher Proffitt & Wood
Two World Trade Center, 39th Floor
New York, New York 10048

Attention: W. Edward Bright, Esq.

17. Indemnification and Attorneys' Fees. The Company shall pay to or on behalf of Mr. Palagiano all reasonable costs,

including legal fees, incurred by him in connection with or arising out of his consultation with legal counsel or in connection with or arising out of any action, suit or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, that this section 17 shall not obligate the Company to pay costs and legal fees on behalf of Mr. Palagiano under this Agreement in excess of \$50,000.

18. Excise Tax Indemnification.

(a) This section 18 shall apply if Mr. Palagiano's employment is terminated in circumstances giving rise to liability for excise taxes under section 4999 of the Code. If this Section 18 applies, then, if for any taxable year, Mr. Palagiano shall be liable for the payment of an excise tax under section 4999 of the Code with respect to any payment in the nature of compensation made by the Company or any direct or indirect subsidiary or affiliate of the Company to (or for the benefit of) Mr. Palagiano, the Company shall pay to Mr. Palagiano an amount equal to X determined under the following formula:

$$X = \frac{E \times P}{1 - [(FI \times (1 - SLI)) + SLI + E + M]}$$

where

- E = the rate at which the excise tax is assessed under section 4999 of the Code;
- P = the amount with respect to which such excise tax is assessed, determined without regard to this section 18;
- FI = the highest marginal rate of income tax applicable to Mr. Palagiano under the Code for the taxable year in question;
- SLI = the sum of the highest marginal rates of income tax applicable to Mr. Palagiano under all applicable state and local laws for the taxable year in question; and
- M = the highest marginal rate of Medicare tax applicable to Mr. Palagiano under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Mr. Palagiano under the terms of this Agreement, or otherwise, and on which an excise tax under section 4999 of the Code will be assessed, the payment determined under this section 18(a) shall be made to Mr. Palagiano on the earlier of (i) the date the Company or any direct or indirect subsidiary or affiliate of the Company is required to withhold such tax, or (ii) the date the tax is required to be paid by Mr. Palagiano.

(b) Notwithstanding anything in this section 18 to the contrary, in the event that Mr. Palagiano's liability for the excise tax under section 4999 of the Code for a taxable year is subsequently determined to be different than the amount determined by the formula $(X + P) \times E$, where X, P and E have the meanings provided in section 18(a), Mr. Palagiano or the Company, as the case may be, shall pay to the other party at the time that the amount of such excise tax is finally determined, an appropriate amount, plus interest, such that the payment made under section 18(a), when increased by the amount of the payment made to Mr. Palagiano under this section 18(b) by the Company, or when reduced by the amount of the payment made to the Company under this section 18(b) by Mr. Palagiano, equals the amount that should have properly been paid to Mr. Palagiano under section 18(a). The interest paid under this section 18(b) shall be determined at the rate provided under section 1274(b)(2)(B) of the Code. To confirm that the proper amount, if any, was paid to Mr. Palagiano under this section 18, Mr. Palagiano shall furnish to the Company a copy of each tax return which reflects a liability for an excise tax payment made by the Company, at least 20 days before the date on which such return is required to be filed with the Internal Revenue Service.

(c) The provisions of this section 18 are designed to reflect the provisions of applicable federal, state and local tax laws in effect on the date of this Agreement. If, after the date hereof, there shall be any change in any such laws, this section 18 shall be modified in such manner as Mr. Palagiano and the Company may mutually agree upon if and to the extent necessary to assure that Mr. Palagiano is fully indemnified against the economic effects of the tax imposed under section 4999 of the Code or any similar federal, state or local tax.

19. Severability. A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

20. Waiver. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not

be deemed a waiver of such term, covenant, or condition. A waiver of any provision of this Agreement must be made in writing, designated as a waiver, and signed by the party against who its enforcement is sought. Any waiver or relinquishment of such right or power at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

21. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

22. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without reference to conflicts of law principles.

23. Headings and Construction. The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any reference to a section number shall refer to a section of this Agreement, unless otherwise stated.

24. Entire Agreement; Modifications. This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof, including the Amended and Restated Employment Agreement dated October 1, 1995 between the Bank and Mr. Palagiano. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto.

25. Arbitration Clause. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; the expense of such arbitration shall be borne by the Company.

26. Provisions of Law. Notwithstanding anything herein contained to the contrary, any payments to Mr. Palagiano by the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and any regulations promulgated thereunder.

27. Guarantee. The Company hereby agrees to guarantee the payment by the Bank of any benefits and compensation to which the Executive is or may be entitled to under the terms and conditions of the employment agreement dated as of the 26th day of June, 1996 between the Bank and Mr. Palagiano, a copy of which is attached hereto as Exhibit A.

28. Non-duplication. In the event that Mr. Palagiano shall perform services for the Bank or any other direct or indirect subsidiary of the Company, any compensation or benefits provided to Mr. Palagiano by such other employer shall be applied to offset the obligations of the Company hereunder, it being intended that this Agreement set forth the aggregate compensation and benefits payable to Mr. Palagiano for all services to the Company and all of its direct or indirect subsidiaries.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and Mr. Palagiano has hereto set his hand, all as of the day and year first above written.

/s/ Vincent F. Palagiano
VINCENT F. PALAGIANO

ATTEST DIME COMMUNITY BANCORP, INC.

By: /s/ Evelyn McLoughlin Assistant Secretary By: /s/ Anthony Bergamo for the Board of Directors

[Seal]

[Witnessed and attested to by Notary Public].

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 26th day of June, 1996, by and between Dime Community Bancorp, Inc., a savings and loan holding company organized and operating under the laws of the State of Delaware and having an office at 209 Havemeyer Street, Brooklyn, New York 11211 ("Company") and Michael P. Devine, residing at [home address deleted].

W I T N E S S E T H :

WHEREAS, Mr. Devine currently serves the Company in the capacity of Executive Vice President, Secretary and Chief Operating Officer of its wholly owned subsidiary, The Dime Savings Bank of Williamsburgh ("Bank"); and

WHEREAS, the Company desires to assure for itself the continued availability of Mr. Devine's services and the ability of Mr. Devine to perform such services with a minimum of personal distraction in the event of a pending or threatened Change in Control (as hereinafter defined); and

WHEREAS, Mr. Devine is willing to continue to serve the Company on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and obligations hereinafter set forth, the Company and Mr. Devine hereby agree as follows:

1. Representations and Warranties of the Parties.

(a) The Company hereby represents and warrants to Mr. Devine that:

(i) it has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of its obligations hereunder; and

(ii) the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate action on the part of the Company; and

(iii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which the Company is a party or by which it is bound, or (B) any provision of law, including, without limitation, any statute, rule or regulation or any order of any court or administrative agency, applicable to the Company or its business.

(b) Mr. Devine hereby represents and warrants to the Company that:

(i) he has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of his obligations hereunder; and

(ii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which he is a party or by which he is bound, or (B) including, without limitation, any statute, rule or regulation or any order of any court or administrative agency, applicable to him.

2. Employment. The Company hereby continues the employment of Mr. Devine, and Mr. Devine hereby accepts such continued employment, during the period and upon the terms and conditions set forth in this Agreement.

3. Employment Period.

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this section 3 ("Employment Period"). The Employment Period shall be for an initial term of three years beginning on the date of this Agreement and ending on the third anniversary date of this Agreement, plus such extensions, if any, as are provided by the Board pursuant to section 3(b).

(b) Except as provided in section 3(c), beginning on the date of this Agreement, the Employment Period shall automatically be extended for one (1) additional day each day, unless either the Company or Mr. Devine elects not to extend the Agreement further by giving written notice to the other party, in which case the Employment Period shall end on the third anniversary of the date on which such written notice is given. Upon termination of Mr. Devine's employment with the Company for any reason whatsoever, any daily extensions provided pursuant to this section 3(b), if not therefore discontinued, shall automatically cease.

(c) If, prior to the date on which the Employment Period would end pursuant to section 3(a) or (b) of this Agreement, a Change in Control (as defined in section 13 of this Agreement) occurs, then the Employment Period shall be extended through and including the third anniversary of the earliest date after the effective date of such Change in Control on which either the Company or Mr. Devine elects, by written notice pursuant to section 3(d) of this Agreement to the non-electing party, to discontinue the Employment Period; provided, however, that this section shall not apply in the event that, prior to the Change in Control (as defined in section 13 of this Agreement), Mr. Devine has provided written notice to the Company of his intent to discontinue the Employment Period.

(d) The Company or Mr. Devine may, at any time by written notice given to the other, elect to terminate this Agreement. Any such notice given by the Company shall be accompanied by a certified copy of a resolution, adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board duly called and held, authorizing the giving of such notice.

(e) Notwithstanding anything herein contained to the contrary: (i) Mr. Devine's employment with the Company may be terminated during the Employment Period, in accordance with the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Mr. Devine's employment following the expiration of the Employment Period upon such terms and conditions as the Company and Mr. Devine may mutually agree upon.

(f) For all purposes of this Agreement, any reference to the "Remaining Unexpired Employment Period" as of any specified date shall mean a period commencing on the date specified and ending on the last day of the third (3rd) year from the date specified, or, if neither party has given notice electing a discontinuance of the Employment Period, on the third (3rd) anniversary of the date specified.

4. Duties. During the Employment Period, Mr. Devine shall:

(a) except to the extent allowed under section 7 of this Agreement, devote his full business time and attention to the business and affairs of the Company and use his best efforts to advance the Company's interests;

(b) serve as Executive Vice President, Secretary and Chief Operating Officer if duly appointed and/or elected to serve in such position; and

(c) have such functions, duties and responsibilities not inconsistent with his title and office as may be assigned to him by or under the authority of the Board of Directors of the Company ("Board"), in accordance with organization Certificate, By-laws, Applicable Laws, Statutes and Regulations, custom and practice of the Company as in effect on the date first above written.

Mr. Devine shall have such authority as is necessary or appropriate to carry out his assigned duties. Mr. Devine shall report to and be subject to direction and supervision by the Board.

(d) none of the functions, duties and responsibilities to be performed by Mr. Devine pursuant to this Agreement shall be deemed to include those functions, duties and responsibilities performed by Mr. Devine in his capacity as director of the Company.

5. Compensation -- Salary and Bonus. In consideration for services rendered by Mr. Devine under this Agreement, the Company shall pay to Mr. Devine a salary at an annual rate equal to:

(a) during the period beginning on January 1, 1996 and ending on December 31, 1996, no less than \$340,000;

(b) during each calendar year that begins after December 31, 1996, such amount as the Board may, in its discretion, determine, but in no event less than the rate in effect on December 31, 1996; or

(c) for each calendar year that begins on or after a Change in Control, the product of Mr. Devine's annual rate of salary in effect immediately prior to such calendar year, multiplied by the greatest of:

(i) 1.06;

(ii) the quotient of (A) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the immediately preceding calendar

year, divided by (B) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the second preceding calendar year; and

(iii) the quotient of (A) the average annual rate of salary, determined as of the first day of such calendar year, of the officers of the Company (other than Mr. Devine) who are assistant vice presidents or more senior officers, divided by (B) the average annual rate of salary, determined as of the first day of the immediately preceding calendar year, of the officers of the Company (other than Mr. Devine) who are assistant vice presidents or more senior officers;

The salary payable under this section 5 shall be paid in approximately equal installments in accordance with the Company's customary payroll practices. Nothing in this section 5 shall be construed as prohibiting the payment to Mr. Devine of a salary in excess of that prescribed under this section 5 or of additional cash or non-cash compensation in a form other than salary, to the extent that such payment is duly authorized by or under the authority of the Board.

(d) No portion of the compensation paid to Mr. Devine pursuant to this Agreement shall be deemed to be compensation received by Mr. Devine in his capacity as director of the Company.

6. Employee Benefits Plans and Programs; Other Compensation. Except as otherwise provided in this Agreement, Mr. Devine shall be treated as an employee of the Company and be entitled to participate in and receive benefits under the Company's Retirement Plan, Incentive Savings Plan, group life and health (including medical and major medical) and disability insurance plans, and such other employee benefit plans and programs, including but not limited to any long-term or short-term incentive compensation plans or programs (whether or not employee benefit plans or programs), as the Company may maintain from time to time, in accordance with the terms and conditions of such employee benefit plans and programs and compensation plans and programs and with the Company's customary practices. Following a Change in Control, all such benefits to Mr. Devine shall be continued on terms and conditions substantially identical to, and in no event less favorable than, those in effect prior to the Change in Control.

In the event of a conversion of the Bank from a mutual savings bank to a form of organization owned by stockholders ("Conversion"), the Company will provide, or cause to be provided, to Mr. Devine in connection with such Conversion, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Devine in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Company and satisfactory to Mr. Devine, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions.

7. Board Memberships and Personal Activities.

(a) Mr. Devine may serve as a member of the board of directors of such business, community and charitable organizations as he may disclose to the Board from time to time, and he may engage in personal business and investment activities for his own account; provided, however, that such service and personal business and investment activities shall not materially interfere with the performance of his duties under this Agreement.

(b) Mr. Devine may also serve as an officer or director of the Bank on such terms and conditions as the Company and the Bank may mutually agree upon, and such service shall not be deemed to materially interfere with Mr. Devine's performance of his duties hereunder or otherwise result in a material breach of this Agreement. If Mr. Devine is discharged or suspended, or is subject to any regulatory prohibition or restriction with respect to participation in the affairs of the Bank, he shall (subject to the Company's powers of termination hereunder) continue to perform services for the Company in accordance with this Agreement but shall not directly or indirectly provide services to or participate in the affairs of the Bank in a manner inconsistent with the terms of such discharge or suspension or any applicable regulatory order.

8. Working Facilities and Expenses. Mr. Devine's principal place of employment shall be at the Company's executive offices at the address first above written, or at such other

location in the New York metropolitan area as determined by the Board. The Company shall provide Mr. Devine, at his principal place of employment, with a private office, stenographic services and other support services and facilities suitable to his position with the Company and necessary or appropriate in connection with the performance of his assigned duties under this Agreement. The Company shall provide Mr. Devine with an automobile suitable to his position with the Company in accordance with its prior practices, and such automobile shall be used by Mr. Devine in carrying out his duties under this Agreement, including commuting between his residence and his principal place of employment. The Company shall reimburse Mr. Devine for his ordinary and necessary business expenses, including, without limitation, all expenses associated with his business use of the aforementioned automobile, fees for memberships in such clubs and organizations as Mr. Devine and the Company shall mutually agree are necessary and appropriate for business purposes and travel and entertainment expenses incurred in connection with the performance of his duties under this Agreement, upon presentation to the Company of an itemized account of such expenses in such form as the Company may reasonably require. Mr. Devine shall be entitled to no less than four (4) weeks of paid vacation during each year in the Employment Period.

9. Termination Giving Rise to Severance Benefits.

(a) In the event that Mr. Devine's employment with the Company shall terminate during the Employment Period on account of the termination of Mr. Devine's employment with the Company other than:

(i) a Termination for Cause (within the meaning of section 12(a) of this Agreement);

(ii) a voluntary resignation by Mr. Devine other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement);

(iii) a termination on account of Mr. Devine's death; or

(iv) a termination after both of the following conditions exist: (A) Mr. Devine has been absent from the full-time service of the Company on account of his Disability (as defined in section 11(b) of this Agreement) for at least six (6) consecutive months; and (B) Mr. Devine shall have failed to return to work in the full-time service of the Company within thirty (30) days after written notice requesting such return is given to Mr. Devine by the Company; then the Company shall provide to Mr. Devine the benefits and pay to Mr. Devine the amounts provided under section 9(b) of this Agreement.

(b) In the event that Mr. Devine's employment with the Company shall terminate under circumstances described in section 9(a) of this Agreement or if the Company terminates this Agreement pursuant to section 3(d), the following benefits and amounts shall be paid or provided to Mr. Devine (or, in the event of his death, to his estate):

(i) his earned but unpaid salary as of the date of the termination of his employment with the Company, payable when due but in no event later than thirty (30) days following his termination of employment with the Company;

(ii) (A) the benefits, if any, to which Mr. Devine and his family and dependents are entitled as a former employee, or family or dependents of a former employee, under the employee benefit plans and programs and compensation plans and programs maintained for the benefit of the Company's officers and employees, in accordance with the terms of such plans and programs in effect on the date of his termination of employment, or if his termination of employment occurs after a Change in Control, on the date of his termination of employment or on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Devine, where credit is given for three additional years of service and age in determining eligibility and benefits for any plan and program where age and service are relevant factors, and (B) payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual rate of salary for such year;

(iii) continued group life, health (including hospitalization, medical and major medical, dental, accident and long-term disability insurance benefits), in addition to that provided pursuant to section 9(b)(ii) of this Agreement and after taking into account the coverage provided by any subsequent employer, if and to the extent necessary to provide Mr. Devine and his family and dependents for the Remaining Unexpired Employment Period, coverage identical to and in any event no less favorable than the coverage to which they would have been entitled under such plans (as in effect on the date of his termination of employment, or, if his termination of employment occurs after a Change in Control, on the date of his termination of employment or during the one-year period ending on the date of such Change in Control, whichever results in more favorable

benefits as determined by Mr. Devine) if he had continued working for the Company during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement;

(iv) within thirty (30) days following his termination of employment with the Company, a lump sum payment in an amount equal to the present value of the salary and the bonus that Mr. Devine would have earned if he had worked for the Company during the Remaining Unexpired Employment Period at the highest annual rate of salary (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) and the highest bonus as a percentage of the rate of salary provided for under this Agreement, where such present value is to be determined using a discount rate of six percent (6%) per annum, compounded, in the case of salary, with the frequency corresponding to the Company's regular payroll periods with respect to its officers, and, in the case of bonus, annually;

(v) within thirty (30) days following his termination of employment with the Company, a lump sum payment in an amount equal to the excess, if any, of: (A) the present value of the benefits to which he would be entitled under any defined benefit plans maintained by, or covering employees of, the Company (including any "excess benefit plan" within the meaning of section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Company during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement and been fully vested in such plan or plans and had continued working for the Company during the Remaining Unexpired Employment Period, such benefits to be determined as of the date of termination of employment by adding to the service actually recognized under such plans an additional period equal to the Remaining Unexpired Employment Period and by adding to the compensation recognized under such plans for the year in which termination of employment occurs all amounts payable under sections 9(b)(i), (iv) and (vii), over (B) the present value of the benefits to which he is actually entitled under any such plans maintained by, or covering employees of, the Company as of the date of his termination where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded monthly, and the mortality tables prescribed under section 72 of the Internal Revenue Code of 1986 ("Code");

(vi) within thirty (30) days following his termination of employment with the Company, a lump sum payment in an amount equal to the excess, if any, of (A) the present value of the benefits attributable to the Company's contribution to which he would be entitled under any defined contribution plans maintained by, or covering employees of, the Company (including any "excess benefit plan" within the meaning of section 3(36) of ERISA, or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Company during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, and made the maximum amount of employee contributions, if any, required or permitted under such plan or plans, and been eligible for the highest rate in matching contributions under such plan or plans during the Remaining Unexpired Employment Period which is prior to Mr. Devine's termination of employment with the Company, and been fully vested in such plan or plans, over (B) the present value of the benefits attributable to the Company's contributions to which he is actually entitled under such plans as of the date of his termination of employment with the Company, where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded with the frequency corresponding to the Company's regular payroll periods with respect to its officers;

(vii) the payments that would have been made to Mr. Devine under any incentive compensation plan maintained by, or covering employees of, the Company (other than bonus payments to which section 9(b)(iv) of this Agreement is applicable) if he had continued working for the Company during the Remaining Unexpired Employment Period and had earned an incentive award in each calendar year that ends during the Remaining Unexpired Employment Period in an amount equal to the product of (A) the maximum percentage rate of compensation at which an award was ever available to Mr. Devine under such incentive compensation plan, multiplied by (B) the compensation that would have been paid to Mr. Devine during each calendar year at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, such payments to be made at the same time and in the same manner as payments are made to other officers of the Company pursuant to the terms of such incentive compensation plan; provided, however, that payments under this section 9(b)(vii) shall not be made to Mr. Devine for any year on account of which no payments are made to any of the Company's officers under any such incentive compensation plan; and

(viii) the benefits to which Mr. Devine is entitled under the Company's Supplemental Executive Retirement Plan (or other excess benefits plan with the meaning of section 3(36) of ERISA or other special or supplemental plan) shall be paid to him in a lump sum, where such lump sum is computed using the mortality tables under the Company's tax-qualified pension plan and a discount rate of 6% per annum.

The payments specified in section 9(b) (viii) shall be made within thirty (30) days after the date of Mr. Devine's election, and if the amount may be increased by a subsequent Change in Control, any additional payment shall be made within thirty (30) days of such Change in Control.

(c) Mr. Devine shall not be required to mitigate the amount of any payment provided for in this section 9 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this section 9 be reduced by any compensation earned by Mr. Devine as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by Mr. Devine to the Company, or otherwise except as specifically provided in section 9(b) (iii) of this Agreement or except as provided in section 28 to avoid duplication of payments. The Company and Mr. Devine hereby stipulate that the damages which may be incurred by Mr. Devine as a consequence of any such termination of employment are not capable of accurate measurement as of the date first above written and that the benefits and payments provided for in this Agreement constitute a reasonable estimate under the circumstances of all damages sustained as a consequence of any such termination of employment, other than damages arising under or out of any stock option, restricted stock or other non-qualified stock acquisition or investment plan or program, it being understood and agreed that this Agreement shall not determine the measurement of damages under any such plan or program in respect of any termination of employment.

10. Termination Without Severance Benefits. In the event that Mr. Devine's employment with the Company shall terminate during the Employment Period on account of:

(a) Termination for Cause (within the meaning of section 12(a) of this Agreement);

(b) voluntary resignation by Mr. Devine other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement); or

(c) Mr. Devine's death;

then the Company shall have no further obligations under this Agreement, other than the payment to Mr. Devine (or, in the event of his death, to his estate) of his earned but unpaid salary as of the date of the termination of his employment, and the provision of such other benefits, if any, to which he is entitled as a former employee under the Company's employee benefit plans and programs and compensation plans and programs and payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual salary for such year.

11. Death and Disability.

(a) Death. If Mr. Devine's employment is terminated by reason of Mr. Devine's death during the Employment Period, this Agreement shall terminate without further obligations to Mr. Devine's legal representatives under this Agreement, other than for payment of amounts and provision of benefits under sections 9(b) (i) and (ii); provided, however, that if Mr. Devine dies while in the employment of the Company, his designated beneficiary(ies) shall receive a death benefit, payable through life insurance or otherwise, which is the equivalent on a net after-tax basis of the death benefit payable under a term life insurance policy, with a stated death benefit of three times Mr. Devine's then Annual Base Salary.

(b) Disability. If Mr. Devine's employment is terminated by reason of Mr. Devine's Disability as defined in section 11(c) during the Employment Period, this Agreement shall terminate without further obligations to Mr. Devine, other than for payment of amounts and provision of benefits under section 9(b) (i) and (ii); provided, however, that in the event of Mr. Devine's Disability while in the employment of the Company, the Company will pay to him a lump sum amount equal to three times his then Annual Base Salary.

(c) For purposes of this Agreement, "Disability" shall be defined in accordance with the terms of the Company's long term disability policy.

(d) Payments under this section 11 shall be made within 30 days after Mr. Devine's death or disability.

12. Definition of Termination for Cause and Resignation for Good Reason.

(a) Mr. Devine's termination of employment with the

Company shall be deemed a "Termination for Cause" if such termination occurs upon:

(i) Mr. Devine's willful and continued failure to substantially perform his duties with the Company (other than any failure resulting from incapacity due to physical or mental illness or any actual or anticipated failure following notice by Mr. Devine of an intended Resignation for Good Reason) after a written demand for substantial performance is delivered to him by the Board, which demand specifically identifies the manner in which the Board believes Mr. Devine has not substantially performed his duties, and the failure to cure such breach within sixty (60) days following written notice thereof from the Company; or (ii) the intentional and willful engaging in dishonest conduct in connection with his performance of services for the Company resulting in his conviction of a felony, fraud, personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, willful violation of any law, rule or regulation (other than traffic violations or similar offenses), or final cease-and-desist order.

No act, or failure to act, on Mr. Devine's part shall be deemed willful unless done, or omitted to be done, not in good faith and without reasonable belief that such action or omission was in the best interest of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the written advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Mr. Devine in good faith and in the best interests of the Company. Notwithstanding the foregoing, no termination of Mr. Devine's employment shall be a Termination for Cause unless there shall have been delivered to Mr. Devine a copy of a resolution duly adopted by the affirmative vote of a majority of the Board of Directors (or, following a Change in Control, an affirmative vote of three-quarters of the Board of Directors) at a meeting of the Board called and held for such purpose (after reasonable notice to Mr. Devine and an opportunity for Mr. Devine, together with his counsel, to be heard before the Board) finding that in good faith opinion of the Board circumstances described in section 12(a) (i) or (ii) exist and specifying the particulars thereof in detail.

(b) Mr. Devine's termination of employment with the Company shall be deemed a Resignation for Good Reason if such termination occurs following any one or more of the following events:

(i) (A) the assignment to Mr. Devine of any duties inconsistent with Mr. Devine's status as Executive Vice President, Secretary and Chief Operating Officer of the Company or (B) a substantial adverse alteration in the nature or status of Mr. Devine's responsibilities from those in effect immediately prior to the alteration; or (C) any Change in Control described in section 13(b);

(ii) a reduction by the Company in Mr. Devine's annual base salary as in effect on the date first above written or as the same may be increased from time to time, unless such reduction was mandated at the initiation of any regulatory authority having jurisdiction over the Company;

(iii) the relocation of the Company's principal executive offices to a location outside the New York metropolitan area or the Company's requiring Mr. Devine to be based anywhere other than the Company's principal executive offices except for required travel on the Company's business to an extent substantially consistent with Mr. Devine's business travel obligations at the date first above written;

(iv) the failure by the Company, without Mr. Devine's consent, to pay to Mr. Devine, within seven (7) days of the date when due, (A) any portion of his compensation, or (B) any portion of an installment of deferred compensation under any deferred compensation program of the Company;

(v) the failure by the Company to continue in effect any compensation plan in which Mr. Devine participates which is material to his total compensation, including but not limited to the Retirement Plan and the Company's Incentive Savings Plan or any substitute plans unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue his participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of his participation relative to other participants, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Company;

(vi) the failure by the Company to continue to provide Mr. Devine with benefits substantially similar to those enjoyed by Mr. Devine under the Retirement Plan and the Company's Incentive Savings Plan or under any of the Company's life, health (including hospitalization, medical and major medical), dental, accident, and long-term disability insurance benefits, in which Mr. Devine is participating, or the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive Mr. Devine of the number of paid

vacation days to which he is entitled, on the basis of years of service with the Company, rank or otherwise, in accordance with the Company's normal vacation policy, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Company;

(vii) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in section 15(a) of this Agreement;

(viii) any purported termination of employment by the Company which is not effected pursuant the provisions of section 12(a) regarding Termination for Cause or on account of Disability;

(ix) a material breach of this Agreement by the Company, which the Company fails to cure within thirty (30) days following written notice thereof from Mr. Devine;

(x) in the event of a Change in Control described in section 13(b) of this Agreement, a failure of the Company to provide, or cause to be provided, to Mr. Devine in connection with such Change in Control, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Devine in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Company and satisfactory to Mr. Devine, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions; or

(xi) a change in the position to which Mr. Devine reports;

(xii) in the event of a Change in Control described in section 13 of this Agreement, termination of employment for any or no reason whatsoever during the period of sixty (60) days beginning on the first anniversary of the effective date of such Change in Control.

13. Definition of Change in Control. For purposes of this Agreement, a Change in Control of the Company shall mean:

(a) the occurrence of any event upon which any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan maintained for the benefit of employees of the Company; (B) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (C) Mr. Devine, or any group otherwise constituting a person in which Mr. Devine is a member, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities issued by the Company representing 25% or more of the combined voting power of all of the Company's then outstanding securities; or

(b) the occurrence of any event upon which the individuals who on the date first above written are members of the Board, together with individuals (other than any individual designated by a person who has entered into an agreement with the Company to effect a transaction described in section 13(a) or 13(c) of this Agreement) whose election by the Board or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the members of Board then in office who were either members of the Board on the date first above written or whose nomination or election was previously so approved cease for any reason to constitute a majority of the members of the Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(c) the shareholders of the Company approve either:

(i) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation following which both of the following conditions are satisfied:

(A) either (1) the members of the Board of the Company immediately prior to such merger or consolidation constitute at least a majority of the members of the governing body of the institution resulting from such merger or consolidation; or (2) the shareholders of the Company own securities of the institution resulting from such merger or consolidation representing 80% or more of the combined voting

power of all such securities then outstanding in substantially the same proportions as their ownership of voting securities of the Company before such merger or consolidation; and

(B) the entity which results from such merger or consolidation expressly agrees in writing to assume and perform the Company's obligations under this Agreement; or

(ii) a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets; and

(d) any event which would be described in section 13(a), (b) or (c) if the term "Bank" were substituted for the term "Company" therein. Such event shall be deemed to be a Change in Control under the relevant provision of section 13(a), (b) or (c).

It is understood and agreed that more than one Change in Control may occur at the same or different times during the Employment Period and that the provisions of this Agreement shall apply with equal force and effect with respect to each such Change in Control.

14. No Effect on Employee Benefit Plans or Programs. Except as expressly provided in this Agreement, the termination of Mr. Devine's employment during the Employment Period or thereafter, whether by the Company or by Mr. Devine, shall have no effect on the rights and obligations of the parties hereto under the Company's or the Bank's Retirement Plan and the Company's Incentive Savings Plan, group life, health (including hospitalization, medical and major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs (whether or not employee benefit plans or programs) and, following the conversion of the Company to stock form, any stock option and appreciation rights plan, employee stock ownership plan and restricted stock plan, as may be maintained by, or cover employees of, the Company from time to time.

15. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be deemed to constitute a material breach of the Company's obligations under this Agreement.

(b) This Agreement will inure to the benefit of and be binding upon Mr. Devine, his legal representatives and testate or intestate distributees, and the Company, their respective successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the respective assets and business of the Company may be sold or otherwise transferred.

16. Notices. Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be in writing and shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed to such party at the address listed below or at such other address as one such party may by written notice specify to the other party:

If to Mr. Devine:

[Home address deleted].

If to the Company:

Dime Community Bancorp, Inc.

209 Havemeyer Street
Brooklyn, New York 11211
Attention: Corporate Secretary

with a copy to:

Thacher Proffitt & Wood
Two World Trade Center, 39th Floor
New York, New York 10048

Attention: W. Edward Bright, Esq.

17. Indemnification and Attorneys' Fees. The Company shall pay to or on behalf of Mr. Devine all reasonable costs, including legal fees, incurred by him in connection with or

arising out of his consultation with legal counsel or in connection with or arising out of any action, suit or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, that this section 17 shall not obligate the Company to pay costs and legal fees on behalf of Mr. Devine under this Agreement in excess of \$50,000.

18. Excise Tax Indemnification.

(a) This section 18 shall apply if Mr. Devine's employment is terminated in circumstances giving rise to liability for excise taxes under section 4999 of the Code. If this Section 18 applies, then, if for any taxable year, Mr. Devine shall be liable for the payment of an excise tax under section 4999 of the Code with respect to any payment in the nature of compensation made by the Company or any direct or indirect subsidiary or affiliate of the Company to (or for the benefit of) Mr. Devine, the Company shall pay to Mr. Devine an amount equal to X determined under the following formula:

$$X = \frac{E \times P}{1 - [(FI \times (1 - SLI)) + SLI + E + M]}$$

where

- E = the rate at which the excise tax is assessed under section 4999 of the Code;
- P = the amount with respect to which such excise tax is assessed, determined without regard to this section 18;
- FI = the highest marginal rate of income tax applicable to Mr. Devine under the Code for the taxable year in question;
- SLI = the sum of the highest marginal rates of income tax applicable to Mr. Devine under all applicable state and local laws for the taxable year in question; and
- M = the highest marginal rate of Medicare tax applicable to Mr. Devine under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Mr. Devine under the terms of this Agreement, or otherwise, and on which an excise tax under section 4999 of the Code will be assessed, the payment determined under this section 18(a) shall be made to Mr. Devine on the earlier of (i) the date the Company or any direct or indirect subsidiary or affiliate of the Company is required to withhold such tax, or (ii) the date the tax is required to be paid by Mr. Devine.

(b) Notwithstanding anything in this section 18 to the contrary, in the event that Mr. Devine's liability for the excise tax under section 4999 of the Code for a taxable year is subsequently determined to be different than the amount determined by the formula $(X + P) \times E$, where X, P and E have the meanings provided in section 18(a), Mr. Devine or the Company, as the case may be, shall pay to the other party at the time that the amount of such excise tax is finally determined, an appropriate amount, plus interest, such that the payment made under section 18(a), when increased by the amount of the payment made to Mr. Devine under this section 18(b) by the Company, or when reduced by the amount of the payment made to the Company under this section 18(b) by Mr. Devine, equals the amount that should have properly been paid to Mr. Devine under section 18(a). The interest paid under this section 18(b) shall be determined at the rate provided under section 1274(b)(2)(B) of the Code. To confirm that the proper amount, if any, was paid to Mr. Devine under this section 18, Mr. Devine shall furnish to the Company a copy of each tax return which reflects a liability for an excise tax payment made by the Company, at least 20 days before the date on which such return is required to be filed with the Internal Revenue Service.

(c) The provisions of this section 18 are designed to reflect the provisions of applicable federal, state and local tax laws in effect on the date of this Agreement. If, after the date hereof, there shall be any change in any such laws, this section 18 shall be modified in such manner as Mr. Devine and the Company may mutually agree upon if and to the extent necessary to assure that Mr. Devine is fully indemnified against the economic effects of the tax imposed under section 4999 of the Code or any similar federal, state or local tax.

19. Severability. A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

20. Waiver. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A waiver of any provision of this Agreement must be made in writing, designated as a waiver, and signed by the party against who its enforcement is sought. Any waiver or relinquishment of such

right or power at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

21. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

22. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without reference to conflicts of law principles.

23. Headings and Construction. The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any reference to a section number shall refer to a section of this Agreement, unless otherwise stated.

24. Entire Agreement; Modifications. This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof, including the Amended and Restated Employment Agreement dated October 1, 1995 between the Bank and Mr. Devine. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto.

25. Arbitration Clause. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; the expense of such arbitration shall be borne by the Company.

26. Provisions of Law. Notwithstanding anything herein contained to the contrary, any payments to Mr. Devine by the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and any regulations promulgated thereunder.

27. Guarantee. The Company hereby agrees to guarantee the payment by the Bank of any benefits and compensation to which the Executive is or may be entitled to under the terms and conditions of the employment agreement dated as of the 26th day of June, 1996 between the Bank and Mr. Devine, a copy of which is attached hereto as Exhibit A.

28. Non-duplication. In the event that Mr. Devine shall perform services for the Bank or any other direct or indirect subsidiary of the Company, any compensation or benefits provided to Mr. Devine by such other employer shall be applied to offset the obligations of the Company hereunder, it being intended that this Agreement set forth the aggregate compensation and benefits payable to Mr. Devine for all services to the Company and all of its direct or indirect subsidiaries.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and Mr. Devine has hereto set his hand, all as of the day and year first above written.

/s/ Michael P. Devine
MICHAEL P. DEVINE

ATTEST DIME COMMUNITY BANCORP, INC.

By: /s/ Evelyn McLoughlin Assistant Secretary By: /s/ Anthony Bergamo for the Board of Directors

[Seal]

[Witnessed and attested to by Notary Public].

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 26th day of June, 1996, by and between Dime Community Bancorp, Inc., a savings and loan holding company organized and operating under the laws of the State of Delaware and having an office at 209 Havemeyer Street, Brooklyn, New York 11211 ("Company") and Kenneth J. Mahon, [home address deleted].

W I T N E S S E T H :

WHEREAS, Mr. Mahon currently serves the Company in the capacity of Senior Vice President and Chief Financial Officer of its wholly owned subsidiary, The Dime Savings Bank of Williamsburgh ("Bank"); and

WHEREAS, the Company desires to assure for itself the continued availability of Mr. Mahon's services and the ability of Mr. Mahon to perform such services with a minimum of personal distraction in the event of a pending or threatened Change in Control (as hereinafter defined); and

WHEREAS, Mr. Mahon is willing to continue to serve the Company on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and obligations hereinafter set forth, the Company and Mr. Mahon hereby agree as follows:

1. Representations and Warranties of the Parties.

(a) The Company hereby represents and warrants to Mr. Mahon that:

(i) it has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of its obligations hereunder; and

(ii) the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate action on the part of the Company; and

(iii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which the Company is a party or by which it is bound, or (B) any provision of law, including, without limitation, any statute, rule or regulation or any order of any court or administrative agency, applicable to the Company or its business.

(b) Mr. Mahon hereby represents and warrants to the Company that:

(i) he has all requisite power and authority to execute, enter into and deliver this Agreement and to perform each and every one of his obligations hereunder; and

(ii) neither the execution or delivery of this Agreement, nor the performance of or compliance with any of the terms and conditions hereof, is prevented or in any way limited by (A) any agreement or instrument to which he is a party or by which he is bound, or (B) including, without limitation, any statute, rule or regulation or any order of any court or administrative agency, applicable to him.

2. Employment. The Company hereby continues the employment of Mr. Mahon, and Mr. Mahon hereby accepts such continued employment, during the period and upon the terms and conditions set forth in this Agreement.

3. Employment Period.

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this section 3 ("Employment Period"). The Employment Period shall be for an initial term of three years beginning on the date of this Agreement and ending on the third anniversary date of this Agreement, plus such extensions, if any, as are provided by the Board pursuant to section 3(b).

(b) Except as provided in section 3(c), beginning on the date of this Agreement, the Employment Period shall automatically be extended for one (1) additional day each day, unless either the Company or Mr. Mahon elects not to extend the Agreement further by giving written notice to the other party, in which case the Employment Period shall end on the third anniversary of the date on which such written notice is given. Upon termination of Mr. Mahon's employment with the Company for any reason whatsoever, any daily extensions provided pursuant to this section 3(b), if not therefore discontinued, shall automatically cease.

(c) If, prior to the date on which the Employment Period would end pursuant to section 3(a) or (b) of this Agreement, a Change in Control (as defined in section 13 of this Agreement) occurs, then the Employment Period shall be extended through and including the third anniversary of the earliest date after the effective date of such Change in Control on which either the Company or Mr. Mahon elects, by written notice pursuant to section 3(d) of this Agreement to the non-electing party, to discontinue the Employment Period; provided, however, that this section shall not apply in the event that, prior to the Change in Control (as defined in section 13 of this Agreement), Mr. Mahon has provided written notice to the Company of his intent to discontinue the Employment Period.

(d) The Company or Mr. Mahon may, at any time by written notice given to the other, elect to terminate this Agreement. Any such notice given by the Company shall be accompanied by a certified copy of a resolution, adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board duly called and held, authorizing the giving of such notice.

(e) Notwithstanding anything herein contained to the contrary: (i) Mr. Mahon's employment with the Company may be terminated during the Employment Period, in accordance with the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of Mr. Mahon's employment following the expiration of the Employment Period upon such terms and conditions as the Company and Mr. Mahon may mutually agree upon.

(f) For all purposes of this Agreement, any reference to the "Remaining Unexpired Employment Period" as of any specified date shall mean a period commencing on the date specified and ending on the last day of the third (3rd) year from the date specified, or, if neither party has given notice electing a discontinuance of the Employment Period, on the third (3rd) anniversary of the date specified.

4. Duties. During the Employment Period, Mr. Mahon shall:

(a) except to the extent allowed under section 7 of this Agreement, devote his full business time and attention to the business and affairs of the Company and use his best efforts to advance the Company's interests;

(b) serve as Senior Vice President and Chief Financial Officer if duly appointed and/or elected to serve in such position; and

(c) have such functions, duties and responsibilities not inconsistent with his title and office as may be assigned to him by or under the authority of the Board of Directors of the Company ("Board"), in accordance with organization Certificate, By-laws, Applicable Laws, Statutes and Regulations, custom and practice of the Company as in effect on the date first above written.

Mr. Mahon shall have such authority as is necessary or appropriate to carry out his assigned duties. Mr. Mahon shall report to and be subject to direction and supervision by the Board.

5. Compensation -- Salary and Bonus. In consideration for services rendered by Mr. Mahon under this Agreement, the Company shall pay to Mr. Mahon a salary at an annual rate equal to:

(a) during the period beginning on January 1, 1996 and ending on December 31, 1996, no less than \$178,000;

(b) during each calendar year that begins after December 31, 1996, such amount as the Board may, in its discretion, determine, but in no event less than the rate in effect on December 31, 1996; or

(c) for each calendar year that begins on or after a Change in Control, the product of Mr. Mahon's annual rate of salary in effect immediately prior to such calendar year, multiplied by the greatest of:

(i) 1.06;

(ii) the quotient of (A) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the immediately preceding calendar year, divided by (B) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (or, if such index shall cease to be published, such other measure of general consumer price levels as the Board may, in good faith, prescribe) for October of the

second preceding calendar year; and

(iii) the quotient of (A) the average annual rate of salary, determined as of the first day of such calendar year, of the officers of the Company (other than Mr. Mahon) who are assistant vice presidents or more senior officers, divided by (B) the average annual rate of salary, determined as of the first day of the immediately preceding calendar year, of the officers of the Company (other than Mr. Mahon) who are assistant vice presidents or more senior officers;

The salary payable under this section 5 shall be paid in approximately equal installments in accordance with the Company's customary payroll practices. Nothing in this section 5 shall be construed as prohibiting the payment to Mr. Mahon of a salary in excess of that prescribed under this section 5 or of additional cash or non-cash compensation in a form other than salary, to the extent that such payment is duly authorized by or under the authority of the Board.

6. Employee Benefits Plans and Programs; Other Compensation. Except as otherwise provided in this Agreement, Mr. Mahon shall be treated as an employee of the Company and be entitled to participate in and receive benefits under the Company's Retirement Plan, Incentive Savings Plan, group life and health (including medical and major medical) and disability insurance plans, and such other employee benefit plans and programs, including but not limited to any long-term or short-term incentive compensation plans or programs (whether or not employee benefit plans or programs), as the Company may maintain from time to time, in accordance with the terms and conditions of such employee benefit plans and programs and compensation plans and programs and with the Company's customary practices. Following a Change in Control, all such benefits to Mr. Mahon shall be continued on terms and conditions substantially identical to, and in no event less favorable than, those in effect prior to the Change in Control.

In the event of a conversion of the Bank from a mutual savings bank to a form of organization owned by stockholders ("Conversion"), the Company will provide, or cause to be provided, to Mr. Mahon in connection with such Conversion, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Mahon in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Company and satisfactory to Mr. Mahon, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions.

7. Board Memberships and Personal Activities.

(a) Mr. Mahon may serve as a member of the board of directors of such business, community and charitable organizations as he may disclose to the Board from time to time, and he may engage in personal business and investment activities for his own account; provided, however, that such service and personal business and investment activities shall not materially interfere with the performance of his duties under this Agreement.

(b) Mr. Mahon may also serve as an officer or director of the Bank on such terms and conditions as the Company and the Bank may mutually agree upon, and such service shall not be deemed to materially interfere with Mr. Mahon's performance of his duties hereunder or otherwise result in a material breach of this Agreement. If Mr. Mahon is discharged or suspended, or is subject to any regulatory prohibition or restriction with respect to participation in the affairs of the Bank, he shall (subject to the Company's powers of termination hereunder) continue to perform services for the Company in accordance with this Agreement but shall not directly or indirectly provide services to or participate in the affairs of the Bank in a manner inconsistent with the terms of such discharge or suspension or any applicable regulatory order.

8. Working Facilities and Expenses. Mr. Mahon's principal place of employment shall be at the Company's executive offices at the address first above written, or at such other location in the New York metropolitan area as determined by the Board. The Company shall provide Mr. Mahon, at his principal place of employment, with a private office, stenographic services and other support services and facilities suitable to his position with the Company and necessary or appropriate in connection with the performance of his assigned duties under this Agreement. The Company shall reimburse Mr. Mahon for his ordinary and necessary business expenses, including, without limitation, fees for memberships in such clubs and organizations as Mr. Mahon and the Company shall mutually agree are necessary

and appropriate for business purposes and travel and entertainment expenses incurred in connection with the performance of his duties under this Agreement, upon presentation to the Company of an itemized account of such expenses in such form as the Company may reasonably require. Mr. Mahon shall be entitled to no less than four (4) weeks of paid vacation during each year in the Employment Period.

9. Termination Giving Rise to Severance Benefits.

(a) In the event that Mr. Mahon's employment with the Company shall terminate during the Employment Period on account of the termination of Mr. Mahon's employment with the Company other than:

(i) a Termination for Cause (within the meaning of section 12(a) of this Agreement);

(ii) a voluntary resignation by Mr. Mahon other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement);

(iii) a termination on account of Mr. Mahon's death; or

(iv) a termination after both of the following conditions exist: (A) Mr. Mahon has been absent from the full-time service of the Company on account of his Disability (as defined in section 11(b) of this Agreement) for at least six (6) consecutive months; and (B) Mr. Mahon shall have failed to return to work in the full-time service of the Company within thirty (30) days after written notice requesting such return is given to Mr. Mahon by the Company; then the Company shall provide to Mr. Mahon the benefits and pay to Mr. Mahon the amounts provided under section 9(b) of this Agreement.

(b) In the event that Mr. Mahon's employment with the Company shall terminate under circumstances described in section 9(a) of this Agreement or if the Company terminates this Agreement pursuant to section 3(d), the following benefits and amounts shall be paid or provided to Mr. Mahon (or, in the event of his death, to his estate):

(i) his earned but unpaid salary as of the date of the termination of his employment with the Company, payable when due but in no event later than thirty (30) days following his termination of employment with the Company;

(ii) (A) the benefits, if any, to which Mr. Mahon and his family and dependents are entitled as a former employee, or family or dependents of a former employee, under the employee benefit plans and programs and compensation plans and programs maintained for the benefit of the Company's officers and employees, in accordance with the terms of such plans and programs in effect on the date of his termination of employment, or if his termination of employment occurs after a Change in Control, on the date of his termination of employment or on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Mahon, where credit is given for three additional years of service and age in determining eligibility and benefits for any plan and program where age and service are relevant factors, and (B) payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual rate of salary for such year;

(iii) continued group life, health (including hospitalization, medical and major medical, dental, accident and long-term disability insurance benefits), in addition to that provided pursuant to section 9(b)(ii) of this Agreement and after taking into account the coverage provided by any subsequent employer, if and to the extent necessary to provide Mr. Mahon and his family and dependents for the Remaining Unexpired Employment Period, coverage identical to and in any event no less favorable than the coverage to which they would have been entitled under such plans (as in effect on the date of his termination of employment, or, if his termination of employment occurs after a Change in Control, on the date of his termination of employment or during the one-year period ending on the date of such Change in Control, whichever results in more favorable benefits as determined by Mr. Mahon) if he had continued working for the Company during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement;

(iv) within thirty (30) days following his termination of employment with the Company, a lump sum payment in an amount equal to the present value of the salary and the bonus that Mr. Mahon would have earned if he had worked for the Company during the Remaining Unexpired Employment Period at the highest annual rate of salary (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) and the highest bonus as a percentage of the rate of salary provided for under this Agreement, where such present value is to be determined using a discount rate of six percent (6%) per annum, compounded, in the case of salary, with the frequency corresponding to the Company's regular payroll periods with

respect to its officers, and, in the case of bonus, annually;

(v) within thirty (30) days following his termination of employment with the Company, a lump sum payment in an amount equal to the excess, if any, of: (A) the present value of the benefits to which he would be entitled under any defined benefit plans maintained by, or covering employees of, the Company (including any "excess benefit plan" within the meaning of section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Company during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement and been fully vested in such plan or plans and had continued working for the Company during the Remaining Unexpired Employment Period, such benefits to be determined as of the date of termination of employment by adding to the service actually recognized under such plans an additional period equal to the Remaining Unexpired Employment Period and by adding to the compensation recognized under such plans for the year in which termination of employment occurs all amounts payable under sections 9(b)(i), (iv) and (vii), over (B) the present value of the benefits to which he is actually entitled under any such plans maintained by, or covering employees of, the Company as of the date of his termination where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded monthly, and the mortality tables prescribed under section 72 of the Internal Revenue Code of 1986 ("Code");

(vi) within thirty (30) days following his termination of employment with the Company, a lump sum payment in an amount equal to the excess, if any, of (A) the present value of the benefits attributable to the Company's contribution to which he would be entitled under any defined contribution plans maintained by, or covering employees of, the Company (including any "excess benefit plan" within the meaning of section 3(36) of ERISA, or other special or supplemental plan) as in effect on the date of his termination, if he had worked for the Company during the Remaining Unexpired Employment Period at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, and made the maximum amount of employee contributions, if any, required or permitted under such plan or plans, and been eligible for the highest rate in matching contributions under such plan or plans during the Remaining Unexpired Employment Period which is prior to Mr. Mahon's termination of employment with the Company, and been fully vested in such plan or plans, over (B) the present value of the benefits attributable to the Company's contributions to which he is actually entitled under such plans as of the date of his termination of employment with the Company, where such present values are to be determined using a discount rate of six percent (6%) per annum, compounded with the frequency corresponding to the Company's regular payroll periods with respect to its officers;

(vii) the payments that would have been made to Mr. Mahon under any incentive compensation plan maintained by, or covering employees of, the Company (other than bonus payments to which section 9(b)(iv) of this Agreement is applicable) if he had continued working for the Company during the Remaining Unexpired Employment Period and had earned an incentive award in each calendar year that ends during the Remaining Unexpired Employment Period in an amount equal to the product of (A) the maximum percentage rate of compensation at which an award was ever available to Mr. Mahon under such incentive compensation plan, multiplied by (B) the compensation that would have been paid to Mr. Mahon during each calendar year at the highest annual rate of compensation (assuming, if a Change in Control has occurred, that the annual increases under section 5(c) would apply) under the Agreement, such payments to be made at the same time and in the same manner as payments are made to other officers of the Company pursuant to the terms of such incentive compensation plan; provided, however, that payments under this section 9(b)(vii) shall not be made to Mr. Mahon for any year on account of which no payments are made to any of the Company's officers under any such incentive compensation plan; and

(viii) the benefits to which Mr. Mahon is entitled under the Company's Supplemental Executive Retirement Plan (or other excess benefits plan with the meaning of section 3(36) of ERISA or other special or supplemental plan) shall be paid to him in a lump sum, where such lump sum is computed using the mortality tables under the Company's tax-qualified pension plan and a discount rate of 6% per annum.

The payments specified in section 9(b) (viii) shall be made within thirty (30) days after the date of Mr. Mahon's election, and if the amount may be increased by a subsequent Change in Control, any additional payment shall be made within thirty (30) days of such Change in Control.

(c) Mr. Mahon shall not be required to mitigate the amount of any payment provided for in this section 9 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this section 9 be reduced by

any compensation earned by Mr. Mahon as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by Mr. Mahon to the Company, or otherwise except as specifically provided in section 9(b) (iii) of this Agreement or except as provided in section 28 to avoid duplication of payments. The Company and Mr. Mahon hereby stipulate that the damages which may be incurred by Mr. Mahon as a consequence of any such termination of employment are not capable of accurate measurement as of the date first above written and that the benefits and payments provided for in this Agreement constitute a reasonable estimate under the circumstances of all damages sustained as a consequence of any such termination of employment, other than damages arising under or out of any stock option, restricted stock or other non-qualified stock acquisition or investment plan or program, it being understood and agreed that this Agreement shall not determine the measurement of damages under any such plan or program in respect of any termination of employment.

10. Termination Without Severance Benefits. In the event that Mr. Mahon's employment with the Company shall terminate during the Employment Period on account of:

(a) Termination for Cause (within the meaning of section 12(a) of this Agreement);

(b) voluntary resignation by Mr. Mahon other than a Resignation for Good Reason (within the meaning of section 12(b) of this Agreement); or

(c) Mr. Mahon's death;

then the Company shall have no further obligations under this Agreement, other than the payment to Mr. Mahon (or, in the event of his death, to his estate) of his earned but unpaid salary as of the date of the termination of his employment, and the provision of such other benefits, if any, to which he is entitled as a former employee under the Company's employee benefit plans and programs and compensation plans and programs and payment for all unused vacation days and floating holidays in the year in which his employment is terminated, at his highest annual salary for such year.

11. Death and Disability.

(a) Death. If Mr. Mahon's employment is terminated by reason of Mr. Mahon's death during the Employment Period, this Agreement shall terminate without further obligations to Mr. Mahon's legal representatives under this Agreement, other than for payment of amounts and provision of benefits under sections 9(b) (i) and (ii); provided, however, that if Mr. Mahon dies while in the employment of the Company, his designated beneficiary(ies) shall receive a death benefit, payable through life insurance or otherwise, which is the equivalent on a net after-tax basis of the death benefit payable under a term life insurance policy, with a stated death benefit of three times Mr. Mahon's then Annual Base Salary.

(b) Disability. If Mr. Mahon's employment is terminated by reason of Mr. Mahon's Disability as defined in section 11(c) during the Employment Period, this Agreement shall terminate without further obligations to Mr. Mahon, other than for payment of amounts and provision of benefits under section 9(b) (i) and (ii); provided, however, that in the event of Mr. Mahon's Disability while in the employment of the Company, the Company will pay to him a lump sum amount equal to three times his then Annual Base Salary.

(c) For purposes of this Agreement, "Disability" shall be defined in accordance with the terms of the Company's long term disability policy.

(d) Payments under this section 11 shall be made within 30 days after Mr. Mahon's death or disability.

12. Definition of Termination for Cause and Resignation for Good Reason.

(a) Mr. Mahon's termination of employment with the Company shall be deemed a "Termination for Cause" if such termination occurs upon:

(i) Mr. Mahon's willful and continued failure to substantially perform his duties with the Company (other than any failure resulting from incapacity due to physical or mental illness or any actual or anticipated failure following notice by Mr. Mahon of an intended Resignation for Good Reason) after a written demand for substantial performance is delivered to him by the Board, which demand specifically identifies the manner in which the Board believes Mr. Mahon has not substantially performed his duties, and the failure to cure such breach within sixty (60) days following written notice thereof from the Company; or (ii) the intentional and willful engaging in dishonest conduct in connection with his performance of services for the Company resulting in his conviction of a felony, fraud, personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, willful violation of

any law, rule or regulation (other than traffic violations or similar offenses), or final cease-and-desist order.

No act, or failure to act, on Mr. Mahon's part shall be deemed willful unless done, or omitted to be done, not in good faith and without reasonable belief that such action or omission was in the best interest of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the written advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Mr. Mahon in good faith and in the best interests of the Company. Notwithstanding the foregoing, no termination of Mr. Mahon's employment shall be a Termination for Cause unless there shall have been delivered to Mr. Mahon a copy of a resolution duly adopted by the affirmative vote of a majority of the Board of Directors (or, following a Change in Control, an affirmative vote of three-quarters of the Board of Directors) at a meeting of the Board called and held for such purpose (after reasonable notice to Mr. Mahon and an opportunity for Mr. Mahon, together with his counsel, to be heard before the Board) finding that in good faith opinion of the Board circumstances described in section 12(a) (i) or (ii) exist and specifying the particulars thereof in detail.

(b) Mr. Mahon's termination of employment with the Company shall be deemed a Resignation for Good Reason if such termination occurs following any one or more of the following events:

(i) (A) the assignment to Mr. Mahon of any duties inconsistent with Mr. Mahon's status as Senior Vice President and Chief Financial Officer of the Company or (B) a substantial adverse alteration in the nature or status of Mr. Mahon's responsibilities from those in effect immediately prior to the alteration; or (C) any Change in Control described in section 13(b);

(ii) a reduction by the Company in Mr. Mahon's annual base salary as in effect on the date first above written or as the same may be increased from time to time, unless such reduction was mandated at the initiation of any regulatory authority having jurisdiction over the Company;

(iii) the relocation of the Company's principal executive offices to a location outside the New York metropolitan area or the Company's requiring Mr. Mahon to be based anywhere other than the Company's principal executive offices except for required travel on the Company's business to an extent substantially consistent with Mr. Mahon's business travel obligations at the date first above written;

(iv) the failure by the Company, without Mr. Mahon's consent, to pay to Mr. Mahon, within seven (7) days of the date when due, (A) any portion of his compensation, or (B) any portion of an installment of deferred compensation under any deferred compensation program of the Company;

(v) the failure by the Company to continue in effect any compensation plan in which Mr. Mahon participates which is material to his total compensation, including but not limited to the Retirement Plan and the Company's Incentive Savings Plan or any substitute plans unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue his participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of his participation relative to other participants, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Company;

(vi) the failure by the Company to continue to provide Mr. Mahon with benefits substantially similar to those enjoyed by Mr. Mahon under the Retirement Plan and the Company's Incentive Savings Plan or under any of the Company's life, health (including hospitalization, medical and major medical), dental, accident, and long-term disability insurance benefits, in which Mr. Mahon is participating, or the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive Mr. Mahon of the number of paid vacation days to which he is entitled, on the basis of years of service with the Company, rank or otherwise, in accordance with the Company's normal vacation policy, unless such failure is the result of action mandated at the initiation of any regulatory authority having jurisdiction over the Company;

(vii) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in section 15(a) of this Agreement;

(viii) any purported termination of employment by the Company which is not effected pursuant the provisions of section 12(a) regarding Termination for Cause or on account of Disability;

(ix) a material breach of this Agreement by the Company, which the Company fails to cure within thirty (30) days

following written notice thereof from Mr. Mahon;

(x) in the event of a Change in Control described in section 13(b) of this Agreement, a failure of the Company to provide, or cause to be provided, to Mr. Mahon in connection with such Change in Control, stock-based compensation and benefits, including, without limitation, stock options, restricted stock awards, and participation in tax-qualified stock bonus plans which, in the aggregate, are either (A) accepted by Mr. Mahon in writing as being satisfactory for purposes of this Agreement or (B) in the written, good faith opinion of a nationally recognized executive compensation consulting firm selected by the Company and satisfactory to Mr. Mahon, whose agreement shall not be unreasonably withheld, are no less favorable than the stock-based compensation and benefits usually and customarily provided to similarly situated executives of similar financial institutions in connection with similar transactions; or

(xi) a change in the position to which Mr. Mahon reports;

(xii) in the event of a Change in Control described in section 13 of this Agreement, termination of employment for any or no reason whatsoever during the period of sixty (60) days beginning on the first anniversary of the effective date of such Change in Control.

13. Definition of Change in Control. For purposes of this Agreement, a Change in Control of the Company shall mean:

(a) the occurrence of any event upon which any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan maintained for the benefit of employees of the Company; (B) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (C) Mr. Mahon, or any group otherwise constituting a person in which Mr. Mahon is a member, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities issued by the Company representing 25% or more of the combined voting power of all of the Company's then outstanding securities; or

(b) the occurrence of any event upon which the individuals who on the date first above written are members of the Board, together with individuals (other than any individual designated by a person who has entered into an agreement with the Company to effect a transaction described in section 13(a) or 13(c) of this Agreement) whose election by the Board or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the members of Board then in office who were either members of the Board on the date first above written or whose nomination or election was previously so approved cease for any reason to constitute a majority of the members of the Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(c) the shareholders of the Company approve either:

(i) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation following which both of the following conditions are satisfied:

(A) either (1) the members of the Board of the Company immediately prior to such merger or consolidation constitute at least a majority of the members of the governing body of the institution resulting from such merger or consolidation; or (2) the shareholders of the Company own securities of the institution resulting from such merger or consolidation representing 80% or more of the combined voting power of all such securities then outstanding in substantially the same proportions as their ownership of voting securities of the Company before such merger or consolidation; and

(B) the entity which results from such merger or consolidation expressly agrees in writing to assume and perform the Company's obligations under this Agreement; or

(ii) a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets; and

(d) any event which would be described in section 13(a), (b) or (c) if the term "Bank" were substituted for the term "Company" therein. Such event shall be deemed to be a Change in Control under the relevant provision of section 13(a), (b) or (c).

It is understood and agreed that more than one Change in Control may occur at the same or different times during the Employment Period and that the provisions of this Agreement shall apply with equal force and effect with respect to each such Change in Control.

14. No Effect on Employee Benefit Plans or Programs. Except as expressly provided in this Agreement, the termination of Mr. Mahon's employment during the Employment Period or thereafter, whether by the Company or by Mr. Mahon, shall have no effect on the rights and obligations of the parties hereto under the Company's or the Bank's Retirement Plan and the Company's Incentive Savings Plan, group life, health (including hospitalization, medical and major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs (whether or not employee benefit plans or programs) and, following the conversion of the Company to stock form, any stock option and appreciation rights plan, employee stock ownership plan and restricted stock plan, as may be maintained by, or cover employees of, the Company from time to time.

15. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be deemed to constitute a material breach of the Company's obligations under this Agreement.

(b) This Agreement will inure to the benefit of and be binding upon Mr. Mahon, his legal representatives and testate or intestate distributees, and the Company, their respective successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the respective assets and business of the Company may be sold or otherwise transferred.

16. Notices. Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be in writing and shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed to such party at the address listed below or at such other address as one such party may by written notice specify to the other party:

If to Mr. Mahon:

[Home address deleted].

If to the Company:

Dime Community Bancorp, Inc.

209 Havemeyer Street
Brooklyn, New York 11211
Attention: Corporate Secretary

with a copy to:

Thacher Proffitt & Wood
Two World Trade Center, 39th Floor
New York, New York 10048

Attention: W. Edward Bright

17. Indemnification and Attorneys' Fees. The Company shall pay to or on behalf of Mr. Mahon all reasonable costs, including legal fees, incurred by him in connection with or arising out of his consultation with legal counsel or in connection with or arising out of any action, suit or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, that this section 17 shall not obligate the Company to pay costs and legal fees on behalf of Mr. Mahon under this Agreement in excess of \$50,000.

18. Excise Tax Indemnification.

(a) This section 18 shall apply if Mr. Mahon's employment is terminated in circumstances giving rise to liability for excise taxes under section 4999 of the Code. If this Section 18 applies, then, if for any taxable year, Mr. Mahon shall be liable for the payment of an excise tax under section 4999 of the Code with respect to any payment in the nature of compensation made by the Company or any direct or indirect subsidiary or affiliate of the Company to (or for the benefit of) Mr. Mahon, the Company shall pay to Mr. Mahon an amount equal to

X determined under the following formula:

$$X = \frac{E \times P}{1 - [(FI \times (1 - SLI)) + SLI + E + M]}$$

where

- E = the rate at which the excise tax is assessed under section 4999 of the Code;
- P = the amount with respect to which such excise tax is assessed, determined without regard to this section 18;
- FI = the highest marginal rate of income tax applicable to Mr. Mahon under the Code for the taxable year in question;
- SLI = the sum of the highest marginal rates of income tax applicable to Mr. Mahon under all applicable state and local laws for the taxable year in question; and
- M = the highest marginal rate of Medicare tax applicable to Mr. Mahon under the Code for the taxable year in question.

With respect to any payment in the nature of compensation that is made to (or for the benefit of) Mr. Mahon under the terms of this Agreement, or otherwise, and on which an excise tax under section 4999 of the Code will be assessed, the payment determined under this section 18(a) shall be made to Mr. Mahon on the earlier of (i) the date the Company or any direct or indirect subsidiary or affiliate of the Company is required to withhold such tax, or (ii) the date the tax is required to be paid by Mr. Mahon.

(b) Notwithstanding anything in this section 18 to the contrary, in the event that Mr. Mahon's liability for the excise tax under section 4999 of the Code for a taxable year is subsequently determined to be different than the amount determined by the formula $(X + P) \times E$, where X, P and E have the meanings provided in section 18(a), Mr. Mahon or the Company, as the case may be, shall pay to the other party at the time that the amount of such excise tax is finally determined, an appropriate amount, plus interest, such that the payment made under section 18(a), when increased by the amount of the payment made to Mr. Mahon under this section 18(b) by the Company, or when reduced by the amount of the payment made to the Company under this section 18(b) by Mr. Mahon, equals the amount that should have properly been paid to Mr. Mahon under section 18(a). The interest paid under this section 18(b) shall be determined at the rate provided under section 1274(b)(2)(B) of the Code. To confirm that the proper amount, if any, was paid to Mr. Mahon under this section 18, Mr. Mahon shall furnish to the Company a copy of each tax return which reflects a liability for an excise tax payment made by the Company, at least 20 days before the date on which such return is required to be filed with the Internal Revenue Service.

(c) The provisions of this section 18 are designed to reflect the provisions of applicable federal, state and local tax laws in effect on the date of this Agreement. If, after the date hereof, there shall be any change in any such laws, this section 18 shall be modified in such manner as Mr. Mahon and the Company may mutually agree upon if and to the extent necessary to assure that Mr. Mahon is fully indemnified against the economic effects of the tax imposed under section 4999 of the Code or any similar federal, state or local tax.

19. Severability. A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

20. Waiver. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A waiver of any provision of this Agreement must be made in writing, designated as a waiver, and signed by the party against who its enforcement is sought. Any waiver or relinquishment of such right or power at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

21. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

22. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without reference to conflicts of law principles.

23. Headings and Construction. The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any reference to a section number shall refer to a section of this Agreement, unless otherwise stated.

24. Entire Agreement; Modifications. This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof, including the Amended and Restated Employment Agreement dated October 1, 1995 between the Bank and Mr. Mahon. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto.

25. Arbitration Clause. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; the expense of such arbitration shall be borne by the Company.

26. Provisions of Law. Notwithstanding anything herein contained to the contrary, any payments to Mr. Mahon by the Company, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and any regulations promulgated thereunder.

27. Guarantee. The Company hereby agrees to guarantee the payment by the Bank of any benefits and compensation to which the Executive is or may be entitled to under the terms and conditions of the employment agreement dated as of the 26th day of June, 1996 between the Bank and Mr. Mahon, a copy of which is attached hereto as Exhibit A.

28. Non-duplication. In the event that Mr. Mahon shall perform services for the Bank or any other direct or indirect subsidiary of the Company, any compensation or benefits provided to Mr. Mahon by such other employer shall be applied to offset the obligations of the Company hereunder, it being intended that this Agreement set forth the aggregate compensation and benefits payable to Mr. Mahon for all services to the Company and all of its direct or indirect subsidiaries.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and Mr. Mahon has hereto set his hand, all as of the day and year first above written.

/s/ Kenneth J. Mahon
KENNETH J. MAHON

ATTEST

DIME COMMUNITY BANCORP, INC.

By: /s/ Evelyn McLoughlin
Assistant Secretary

By: /s/ Anthony Bergamo
for the Board of Directors

[Seal]

[Witnessed and attested to by Notary Public].

This Employee Retention Agreement ("Agreement") is made and entered into as of _____ by and among The Dime Savings Bank of Williamsburgh, a savings bank organized and operating under the federal laws of the United States and having its executive offices at 209 Havemeyer Street, Brooklyn, New York 11211 ("Bank"); Dime Community Bancorp, Inc., a business corporation organized and existing under the laws of the State of Delaware and having its executive offices at 209 Havemeyer Street, Brooklyn, New York 11211 ("Holding Company"); and _____ an individual residing at _____ ("Officer").

W I T N E S S E T H :

Whereas, effective as of the date of this Agreement, the Bank has converted from a federal mutual savings bank to a federal stock savings bank and has become a wholly-owned subsidiary of the Holding Company; and

Whereas, the Bank desires to secure for itself the continued availability of the Officer's services; and

Whereas, the Bank recognizes that a third party may at some time in the future pursue a Change of Control of the Bank or the Holding Company and that this possibility may result in the departure or distraction of the Bank's officers; and

Whereas, the Bank has determined that appropriate steps should be taken to encourage the continued attention and dedication of the Bank's officers, including the Officer, to their duties for the Bank without the distraction that may arise from the possibility of a Change of Control of the Bank or the Holding Company; and

Whereas, the Bank believes that, by assuring certain officers, including the Officer, of reasonable financial security in the event of a Change of Control of the Bank or the Holding Company, such officers will be in a position to perform their duties free from financial self interest and in the best interests of the Bank and its shareholders; and

Whereas, for purposes of securing the Officer's services for the Bank, the Board of Directors of the Bank ("Board") has authorized the proper officers of the Bank to enter into an employee retention agreement with the Officer on the terms and conditions set forth herein; and

Whereas, the Board of Directors of the Holding Company has authorized the Holding Company to guarantee the Bank's obligations under such an employee retention agreement; and

Whereas, the Officer is willing to make the Officer's services available to the Bank on the terms and conditions set forth herein;

Now, Therefore, in consideration of the premises and the mutual covenants and obligations hereinafter set forth, the Bank, the Holding Company and the Officer hereby agree as follows:

Section 1. Effective Date.

(a) This Agreement shall be effective as of the date first above written and shall remain in effect during the term of this Agreement which shall be for a period of three (3) years commencing on the date of this Agreement, plus such extensions as are provided pursuant to section 1(b); provided, however, that if the term of this Agreement has not otherwise terminated, the term of this Agreement will terminate on the date of the Officer's termination of employment with the Bank; and provided, further, that the obligations under section 8 of this Agreement shall survive the term of this Agreement if payments become due here under.

(b) Prior to each anniversary date of this Agreement, the Board shall consider the advisability of an extension of the term in light of the circumstances then prevailing and may, in its discretion, approve an extension to take effect as of the upcoming anniversary date. If an extension is approved, the term of this Agreement shall be extended so that it will expire three (3) years after such anniversary date.

(c) Notwithstanding anything herein contained to the contrary: (i) the Officer's employment with the Bank may be terminated at any time, subject to the terms and conditions of this Agreement; and (ii) nothing in this Agreement shall mandate or prohibit a continuation of the Officer's employment following the expiration of the Assurance Period upon such terms and conditions as the Bank and the Officer may mutually agree upon.

Section 2. Assurance Period.

(a) The assurance period ("Assurance Period") shall be for a period commencing on the date of a Change of Control, as defined in section 10 of this Agreement, and ending on the anniversary of the date on which the Assurance Period commences, plus such extensions as are provided pursuant to the following sentence. The Assurance Period shall be automatically extended for one (1) additional day each day, unless either the Bank or the Officer elects not to extend the Assurance Period further by giving written notice to the other party, in which case the Assurance Period shall become fixed and shall end on the anniversary of the date on which such written notice is given; provided, however, that if following a Change of Control, the Office of Thrift Supervision (or its successor) is the Bank's primary federal regulator, the Agreement shall be subject to extension not more frequently than annually and only upon review and approval of the Board.

(b) Upon termination of the Officer's employment with the Bank, any daily extensions provided pursuant to the preceding sentence, if not theretofore discontinued, shall cease and the remaining unexpired Assurance Period under this Agreement shall be a fixed period ending on the later of the anniversary of the date of the Change of Control, as defined in section 10 of this Agreement, or the anniversary of the date on which the daily extensions were discontinued.

Section 3. Duties.

During the period of the Officer's employment that falls within the Assurance Period, the Officer shall: (a) except to the extent allowed under section 6 of this Agreement, devote his full business time and attention (other than during weekends, holidays, vacation periods, and periods of illness, disability or approved leave of absence) to the business and affairs of the Bank and use his best efforts to advance the Bank's interests; (b) serve in the position to which the Officer is appointed by the Bank, which, during the Assurance Period, shall be the position that the Officer held on the day before the Assurance Period commenced or any higher office at the Bank to which he may subsequently be appointed; and (c) subject to the direction of the Board and the By-laws of the Bank, have such functions, duties, responsibilities and authority commonly associated with such position.

Section 4. Compensation.

In consideration for the services rendered by the Officer during the Assurance Period, the Bank shall pay to the Officer during the Assurance Period a salary at an annual rate equal to the greater of:

(a) the annual rate of salary in effect for the Officer on the day before the Assurance Period commenced; or

(b) such higher annual rate as may be prescribed by or under the authority of the Board;

provided, however, that in no event shall the Officer's annual rate of salary under this Agreement in effect at a particular time during the Assurance Period be reduced without the Officer's prior written consent. The annual salary payable under this section 4 shall be subject to review at least once annually and shall be paid in approximately equal installments in accordance with the Bank's customary payroll practices. Nothing in this section 4 shall be deemed to prevent the Officer from receiving additional compensation other than salary for his services to the Bank, or additional compensation for his services to the Holding Company, upon such terms and conditions as may be prescribed by or under the authority of the Board or the Board of Directors of the Holding Company.

Section 5. Employee Benefit Plans and Programs.

Except as otherwise provided in this Agreement, the Officer shall, during the Assurance Period, be treated as an employee of the Bank and be eligible to participate in and receive benefits under any qualified or non-qualified defined benefit or defined contribution retirement plan, group life, health (including hospitalization, medical and major medical), dental, accident and long term disability insurance plans, and such other employee benefit plans and programs, including, but not limited to, any incentive compensation plans or programs (whether or not employee benefit plans or programs), any stock option and appreciation rights plan, employee stock ownership plan and restricted stock plan, as may from time to time be maintained by, or cover employees of, the Bank, in accordance with the terms and conditions of such employee benefit plans and programs and compensation plans and programs and with the Bank's customary practices.

Section 6. Board Memberships.

The Officer may serve as a member of the boards of directors of such business, community and charitable organizations as he may disclose to and as may be approved by the Board (which approval shall not be unreasonably withheld), and he may

engage in personal business and investment activities for his own account; provided, however, that such service and personal business and investment activities shall not materially interfere with the performance of his duties under this Agreement.

Section 7. Working Facilities and Expenses.

During the Assurance Period, the Officer's principal place of employment shall be at the Bank's executive offices at the address first above written, or at such other location within the City of New York at which the Bank shall maintain its principal executive offices, or at such other location as the Bank and the Officer may mutually agree upon. The Bank shall provide the Officer, at his principal place of employment, with a private office and support services and facilities suitable to his position with the Bank and necessary or appropriate in connection with the performance of his assigned duties under this Agreement. The Bank shall reimburse the Officer for his ordinary and necessary business expenses, including, without limitation, the Officer's travel and entertainment expenses, incurred in connection with the performance of the Officer's duties under this Agreement, upon presentation to the Bank of an itemized account of such expenses in such form as the Bank may reasonably require.

Section 8. Termination of Employment with Severance Benefits.

(a) In the event that the Officer's employment with the Bank shall terminate during the Assurance Period, or prior to the commencement of the Assurance Period but within three (3) months of and in connection with a Change of Control as defined in section 10 of this Agreement on account of:

(i) The Officer's voluntary resignation from employment with the Bank within ninety (90) days following:

(A) the failure of the Bank's Board to appoint or re-appoint or elect or re-elect the Officer to serve in the same position in which the Officer was serving, on the day before the Assurance Period commenced or a more senior office;

(B) the failure of the stockholders of the Holding Company to elect or re-elect the Officer as a member of the Board, if he was a member of the Board on the day before the Assurance Period commenced;

(C) the expiration of a thirty (30) day period following the date on which the Officer gives written notice to the Bank of its material failure, whether by amendment of the Bank's Organization Certificate or By-laws, action of the Board or the Holding Company's stockholders or otherwise, to vest in the Officer the functions, duties, or responsibilities vested in the Officer on the day before the Assurance Period commenced (or the functions, duties and responsibilities of a more senior office to which the Officer may be appointed), unless during such thirty (30) day period, the Bank fully cures such failure;

(D) the failure of the Bank to cure a material breach of this Agreement by the Bank, within thirty (30) days following written notice from the Officer of such material breach;

(E) a reduction in the compensation provided to the Officer, or a material reduction in the benefits provided to the Officer under the Bank's program of employee benefits, compared with the compensation and benefits that were provided to the Officer on the day before the Assurance Period commenced;

(F) a change in the Officer's principal place of employment that would result in a one-way commuting time in excess of the greater of (I) 30 minutes or (II) the Officer's commuting time immediately prior to such change; or

(ii) the discharge of the Officer by the Bank for any reason other than for "cause" as provided in section 9(a);

then, subject to section 21, the Bank shall provide the benefits and pay to the Officer the amounts provided for under section 8(b) of this Agreement; provided, however, that if benefits or payments become due hereunder as a result of the Officer's termination of employment prior to the commencement of the Assurance Period, the benefits and payments provided for under section 8(b) of this Agreement shall be determined as though the Officer had remained in the service of the Bank (upon the terms and conditions in effect at the time of his actual termination of service) and had not terminated employment with the Bank until

the date on which the Officer's Assurance Period would have commenced.

(b) Upon the termination of the Officer's employment with the Bank under circumstances described in section 8(a) of this Agreement, the Bank shall pay and provide to the Officer (or, in the event of the Officer's death, to the Officer's estate):

(i) the Officer's earned but unpaid compensation (including, without limitation, all items which constitute wages under section 190.1 of the New York Labor Law and the payment of which is not otherwise provided for under this section 8(b)) as of the date of the termination of the Officer's employment with the Bank, such payment to be made at the time and in the manner prescribed by law applicable to the payment of wages but in no event later than thirty (30) days after termination of employment;

(ii) the benefits, if any, to which the Officer is entitled as a former employee under the employee benefit plans and programs and compensation plans and programs maintained for the benefit of the Bank's officers and employees;

(iii) continued group life, health (including hospitalization, medical and major medical), accident and long term disability insurance benefits, in addition to that provided pursuant to section 8(b)(ii) and after taking into account the coverage provided by any subsequent employer, if and to the extent necessary to provide for the Officer, for the remaining unexpired Assurance Period, coverage equivalent to the coverage to which the Officer would have been entitled under such plans (as in effect on the date of his termination of employment, or, if his termination of employment occurs after a Change of Control, on the date of such Change of Control, whichever benefits are greater) if the Officer had continued working for the Bank during the remaining unexpired Assurance Period at the highest annual rate of compensation achieved during the Officer's period of actual employment with the Bank;

(iv) within thirty (30) days following the Officer's termination of employment with the Bank, a lump sum payment, in an amount equal to the present value of the salary that the Officer would have earned if the Officer had continued working for the Bank during the remaining unexpired Assurance Period at the highest annual rate of salary achieved during the Officer's period of actual employment with the Bank, where such present value is to be determined using a discount rate equal to the applicable short-term federal rate prescribed under section 1274(d) of the Internal Revenue Code of 1986 ("Code"), compounded using the compounding periods corresponding to the Bank's regular payroll periods for its officers, such lump sum to be paid in lieu of all other payments of salary provided for under this Agreement in respect of the period following any such termination;

(v) within thirty (30) days following the Officer's termination of employment with the Bank, a lump sum payment in an amount equal to the excess, if any, of:

(A) the present value of the aggregate benefits to which the Officer would be entitled under any and all qualified and non-qualified defined benefit pension plans maintained by, or covering employees of, the Bank if the Officer were 100% vested thereunder and had continued working for the Bank during the remaining unexpired Assurance Period such benefits to be determined as of the date of termination of employment by adding to the service actually recognized under such plans an additional period equal to the remaining unexpired Assurance Period and by adding to the compensation recognized under such plans for the year in which termination of employment occurs all amounts payable under sections 8(b)(i), (iv) and (vii);

(B) the present value of the benefits to which the Officer is actually entitled under such defined benefit pension plans as of the date of his termination;

where such present values are to be determined using the mortality tables prescribed under section 415(b)(2)(E)(v) of the Code and a discount rate, compounded monthly, equal to the annualized rate of interest prescribed by the Pension Benefit Guaranty Corporation for the valuation of immediate annuities payable under terminating single-employer defined benefit plans for the month in which the Officer's termination of employment occurs ("Applicable PBGC

Rate").

(vi) within thirty (30) days following the Officer's termination of employment with the Bank, a lump sum payment in an amount equal to the present value of the additional employer contributions (or if greater in the case of a leveraged employee stock ownership plan or similar arrangement, the additional assets allocable to him through debt service, based on the fair market value of such assets at termination of employment) to which he would have been entitled under any and all qualified and non-qualified defined contribution plans maintained by, or covering employees of, the Bank, if he were 100% vested thereunder and had continued working for the Bank during the remaining unexpired Assurance Period at the highest annual rate of compensation achieved during the Officer's period of actual employment with the Bank, and making the maximum amount of employee contributions, if any, required under such plan or plans, such present value to be determined on the basis of the discount rate, compounded using the compounding period that corresponds to the frequency with which employer contributions are made to the relevant plan, equal to the Applicable PBGC Rate;

(vii) the payments that would have been made to the Officer under any cash bonus or long-term or short-term cash incentive compensation plan maintained by, or covering employees of, the Bank, if he had continued working for the Bank during the remaining unexpired Assurance Period and had earned the maximum bonus or incentive award in each calendar year that ends during the remaining unexpired Assurance Period, such payments to be equal to the product of:

(A) the maximum percentage rate at which an award was ever available to the Officer under such incentive compensation plan; multiplied by

(B) the salary that would have been paid to the Officer during each such calendar year at the highest annual rate of salary achieved during the remaining unexpired Assurance Period, such payments to be made (without discounting for early payment) within thirty (30) days following the Officer's termination of employment; and

The Bank and the Officer hereby stipulate that the damages which may be incurred by the Officer following any such termination of employment are not capable of accurate measurement as of the date first above written and that the payments and benefits contemplated by this section 8(b) constitute a reasonable estimate under the circumstances of all damages sustained as a consequence of any such termination of employment, other than damages arising under or out of any stock option, restricted stock or other non-qualified stock acquisition or investment plan or program, it being understood and agreed that this Agreement shall not determine the measurement of damages under any such plan or program in respect of any termination of employment. Such damages shall be payable without any requirement of proof of actual damage and without regard to the Officer's efforts, if any, to mitigate damages. The Bank and the Officer further agree that the Bank may condition the payments and benefits (if any) due under sections 8(b)(iii), (iv), (v), (vi) and (vii) on the receipt of the Officer's resignation from any and all positions which he holds as an officer, director or committee member with respect to the Bank, the Company or any subsidiary or affiliate of either of them.

Section 9. Termination without Severance Benefits.

In the event that the Officer's employment with the Bank shall terminate during the Assurance Period on account of:

(a) the discharge of the Officer for "cause," which, for purposes of this Agreement shall mean personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist order, or any material breach of this Agreement, in each case as measured against standards generally prevailing at the relevant time in the savings and community banking industry; provided, however, that the Officer shall not be deemed to have been discharged for cause unless and until he shall have received a written notice of termination from the Board, accompanied by a resolution duly adopted by affirmative vote of a majority of the entire Board at a meeting called and held for such purpose (after reasonable notice to the Officer and a reasonable opportunity for the Officer to make oral and written presentations to the members of the Board, on his own behalf, or through a representative, who may be his legal counsel, to refute the grounds for the proposed

determination) finding that in the good faith opinion of the Board grounds exist for discharging the Officer for cause; or

(b) the Officer's voluntary resignation from employment with the Bank for reasons other than those specified in section 8(a)(i); or

(c) the Officer's death; or

(d) a determination that the Officer is eligible for long-term disability benefits under the Bank's long-term disability insurance program or, if there is no such program, under the federal Social Security Act;

then the Bank shall have no further obligations under this Agreement, other than the payment to the Officer (or, in the event of his death, to his estate) of his earned but unpaid salary as of the date of the termination of his employment, and the provision of such other benefits, if any, to which the Officer is entitled as a former employee under the employee benefit plans and programs and compensation plans and programs maintained by, or covering employees of, the Bank.

Section 10. Change of Control.

(a) A Change of Control of the Bank ("Change of Control") shall be deemed to have occurred upon the happening of any of the following events:

(i) approval by the stockholders of the Bank of a transaction that would result in the reorganization, merger or consolidation of the Bank, respectively, with one or more other persons, other than a transaction following which:

(A) at least 51% of the equity ownership interests of the entity resulting from such transaction are beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) in substantially the same relative proportions by persons who, immediately prior to such transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the outstanding equity ownership interests in the Bank; and

(B) at least 51% of the securities entitled to vote generally in the election of directors of the entity resulting from such transaction are beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) in substantially the same relative proportions by persons who, immediately prior to such transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the securities entitled to vote generally in the election of directors of the Bank;

(ii) the acquisition of substantially all of the assets of the Bank or beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the outstanding securities of the Bank entitled to vote generally in the election of directors by any person or by any persons acting in concert, or approval by the stockholders of the Bank of any transaction which would result in an acquisition; or

(iii) a complete liquidation or dissolution of the Bank, or approval by the stockholders of the Bank of a plan for such liquidation or dissolution;

(iv) the occurrence of any event if, immediately following such event, at least fifty percent (50%) of the members of the Board do not belong to any of the following groups:

(A) individuals who were members of the Board on the date of this Agreement; or

(B) individuals who first became members of the Board after the date of this Agreement either:

(1) upon election to serve as a member of the Board by affirmative vote of three-quarters (3/4) of the members of such Board, or a nominating committee thereof, in office at the time of such first election; or

(2) upon election by the stockholders of the Board to serve as a member of the Board, but only if nominated for election by affirmative vote of three-quarters (3/4) of the members of the Board, or of a nominating committee thereof, in

office at the time of such first nomination;

provided, however, that such individual's election or nomination did not result from an actual or threatened election contest (within the meaning of Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents (within the meaning of Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) other than by or on behalf of the Board of the Bank;

(v) any event which would be described in section 10(a)(i), (ii), (iii) or (iv) if the term "Holding Company" were substituted for the term "Bank" therein.

(b) In no event, however, shall a Change of Control be deemed to have occurred as a result of any acquisition of securities or assets of the Holding Company, the Bank or any subsidiary of either of them, by the Holding Company, the Bank or any subsidiary of either of them, or by any employee benefit plan maintained by any of them.

Section 11. No Effect on Employee Benefit Plans or Programs.

The termination of the Officer's employment during the Assurance Period or thereafter, whether by the Bank or by the Officer, shall have no effect on the rights and obligations of the parties hereto under the Bank's qualified and non-qualified defined benefit or defined contribution retirement plans, group life, health (including hospitalization, medical and major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs (whether or not employee benefit plans or programs) and any defined contribution plan, employee stock ownership plan, stock option and appreciation rights plan, and restricted stock plan, as may be maintained by, or cover employees of, the Bank from time to time; provided, however, that nothing in this Agreement shall be deemed to duplicate any compensation or benefits provided under any agreement, plan or program covering the Officer to which the Bank or the Holding Company is a party and any duplicative amount payable under any such agreement, plan or program shall be applied as an offset to reduce the amounts otherwise payable hereunder.

Section 12. Successors and Assigns.

This Agreement will inure to the benefit of and be binding upon the Officer, his legal representatives and testate or intestate distributees, and the Bank and the Holding Company, their respective successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the respective assets and business of the Bank or the Holding Company may be sold or otherwise transferred.

Section 13. Notices.

Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be in writing and shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed to such party at the address listed below or at such other address as one such party may by written notice specify to the other party:

If to the Officer:

If to the Bank:

The Dime Savings Bank of Williamsburgh
209 Havemeyer Street
Brooklyn, New York 11211

Attention: Corporate Secretary

with a copy to:

Thacher Proffitt & Wood
Two World Trade Center
New York, New York 10048

Attention: W. Edward Bright, Esq.

If to the Holding Company:

Dime Community Bancorp, Inc.
209 Havemeyer Street
Brooklyn, New York 11211

Attention: Corporate Secretary

with a copy to:

Thacher Proffitt & Wood
Two World Trade Center
New York, New York 10048

Attention: W. Edward Bright, Esq.

Section 14. Indemnification and Attorneys' Fees.

The Bank shall indemnify, hold harmless and defend the Officer against reasonable costs, including legal fees, incurred by the Officer in connection with or arising out of any action, suit or proceeding in which the Officer may be involved, as a result of the Officer's efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, that the Officer shall have substantially prevailed on the merits pursuant to a judgment, decree or order of a court of competent jurisdiction or of an arbitrator in an arbitration proceeding, or in a settlement; provided, further, that this section 14 shall not obligate the Bank to pay costs and legal fees on behalf of the Officer under this Agreement in excess of \$20,000. For purposes of this Agreement, any settlement agreement which provides for payment of any amounts in settlement of the Bank's obligations hereunder shall be conclusive evidence of the Officer's entitlement to indemnification hereunder, and any such indemnification payments shall be in addition to amounts payable pursuant to such settlement agreement, unless such settlement agreement expressly provides otherwise.

Section 15. Severability.

A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

Section 16. Waiver.

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A waiver of any provision of this Agreement must be made in writing, designated as a waiver, and signed by the party against whom its enforcement is sought. Any waiver or relinquishment of any right or power hereunder at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 17. Counterparts.

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

Section 18. Governing Law.

This Agreement shall be governed by and construed and enforced in accordance with the federal laws of the United States, and in the absence of controlling federal law, the laws of the State of New York, without reference to conflicts of law principles.

Section 19. Headings and Construction.

The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any reference to a section number shall refer to a section of this Agreement, unless otherwise stated.

Section 20. Entire Agreement; Modifications.

This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understandings or representations relating to the subject matter hereof. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto.

Section 21. Required Regulatory Provisions.

The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Bank:

(a) Notwithstanding anything herein contained to the contrary, in no event shall the aggregate amount of compensation payable to the Officer under section 8(b) hereof (exclusive of amounts described in section 8(b)(i)) exceed the three times the Officer's average annual total compensation for the last five consecutive calendar years to end prior to his termination of employment with the Bank (or for his entire period of employment with the Bank if less than five calendar

years).

(b) Notwithstanding anything herein contained to the contrary, any payments to the Officer by the Bank, whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. Section 1828(k), and any regulations promulgated thereunder.

(c) Notwithstanding anything herein contained to the contrary, if the Officer is suspended from office and/or temporarily prohibited from participating in the conduct of the affairs of the Bank pursuant to a notice served under section 8(e)(3) or 8(g)(1) of the FDI Act, 12 U.S.C. Section 1818(e)(3) or 1818(g)(1), the Bank's obligations under this Agreement shall be suspended as of the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Bank, in its discretion, may (i) pay to the Officer all or part of the compensation withheld while the Bank's obligations hereunder were suspended and (ii) reinstate, in whole or in part, any of the obligations which were suspended.

(d) Notwithstanding anything herein contained to the contrary, if the Officer is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under section 8(e)(4) or 8(g)(1) of the FDI Act, 12 U.S.C. Section 1818(e)(4) or (g)(1), all prospective obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights and obligations of the Bank and the Officer shall not be affected.

(e) Notwithstanding anything herein contained to the contrary, if the Bank is in default (within the meaning of section 3(x)(1) of the FDI Act, 12 U.S.C. Section 1813(x)(1), all prospective obligations of the Bank under this Agreement shall terminate as of the date of default, but vested rights and obligations of the Bank and the Officer shall not be affected.

(f) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Bank hereunder shall be terminated, except to the extent that a continuation of this Agreement is necessary for the continued operation of the Bank: (i) by the Director of the Office of Thrift Supervision ("OTS") or his designee or the Federal Deposit Insurance Corporation ("FDIC"), at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in section 13(c) of the FDI Act, 12 U.S.C. Section 1823(c); (ii) by the Director of the OTS or his designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Bank or when the Bank is determined by such Director to be in an unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

If and to the extent any of the foregoing provisions shall cease to be required by applicable law, rule or regulation, the same shall become inoperative as though eliminated by formal amendment of this Agreement.

Section 22. Guaranty.

The Holding Company hereby irrevocably and unconditionally guarantees to the Officer the payment of all amounts, and the performance of all other obligations, due from the Bank in accordance with the terms of this Agreement as and when due without any requirement of presentment, demand of payment, protest or notice of dishonor or nonpayment. For purposes of this section 22, the application of sections 21(a), (c), (d), (e) or (f) to the Bank shall have no effect on the Holding Company's obligations hereunder.

Section 23. Maximum Limitations on Severance Benefits.

Notwithstanding anything in this Agreement to the contrary, in the event that the payments provided to the Officer (or in the event of his death, to his estate) under this Agreement constitute an "excess parachute payment" under section 280G of the Code, such payments shall be limited to the lesser of

(a) 2.99 times his average compensation (including salary, bonuses, amounts contributed on behalf of the Officer to any employee benefit plans and programs and compensation plans and programs maintained for the benefit of the Holding Company's officers and employees and any other cash or non-cash compensation paid to the Officer) for the period of five taxable years ending immediately prior to his termination of employment; or

(b) whichever of the following amounts yields the larger net payment to the Officer, after provision for the tax (if any) imposed under section 4999 of the Code:

- (i) the amount determined under section 23(a); or
- (ii) the maximum amount (if any) which may be paid to the Officer hereunder without giving rise to any tax under section 4999 of the Code;

as determined by the Officer in his sole discretion.

In Witness Whereof, the Bank and the Holding Company have caused this Agreement to be executed and the Officer has hereunto set his hand, all as of the day and year first above written.

ATTEST: The Dime Savings Bank of Williamsburgh

By _____
Secretary

By _____
Name:
Title:

[Seal]

ATTEST: Dime Community Bancorp, Inc.

By _____
Secretary

By _____
Name:
Title:

[Seal]

STATE OF NEW YORK)
: ss.:
COUNTY OF KINGS)

On this ____ day of _____, 19__, before me personally came _____, to me known, and known to me to be the individual described in the foregoing instrument, who, being by me duly sworn, did depose and say that he resides at the address set forth in said instrument, and that he signed his name to the foregoing instrument.

Notary Public

STATE OF NEW YORK)
: ss.:
COUNTY OF KINGS)

On this ____ day of _____, 19__, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____, that he is a member of the Board of Directors of The Dime Savings Bank of Williamsburgh, the savings bank described in and which executed the foregoing instrument; that he knows the seal of said mutual savings bank; that the seal affixed to said instrument is such seal; that it was so affixed by authority of the Board of Directors of said savings bank; and that he signed his name thereto by like authority.

Notary Public

STATE OF NEW YORK)
: ss.:
COUNTY OF KINGS)

On this ____ day of _____, 19__, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____, that he is a member of the Board of Directors of Dime Community Bancorp, Inc., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

Employee Stock Ownership Plan of
Dime Community Bancorp, Inc.
and Certain Affiliates

Adopted on February 8, 1996
Effective July 1, 1995

AMENDMENT

Effective as of July 1, 1995, the Employee Stock Ownership Plan of Dime Community Bancorp, Inc. and Certain Affiliates ("Plan") is hereby amended as follows:

1. The effective date on the cover page is deleted and the following is substituted therefor:

"Effective July 1, 1995"

2. Section 1.14 is deleted in its entirety and the following is substituted therefor:

"Effective Date means July 1, 1995."

3. Section 1.44 is amended in its entirety to read as follows:

Section 1.44 Plan Year means the period commencing on the Effective Date and ending on June 30, 1996 and each fiscal year beginning July 1 and ending June 30 thereafter.

4. Section 7.2 is amended in its entirety to read as follows:

Section 7.2 Allocation of Released Shares or Other Property.

Subject to the limitations of Article VIII, in the event that Financed Shares or other property are released from the Loan Repayment Account for a Plan Year in accordance with section 6.4, such released Shares or other property shall be allocated among the Accounts of the Eligible Participants for the Plan Year in the proportion that each such Eligible Participant's Allocation Compensation for the portion of the immediately preceding calendar year during which he was a Participant bears to the aggregate Allocation Compensation of all Eligible Participants for the portion of the immediately preceding calendar year during which they were Participants.

5. Section 8.2(c)(v) is amended in its entirety to read as follows:

"(v) Limitation Year means the calendar year."

Page 1 of 2

In Witness Whereof, the undersigned has hereunto set his hand this ____ day of _____, 1996 pursuant to authority granted by the Board of Directors on _____, 1996.

Dime Community Bancorp, Inc.

Name:
Title:

Page 2 of 2

June 12, 1996

Employee Stock Ownership Plan Trust of
Dime Community Bancorp, Inc. and Certain Affiliates
c/o The Dime Savings Bank of Williamsburgh
209 Havemeyer Street
Brooklyn, NY 11211
Attention: Mr. Vincent F. Palagiano,
Chief Executive Officer

Dear Mr. Palagiano:

This letter confirms Dime Community Bancorp, Inc.'s commitment to fund a leveraged ESOP in an amount up to \$11,638,000. The commitment is subject to the following terms and conditions:

1. Lender: Dime Community Bancorp, Inc. (the "Company").
2. Borrower: Employee Stock Ownership Plan Trust of Dime Community Bancorp, Inc. and Certain Affiliates ("Borrower").
3. Trustee: Marine Midland Bank.
4. Security: Unreleased shares of stock of the Company held in the Employee Stock Ownership Plan Trust of Dime Community Bancorp, Inc. and Certain Affiliates.
5. Maturity: Generally, up to 10 years from takedown.
6. Amortization: Equal principal payments on annual basis, with pro-rated principal payments for partial years. Certain principal payments may be deferred to the extent that such payments would be nondeductible for federal income tax purposes or our consolidated annual return on average assets or annual return on average equity (after provision for the payment) would be less than 0.5% or 4%, respectively, for the fiscal year in which the payment would otherwise be due.

Employee Stock Ownership Plan Trust of
Dime Community Bancorp, Inc. and Certain Affiliates
June 12, 1996

Page 2

7. Pricing: Eight percent (8%) per annum.
8. Interest Payments: Annually, 365 day basis.
9. Funding: In full by June 26, 1996, unless such date is waived by the Company.
10. Prepayment: Voluntary prepayments are permitted at any time provided advance notice is given by the Borrower to the Company.
11. Conditions Precedent to Closing: Receipt by the Company of all supporting loan documents in a form and with terms and conditions satisfactory to the Company and its counsel.
12. Closing Date: Not later than June 26, 1996, unless such date is waived by the Company.
13. Other: Loan to be structured to comply in all respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

If the terms and conditions are agreeable to you, please indicate your acceptance by signing the enclosed copy and returning it to my attention.

Sincerely,

Dime Community Bancorp, Inc.

By: /s/ Michael P. Devine
Michael P. Devine
Executive Vice President and Secretary

Accepted on Behalf of
Employee Stock Ownership Plan Trust of
Dime Community Bancorp, Inc. and Certain Affiliates
By: Marine Midland Bank, as Trustee Date: June 14, 1996
Name: /s/ Richard A. Glover
Title: Vice President

LOAN AGREEMENT

by and between

EMPLOYEE STOCK OWNERSHIP PLAN TRUST
of
DIME COMMUNITY BANCORP, INC.
AND CERTAIN AFFILIATES

and

DIME COMMUNITY BANCORP, INC.

Made and Entered Into as of
June 26, 1996

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LOAN AGREEMENT

This LOAN AGREEMENT ("Loan Agreement") is made and entered into as of the 26th day of June, 1996, by and between the EMPLOYEE STOCK OWNERSHIP PLAN TRUST OF DIME COMMUNITY BANCORP, INC. AND CERTAIN AFFILIATES ("Borrower"), a trust forming part of the Employee Stock Ownership Plan of Dime Community Bancorp, Inc. and Certain Affiliates ("ESOP"), acting through and by its Trustee, MARINE MIDLAND BANK ("Trustee"), a banking corporation organized under the laws of the State of New York and having an office at 250 Park Avenue, New York, New York 10177; and Dime Community Bancorp, Inc. ("Lender"), a corporation organized and existing under the laws of the state of Delaware, having an office at 209 Havemeyer Street, Brooklyn, New York 11211.

W I T N E S S E T H :

Whereas, the Compensation Committee of the Lender ("Committee") has authorized the Borrower to purchase shares of common stock of Dime Community Bancorp, Inc. ("Common Stock"), either directly from Dime Community Bancorp, Inc. or in open market purchases in an amount not to exceed 1,163,800 shares of Common Stock or, if less, shares of Common Stock having an aggregate purchase price of Eleven Million, Six Hundred and Thirty Eight Thousand Dollars (\$11,638,000.00); and

Whereas, the Committee has further authorized the Borrower to borrow funds from the Lender for the purpose of financing authorized purchases of Common Stock; and

Whereas, the Lender is willing to make a loan to the Borrower for such purpose;

Now, Therefore, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

The following definitions shall apply for purposes of this Loan Agreement, except to the extent that a different meaning is plainly indicated by the context:

Section 1.1 Business Day means any day other than a Saturday, Sunday or other day on which banks are authorized or required to close under federal law or the laws of the State of New York.

Section 1.2 Code means the Internal Revenue Code of 1986 (including the corresponding provisions of any succeeding law).

Section 1.3 Default means an event or condition which would constitute an Event of Default. The determination as to whether an event or condition would constitute an Event of Default shall be determined without regard to any applicable requirement of notice or lapse of time.

Section 1.4 ERISA means the Employee Retirement Income Security Act of 1974, as amended (including the corresponding provisions of any succeeding law).

Section 1.5 Event of Default means an event or condition described in Article 5.

Section 1.6 Fiscal Year means the fiscal year of Dime Community Bancorp.

Section 1.7 Independent Counsel means Thacher Proffitt & Wood or other counsel mutually satisfactory to both the Lender and the Borrower.

Section 1.8 Loan means the loan described in section 2.1.

Section 1.9 Loan Documents means, collectively, this Loan Agreement, the Promissory Note and the Pledge Agreement and all other documents now or hereafter executed and delivered in connection with such documents, including all amendments, modifications and supplements of or to all such documents.

Section 1.10 Pledge Agreement means the agreement described in section 2.8(a).

Section 1.11 Principal Amount means the face amount of the Promissory Note, determined as set forth in section 2.1(c).

Section 1.12 Promissory Note means the promissory note described in section 2.3.

Section 1.13 Register means the register described in section 2.9.

ARTICLE II

THE LOAN; PRINCIPAL AMOUNT; INTEREST; SECURITY; INDEMNIFICATION

Section 2.1 The Loan; Principal Amount.

(a) The Lender hereby agrees to lend to the Borrower such amounts, and at such times, as shall be determined under this section 2.1; provided, however, that in no event shall the aggregate amount lent under this Loan Agreement from time to time exceed the lesser of (i) Eleven Million, Six Hundred and Thirty Eight Thousand Dollars (\$11,638,000.00) or (ii) the aggregate amount paid by the Borrower, exclusive of commissions, fees and other charges, to purchase 1,163,800 shares of Common Stock.

(b) Subject to the limitations of section 2.1(a), the Borrower shall determine the amounts borrowed under this Agreement, and the times at which such borrowings are effected. Each such determination shall be evidenced in a writing which shall set forth the amount to be borrowed and the date on which the Lender shall disburse such amount, and such writing shall be furnished to the Lender by notice from the Borrower. The Lender shall disburse to the Borrower the amount specified in each such notice on the date specified therein or, if later, as promptly as practicable following the Lender's receipt of such notice; provided, however, that the Lender shall have no obligation to disburse funds pursuant to this Agreement following the occurrence of a Default or an Event of Default until such time as such Default or Event of Default shall have been cured.

(c) For all purposes of this Loan Agreement, the Principal Amount on any date shall be equal to the excess, if any, of:

(i) the aggregate amount disbursed by the Lender pursuant to section 2.1(b) on or before such date; over

(ii) the aggregate amount of any repayments of such amounts made before such date.

The Lender shall maintain on the Register a record of, and shall record on the Promissory Note, the Principal Amount, any changes in the Principal Amount and the effective date of any changes in the Principal Amount.

Section 2.2 Interest.

(a) The Borrower shall pay to the Lender interest on the Principal Amount, for the period commencing on the date of this Loan Agreement and continuing until the Principal Amount shall be paid in full, the rate of eight percent (8%) per annum. Interest payable under this Agreement shall be computed on the basis of a year of 365 days and actual days elapsed (including the first day but excluding the last) occurring in the period to which the computation relates.

(b) Except as otherwise provided in this section 2.2(b), accrued interest on the Principal Amount shall be payable by the Borrower quarterly in arrears commencing on the last Business Day of the first calendar quarter to end following the date of this Agreement and continuing on the last Business Day of each calendar quarter thereafter and upon the payment or prepayment of such Loan. All interest on the Principal Amount shall be paid by the Borrower in immediately available funds. The Lender shall remit to the Borrower, at least three (3) Business Days before the end of each calendar quarter, a statement of the interest payment due under section 2.2(a) for such quarter; provided, however, that a delay or failure by the Lender in providing the Borrower with such statement shall not alter the Borrower's obligation to make such payment.

(c) Anything in this Loan Agreement or the Promissory Note to the contrary notwithstanding, the obligation of the Borrower to make payments of interest shall be subject to the limitation that payments of interest shall not be required to be made to the Lender to the extent that the Lender's receipt thereof would not be permissible under the law or laws applicable to the Lender limiting rates of interest which may be charged or collected by the Lender. Any such payment referred to in the preceding sentence shall be made by the Borrower to the Lender on the earliest interest payment date or dates on which the receipt thereof would be permissible under the laws applicable to the Lender limiting rates of interest which may be charged or collected by the Lender. Such deferred interest shall not bear interest.

Section 2.3 Promissory Note.

The Loan shall be evidenced by a Promissory Note of the Borrower in substantially the form of Exhibit A attached hereto,

dated the date hereof, payable to the order of the Lender in the Principal Amount and otherwise duly completed.

Section 2.4 Payment of Trust Loan.

(a) The Principal Amount of the Loan shall be repaid in annual installments payable on the last Business Day of each Fiscal Year ending after the date of this Agreement. The amount of each such annual installment shall be equal to a fraction of the Principal Amount on the due date of such installment, determined in accordance with the following schedule:

Installment Due on Last Business Day of Fiscal Year Ending in	Fraction of Outstanding Principal Amount
1996	1/120
1997	1/10
1998	1/10
1999	1/10
2000	1/10
2001	1/10
2002	1/10
2003	1/10
2004	1/10
2005	1/10
10th anniversary of loan	entire outstanding Principal Amount

; provided, however, that the Borrower shall not be required to make any payment of principal due to be made in any Fiscal Year to the extent that (i) following such payment, the consolidated return on average assets of Dime Community Bancorp. Inc. for such Fiscal Year would be less than one-half of one percent (0.5%) or the consolidated return on average equity for such Fiscal Year would be less than four percent (4%) or (ii) such payment would not be deductible for federal income tax purposes for such Fiscal Year under section 404 of the Code.

(b) Any payment not required to be made pursuant to the clause (i) of the proviso in section 2.4(a) shall be deferred to and be payable on the earlier of the tenth (10th) anniversary of the loan origination date or the last day of the first Fiscal Year in which such proviso would not apply to alleviate a requirement of payment; and payment not required to be made pursuant to clause (ii) of section 2.4(a) shall be deferred to and be payable on the last day of the first Fiscal Year in which such payment may be made on a tax deductible basis.

Section 2.5 Prepayment.

The Borrower shall be entitled to prepay the Loan in whole or in part, at any time and from time to time; provided, however, that the Borrower shall give notice to the Lender of any such prepayment; and provided, further, that any partial prepayment of the Loan shall be in an amount not less than TEN THOUSAND DOLLARS (\$10,000.00). Any such prepayment shall be: (a) permanent and irrevocable; (b) accompanied by all accrued interest through the date of such prepayment; (c) made without premium or penalty; and (d) applied in the inverse order of the maturity of the installments thereof unless the Lender and the Borrower agree to apply such prepayments in some other order.

Section 2.6 Method of Payments.

(a) All payments of principal, interest, other charges (including indemnities) and other amounts payable by the Borrower hereunder shall be made in lawful money of the United States, in immediately available funds, to the Lender at the address specified in or pursuant to this Loan Agreement for notices to the Lender, not later than 3:00 P.M., New York time, on the date on which such payment shall become due. Any such payment made on such date but after such time shall, if the amount paid bears interest, and except as expressly provided to the contrary herein, be deemed to have been made on, and interest shall continue to accrue and be payable thereon until, the next succeeding Business Day. If any payment of principal or interest becomes due on a day other than a Business Day, such payment may be made on the next succeeding Business Day, and when paid, such payment shall include interest to the day on which such payment is in fact made.

(b) Notwithstanding anything to the contrary contained in this Loan Agreement or the Promissory Note, neither the Borrower nor the Trustee shall be obligated to make any payment, repayment or prepayment on the Promissory Note or take or refrain from taking any other action hereunder or under the Promissory Note if doing so would cause the ESOP to cease to be an employee stock ownership plan within the meaning of section 4975(e)(7) of the Code or qualified under section 401(a) of the Code or cause the Borrower to cease to be a tax exempt trust under section 501(a) of the Code or if such act or failure to act would cause the Borrower or the Trustee to engage in any "prohibited transaction" as such term is defined in section 4975(c) of the Code and the regulations promulgated thereunder which is not exempted by section 4975(c)(2) or (d) of the Code and the

regulations promulgated thereunder or in section 406 of ERISA and the regulations promulgated thereunder which is not exempted by section 408(b) of ERISA and the regulations promulgated there under; provided, however, that in each case, the Borrower or the Trustee or both, as the case may be, may act or refrain from acting pursuant to this section 2.6(b) on the basis of an opinion of Independent Counsel. The Borrower and the Trustee may consult with Independent Counsel, and any opinion of such Independent Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such opinion of Independent Counsel. Nothing contained in this section 2.6(b) shall be construed as imposing a duty on either the Borrower or the Trustee to consult with Independent Counsel. Any obligation of the Borrower or the Trustee to make any payment, repayment or prepayment on the Promissory Note or to take or refrain from taking any other act hereunder or under the Promissory Note which is excused pursuant to this section 2.6(b) shall be considered a binding obligation of the Borrower or the Trustee, or both, as the case may be, for the purposes of determining whether a Default or Event of Default has occurred hereunder or under the Promissory Note and nothing in this section 2.6(b) shall be construed as providing a defense to any remedies otherwise available upon a Default or an Event of Default hereunder (other than the remedy of specific performance).

Section 2.7 Use of Proceeds of Loan.

The entire proceeds of the Loan shall be used solely for acquiring shares of Common Stock, and for no other purpose whatsoever.

Section 2.8 Security.

(a) In order to secure the due payment and performance by the Borrower of all of its obligations under this Loan Agreement, simultaneously with the execution and delivery of this Loan Agreement by the Borrower, the Borrower shall:

(i) pledge to the Lender as Collateral (as defined in the Pledge Agreement), and grant to the Lender a first priority lien on and security interest in, the Common Stock purchased with the Principal Amount, by the execution and delivery to the Lender of a Pledge Agreement in the form attached hereto as Exhibit B; and

(ii) execute and deliver, or cause to be executed and delivered, such other agreements, instruments and documents as the Lender may reasonably require in order to effect the purposes of the Pledge Agreement and this Loan Agreement.

(b) The Lender shall release from encumbrance under the Pledge Agreement and transfer to the Borrower, as of the date on which any payment or prepayment of the Principal Amount is made, a number of shares of Common Stock held as Collateral pursuant to section 6.4 of the ESOP.

Section 2.9 Registration of the Promissory Note.

(a) The Lender shall maintain a Register providing for the registration of the Principal Amount and any stated interest and of transfer and exchange of the Promissory Note. Transfer of the Promissory Note may be effected only by the surrender of the old instrument and either the reissuance by the Borrower of the old instrument to the new holder or the issuance by the Borrower of a new instrument to the new holder. The old Promissory Note so surrendered shall be cancelled by the Lender and returned to the Borrower after such cancellation.

(b) Any new Promissory Note issued pursuant to section 2.9(a) shall carry the same rights to interest (unpaid and to accrue) carried by the Promissory Note so transferred or exchanged so that there will not be any loss or gain of interest on the note surrendered. Such new Promissory Note shall be subject to all of the provisions and entitled to all of the benefits of this Agreement. Prior to due presentment for registration or transfer, the Borrower may deem and treat the registered holder of any Promissory Note as the holder thereof for purposes of payment and all other purposes. A notation shall be made on each new Promissory Note of the amount of all payments of principal and interest theretofore paid.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower hereby represents and warrants to the Lender as follows:

Section 3.1 Power, Authority, Consents.

The Borrower has the power to execute, deliver and perform this Loan Agreement, the Promissory Note and the Pledge

Agreement, all of which have been duly authorized by all necessary and proper corporate or other action.

Section 3.2 Due Execution, Validity, Enforceability.

Each of the Loan Documents, including, without limitation, this Loan Agreement, the Promissory Note and the Pledge Agreement, have been duly executed and delivered by the Borrower; and each constitutes the valid and legally binding obligation of the Borrower, enforceable in accordance with its terms.

Section 3.3 Properties, Priority of Liens.

The liens which have been created and granted by the Pledge Agreement constitute valid, first liens on the properties and assets covered by the Pledge Agreement, subject to no prior or equal lien.

Section 3.4 No Defaults, Compliance with Laws.

The Borrower is not in default in any material respect under any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment to which it is a party or by which it is bound, or any other agreement or other instrument by which any of the properties or assets owned by it is materially affected.

Section 3.5 Purchases of Common Stock.

Upon consummation of any purchase of Common Stock by the Borrower with the proceeds of the Loan, the Borrower shall acquire valid, legal and marketable title to all of the Common Stock so purchased, free and clear of any liens, other than a pledge to the Lender of the Common Stock so purchased pursuant to the Pledge Agreement. Neither the execution and delivery of the Loan Documents nor the performance of any obligation thereunder violates any provision of law or conflicts with or results in a breach of or creates (with or without the giving of notice or lapse of time, or both) a default under any agreement to which the Borrower is a party or by which it is bound or any of its properties is affected. No consent of any federal, state or local governmental authority, agency or other regulatory body, the absence of which could have a materially adverse effect on the Borrower or the Trustee, is or was required to be obtained in connection with the execution, delivery or performance of the Loan Documents and the transactions contemplated therein or in connection therewith, including, without limitation, with respect to the transfer of the shares of Common Stock purchased with the proceeds of the Loan pursuant thereto.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE LENDER

The Lender hereby represents and warrants to the Borrower as follows:

Section 4.1 Power, Authority, Consents.

The Lender has the power to execute, deliver and perform this Loan Agreement, the Pledge Agreement and all documents executed by the Lender in connection with the Loan, all of which have been duly authorized by all necessary and proper corporate or other action. No consent, authorization or approval or other action by any governmental authority or regulatory body, and no notice by the Lender to, or filing by the Lender with, any governmental authority or regulatory body is required for the due execution, delivery and performance of this Loan Agreement.

Section 4.2 Due Execution, Validity, Enforceability.

This Loan Agreement and the Pledge Agreement have been duly executed and delivered by the Lender; and each constitutes a valid and legally binding obligation of the Lender, enforceable in accordance with its terms.

Section 4.3 ESOP; Contributions.

The ESOP and the Borrower have been duly created, organized and maintained by the Lender in compliance with all applicable laws, regulations and rulings. The ESOP qualifies as an "employee stock ownership plan" as defined in section 4975(e)(7) the Code. The ESOP provides that the Lender may make contributions to the ESOP in an amount necessary to enable the Trustee to amortize the Loan in accordance with the terms of the Promissory Note and this Loan Agreement, and the Lender will make such contributions; provided, however, that no such contributions shall be required if they would adversely affect the qualification of the ESOP under section 401(a) of the Code.

Section 4.4 Trustee; Committee.

The Lender has taken such action as is required to be taken by it to duly appoint the Trustee and the members of the Committee. The Lender expressly acknowledges and agrees that

this Loan Agreement, the Promissory Note and the Pledge Agreement are being executed by the Trustee not in its individual capacity but solely as trustee of and on behalf of the Borrower.

Section 4.5 Compliance with Laws; Actions.

Neither the execution and delivery by the Lender of this Loan Agreement or any instruments required thereby, nor compliance with the terms and provisions of any such documents by the Lender, constitutes a violation of any provision of any law or any regulation, order, writ, injunction or decree or any court or governmental instrumentality, or an event of default under any agreement, to which the Lender is a party or by which the Lender is bound or to which the Lender is subject, which violation or event of default would have a material adverse effect on the Lender. There is no action or proceeding pending or threatened against either of the ESOP or the Borrower before any court or administrative agency.

ARTICLE V

EVENTS OF DEFAULT

Section 5.1 Events of Default under Loan Agreement.

Each of the following events shall constitute an "Event of Default" hereunder:

(a) Failure to make any payment or mandatory prepayment of principal of the Promissory Note when due, or failure to make any payment of interest on the Promissory Note not later than five (5) Business Days after the date when due.

(b) Failure by the Borrower to perform or observe any term, condition or covenant of this Loan Agreement or of any of the other Loan Documents, including, without limitation, the Promissory Note and the Pledge Agreement.

(c) Any representation or warranty made in writing to the Lender in any of the Loan Documents or any certificate, statement or report made or delivered in compliance with this Loan Agreement, shall have been false or misleading in any material respect when made or delivered.

Section 5.2 Lender's Rights upon Event of Default.

If an Event of Default under this Loan Agreement shall occur and be continuing, the Lender shall have no rights to assets of the Borrower other than: (a) contributions (other than contributions of Common Stock) that are made by the Lender to enable the Borrower to meet its obligations pursuant to this Loan Agreement and earnings attributable to the investment of such contributions and (b) "Eligible Collateral" (as defined in the Pledge Agreement); provided, however, that: (i) the value of the Borrower's assets transferred to the Lender following an Event of Default in satisfaction of the due and unpaid amount of the Loan shall not exceed the amount in default (without regard to amounts owing solely as a result of any acceleration of the Loan); (ii) the Borrower's assets shall be transferred to the Lender following an Event of Default only to the extent of the failure of the Borrower to meet the payment schedule of the Loan; and (iii) all rights of the Lender to the Common Stock purchased with the proceeds of the Loan covered by the Pledge Agreement following an Event of Default shall be governed by the terms of the Pledge Agreement.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.1 Payments Due to the Lender.

If any amount is payable by the Borrower to the Lender pursuant to any indemnity obligation contained herein, then the Borrower shall pay, at the time or times provided therefor, any such amount and shall indemnify the Lender against and hold it harmless from any loss or damage resulting from or arising out of the nonpayment or delay in payment of any such amount. If any amounts as to which the Borrower has so indemnified the Lender hereunder shall be assessed or levied against the Lender, the Lender may notify the Borrower and make immediate payment thereof, together with interest or penalties in connection therewith, and shall thereupon be entitled to and shall receive immediate reimbursement therefor from the Borrower, together with interest on each such amount as provided in section 2.2(c). Notwithstanding any other provision contained in this Loan Agreement, the covenants and agreements of the Borrower contained in this section 6.1 shall survive: (a) payment of the Promissory Note and (b) termination of this Loan Agreement.

Section 6.2 Payments.

All payments hereunder and under the Promissory Note shall be made without set-off or counterclaim and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Loan Agreement and the Promissory Note, subject to any applicable tax withholding requirements. Upon payment in full of the Promissory Note, the Lender shall mark such Promissory Note "Paid" and return it to the Borrower.

Section 6.3 Survival.

All agreements, representations and warranties made herein shall survive the delivery of this Loan Agreement and the Promissory Note.

Section 6.4 Modifications, Consents and Waivers; Entire Agreement.

No modification, amendment or waiver of or with respect to any provision of this Loan Agreement, the Promissory Note, the Pledge Agreement, or any of the other Loan Documents, nor consent to any departure from any of the terms or conditions thereof, shall in any event be effective unless it shall be in writing and signed by the party against whom enforcement thereof is sought. Any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No consent to or demand on a party in any case shall, of itself, entitle it to any other or further notice or demand in similar or other circumstances. This Loan Agreement embodies the entire agreement and understanding between the Lender and the Borrower and supersedes all prior agreements and understandings relating to the subject matter hereof.

Section 6.5 Remedies Cumulative.

Each and every right granted to the Lender hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of the Lender or the holder of the Promissory Note to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise of any right preclude any other or future exercise thereof or the exercise of any other right. The due payment and performance of the obligations under the Loan Documents shall be without regard to any counterclaim, right of offset or any other claim whatsoever which the Borrower may have against the Lender and without regard to any other obligation of any nature whatsoever which the Lender may have to the Borrower, and no such counterclaim or offset shall be asserted by the Borrower in any action, suit or proceeding instituted by the Lender for payment or performance of such obligations.

Section 6.6 Further Assurances; Compliance with Covenants.

At any time and from time to time, upon the request of the Lender, the Borrower shall execute, deliver and acknowledge or cause to be executed, delivered and acknowledged, such further documents and instruments and do such other acts and things as the Lender may reasonably request in order to fully effect the terms of this Loan Agreement, the Promissory Note, the Pledge Agreement, the other Loan Documents and any other agreements, instruments and documents delivered pursuant hereto or in connection with the Loan.

Section 6.7 Notices.

Except as otherwise specifically provided for herein, all notices, requests, reports and other communications pursuant to this Loan Agreement shall be in writing, either by letter (delivered by hand or commercial messenger service or sent by registered or certified mail, return receipt requested, except for routine reports delivered in compliance with Article VI hereof which may be sent by ordinary first-class mail) or telex or facsimile, addressed as follows:

(a) If to the Borrower:

Employee Stock Ownership Plan Trust
of Dime Community Bancorp, Inc.
and Certain Affiliates
c/o The Dime Savings Bank of Williamsburgh
209 Havemeyer Street
Brooklyn, New York 11211
Attention: Mr. Vincent F. Palagiano
Chief Executive Officer

with copies to:

Marine Midland Bank
250 Park Avenue
New York, New York 10177
Attention: Mr. Richard A. Glover
Vice President

Thacher Proffitt & Wood

Two World Trade Center, 39th Floor
New York New York 10048
Attention: W. Edward Bright, Esq.

Helm, Shapiro, Anito & McCale, P.C.
20 Corporate Woods Boulevard
Albany, New York 12211-2350
Attention: Brian P. Goldstein, Esq.

(b) If to the Lender:

Dime Community Bancorp, Inc.
209 Havemeyer Street
Brooklyn, New York 11211
Attention: Mr. Vincent F. Palagiano
Chief Executive Officer

with a copy to:

Thacher Proffitt & Wood
Two World Trade Center, 39th Floor
New York New York 10048
Attention: W. Edward Bright, Esq.

Any notice, request or communication hereunder shall be deemed to have been given on the day on which it is delivered by hand or by commercial messenger service, or sent by telex or facsimile, to such party at its address specified above, or, if sent by mail, on the third Business Day after the day deposited in the mail, postage prepaid, addressed as aforesaid. Any party may change the person or address to whom or which notices are to be given hereunder, by notice duly given hereunder; provided, however, that any such notice shall be deemed to have been given only when actually received by the party to whom it is addressed.

Section 6.8 Counterparts.

This Loan Agreement may be signed in any number of counterparts which, when taken together, shall constitute one and the same document.

Section 6.9 Construction; Governing Law.

The headings used in the table of contents and in this Loan Agreement are for convenience only and shall not be deemed to constitute a part hereof. All uses herein of any gender or of singular or plural terms shall be deemed to include uses of the other genders or plural or singular terms, as the context may require. All references in this Loan Agreement to an Article or section shall be to an Article or section of this Loan Agreement, unless otherwise specified. This Loan Agreement, the Promissory Note, the Pledge Agreement and the other Loan Documents shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

Section 6.10 Severability.

Wherever possible, each provision of this Loan Agreement shall be interpreted in such manner as to be effective and valid under applicable law; however, the provisions of this Loan Agreement are severable, and if any clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Loan Agreement in any jurisdiction. Each of the covenants, agreements and conditions contained in this Loan Agreement is independent, and compliance by a party with any of them shall not excuse non-compliance by such party with any other. The Borrower shall not take any action the effect of which shall constitute a breach or violation of any provision of this Loan Agreement.

Section 6.11 Binding Effect; No Assignment or Delegation.

This Loan Agreement shall be binding upon and inure to the benefit of the Borrower and its successors and the Lender and its successors and assigns. The rights and obligations of the Borrower under this Agreement shall not be assigned or delegated without the prior written consent of the Lender, and any purported assignment or delegation without such consent shall be void.

In Witness Whereof, the parties hereto have caused this Loan Agreement to be duly executed as of the date first above written.

Employee Stock Ownership Plan Trust
of Dime Community Bancorp, Inc.

By Marine Midland Bank, as Trustee

By: /s/ Richard A. Glover

Title: Vice President

Dime Community Bancorp, Inc.

By: /s/ Michael P. Devine

Title: Executive Vice President

EXHIBIT A
TO LOAN AGREEMENT
BY AND BETWEEN
EMPLOYEE STOCK OWNERSHIP PLAN TRUST OF
DIME COMMUNITY BANCORP, INC.
AND CERTAIN AFFILIATES
AND
DIME COMMUNITY BANCORP, INC.

FORM OF PROMISSORY NOTE

\$11,638,000
PRINCIPAL AMOUNT

Brooklyn, New York
June 26, 1996

FOR VALUE RECEIVED, the undersigned, Employee Stock Ownership Plan Trust of Dime Community Bancorp, Inc. and Certain Affiliates ("Borrower"), acting by and through its Trustee, Marine Midland Bank ("Trustee"), hereby promises to pay to the order of Dime Community Bancorp, Inc. ("Lender") ELEVEN MILLION, SIX HUNDRED THIRTY-EIGHT THOUSAND DOLLARS (\$11,638,000.00) payable in accordance with the Loan Agreement made and entered into between the Borrower and the Lender as of June 26, 1996 ("Loan Agreement") pursuant to which this Promissory Note is issued, in one annual installment of \$96,983.33, payable on June 28, 1996 and nine annual installments of ONE MILLION, ONE HUNDRED SIXTY-THREE THOUSAND, EIGHT HUNDRED DOLLARS (\$1,163,800) commencing on the last Business Day of June, 1997 and continuing on the last Business Day of June of each calendar year until the last Business Day of June, 2005, and one annual installment payable on June 26, 2006, at which time the entire Principal Amount then outstanding and all accrued interest shall become due and payable; provided, however, that the Borrower shall not be required to make any payment of principal due to be made in any Fiscal Year to the extent that (i) following such payment, the consolidated return on average assets of Dime Community Bancorp Inc. for such Fiscal Year would be less than one-half of one percent (0.5%) or the consolidated return on average equity for such Fiscal Year would be less than four percent (4%) or (ii) such payment would not be deductible for federal income tax purposes for such Fiscal Year under section 404 of the Code. Any payment not required to be made pursuant to the clause (i) of the above proviso shall be deferred to and be payable on the earlier of the tenth (10th) anniversary of the loan origination date or the last day of the first Fiscal Year in which such proviso would not apply to alleviate a requirement of payment; and payment not required to be made pursuant to clause (ii) of the above proviso shall be deferred to and be payable on the last day of the first Fiscal Year in which such payment may be made on a tax deductible basis.

This Promissory Note shall bear interest at the rate per annum set forth or established under the Loan Agreement, such interest to be payable quarterly in arrears, commencing on June 28, 1996 and thereafter on the last Business Day of each calendar quarter and upon payment or prepayment of this Promissory Note.

Anything herein to the contrary notwithstanding, the obligation of the Borrower to make payments of interest shall be subject to the limitation that payments of interest shall not be required to be made to the Lender to the extent that the Lender's receipt thereof would not be permissible under the law or laws applicable to the Lender limiting rates of interest which may be charged or collected by the Lender. Any such payments of interest which are not made as a result of the limitation referred to in the preceding sentence shall be made by the Borrower to the Lender on the earliest interest payment date or dates on which the receipt thereof would be permissible under the laws applicable to the Lender limiting rates of interest which may be charged or collected by the Lender. Such deferred interest shall not bear interest.

Payments of both principal and interest on this Promissory Note are to be made at the principal office of the Lender at 209 Havemeyer Street, Brooklyn, New York 11211, or such other place as the holder hereof shall designate to the Borrower in writing, in lawful money of the United States of America in immediately available funds.

Failure to make any payment of principal on this Promissory Note when due, or failure to make any payment of interest on this Promissory Note not later than five (5) Business Days after the date when due, shall constitute a default hereunder, whereupon the principal amount of and accrued interest on this Promissory Note shall immediately become due and payable in accordance with the terms of the Loan Agreement.

This Promissory Note is secured by a Pledge Agreement between the Borrower and the Lender of even date herewith and is entitled to the benefits thereof.

Employee Stock Ownership Plan Trust
of Dime Community Bancorp, Inc.
and Certain Affiliates

By Marine Midland Bank, as Trustee

By: /s/ Richard A. Glover

Title: Vice President

EXHIBIT B
TO LOAN AGREEMENT
BY AND BETWEEN
EMPLOYEE STOCK OWNERSHIP PLAN TRUST OF
DIME COMMUNITY BANCORP, INC.
AND CERTAIN AFFILIATES
AND
DIME COMMUNITY BANCORP, INC.

FORM OF PLEDGE AGREEMENT

This PLEDGE AGREEMENT ("Pledge Agreement") is made as of the 26th day of June, 1996, by and between the EMPLOYEE STOCK OWNERSHIP PLAN TRUST OF DIME COMMUNITY BANCORP, INC. AND CERTAIN AFFILIATES, acting by and through its Trustee, MARINE MIDLAND BANK, a banking corporation organized under the laws of the State of New York and having office at 250 Park Avenue, New York, New York 10177 ("Pledgor"), and Dime Community Bancorp, Inc., corporation organized and existing under the laws of the State of New York, having an office at 209 Havemeyer Street, Brooklyn, New York 11211 ("Pledgee").

W I T N E S S E T H :

Whereas, this Pledge Agreement is being executed and delivered to the Pledgee pursuant to the terms of a Loan Agreement of even date herewith ("Loan Agreement"), by and between the Pledgor and the Pledgee;

Now, Therefore, in consideration of the mutual agreements contained herein and in the Loan Agreement, the parties hereto do hereby covenant and agree as follows:

Section 1. Definitions. The following definitions shall apply for purposes of this Pledge Agreement, except to the extent that a different meaning is plainly indicated by the context; all capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Loan Agreement:

(a) Collateral shall mean the Pledged Shares and, subject to section 5 hereof, and to the extent permitted by applicable law, all rights with respect thereto, and all proceeds of such Pledged Shares and rights.

(b) Event of Default shall mean an event so defined in the Loan Agreement.

(c) Liabilities shall mean all the obligations of the Pledgor to the Pledgee, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under the Loan Agreement and the Promissory Note.

(d) Pledged Shares shall mean all the shares of Common Stock of Dime Community Bancorp, Inc. purchased by the Pledgor with the proceeds of the loan made by the Pledgee to the Pledgor pursuant to the Loan Agreement, but excluding any such shares previously released pursuant to section 4.

Section 2. Pledge. To secure the payment of and performance of all the Liabilities, the Pledgor hereby pledges to the Pledgee, and grants to the Pledgee a security interest in and lien upon, the Collateral.

Section 3. Representations and Warranties of the Pledgor. The Pledgor represents, warrants, and covenants to the Pledgee as follows:

(a) the execution, delivery and performance of this Pledge Agreement and the pledging of the Collateral hereunder do not and will not conflict with, result in a violation of, or constitute a default under any agreement binding upon the Pledgor;

(b) the Pledged Shares are and will continue to be owned by the Pledgor free and clear of any liens or rights of any other person except the lien hereunder and under the Loan Agreement in favor of the Pledgee, and the security interest of the Pledgee in the Pledged Shares and the proceeds thereof is and will continue to be prior to and

senior to the rights of all others;

(c) this Pledge Agreement is the legal, valid, binding and enforceable obligation of the Pledgor in accordance with its terms;

(d) the Pledgor shall, from time to time, upon request of the Pledgee, promptly deliver to the Pledgee such stock powers, proxies, and similar documents, satisfactory in form and substance to the Pledgee, with respect to the Collateral as the Pledgee may reasonably request; and

(e) subject to the first sentence of section 4(b), the Pledgor shall not, so long as any Liabilities are outstanding, sell, assign, exchange, pledge or otherwise transfer or encumber any of its rights in and to any of the Collateral.

Section 4. Eligible Collateral.

(a) As used herein the term "Eligible Collateral" shall mean that amount of Collateral which has an aggregate fair market value equal to the amount by which the Pledgor is in default (without regard to any amounts owing solely as the result of an acceleration of the Loan Agreement) or such lesser amount of Collateral as may be required pursuant to section 13 of this Pledge Agreement.

(b) The Pledged Shares shall be released from this Pledge Agreement in a manner conforming to the requirements of Treasury Regulations Section 54.4975-7(b)(8), as the same may be from time to time amended or supplemented, and section 6.4(b) of the ESOP. Subject to such Regulations, the Pledgee may from time to time, after any Default or Event of Default, and without prior notice to the Pledgor, transfer all or any part of the Eligible Collateral into the name of the Pledgee or its nominee, with or without disclosing that such Eligible Collateral is subject to any rights of the Pledgor and may from time to time, whether before or after any of the Liabilities shall become due and payable, without notice to the Pledgor, take all or any of the following actions: (i) notify the parties obligated on any of the Eligible Collateral to make payment to the Pledgee of any amounts due or to become due thereunder, (ii) release or exchange all or any part of the Eligible Collateral, or compromise or extend or renew for any period (whether or not longer than the original period) any obligations of any nature of any party with respect thereto, and (iii) take control of any proceeds of the Eligible Collateral.

Section 5. Delivery.

(a) The Pledgor shall deliver to the Pledgee upon execution of this Pledge Agreement (i) an assignment by the Pledgor of all the Pledgor's rights to and interest in the Pledged Shares and (ii) an irrevocable proxy, in form and substance satisfactory to the Pledgee, signed by the Pledgor with respect to the Pledged Shares.

(b) So long as no Default or Event of Default shall have occurred and be continuing, (i) the Pledgor shall be entitled to exercise any and all voting and other rights pertaining to the Collateral or any part thereof for any purpose not inconsistent with the terms of this Pledge Agreement, and (ii) the Pledgor shall be entitled to receive any and all cash dividends or other distributions paid in respect of the Collateral.

Section 6. Events of Default.

(a) If a Default or an Event of Default shall be existing, in addition to the rights it may have under the Loan Agreement, the Promissory Note, and this Pledge Agreement, or by virtue of any other instrument, (i) the Pledgee may exercise, with respect to the Eligible Collateral, from time to time any rights and remedies available to it under the Uniform Commercial Code as in effect from time to time in the State of New York or otherwise available to it and (ii) the Pledgee shall have the right, for and in the name, place and stead of the Pledgor, to execute endorsements, assignments, stock powers and other instruments of conveyance or transfer with respect to all or any of the Eligible Collateral. Written notification of intended disposition of any of the Eligible Collateral shall be given by the Pledgee to the Pledgor at least three (3) Business Days before such disposition. Subject to section 13 below, any proceeds of any disposition of Eligible Collateral may be applied by the Pledgee to the payment of expenses in connection with the Eligible Collateral, including, without limitation, reasonable attorneys' fees and legal expenses, and any balance of such proceeds may be applied by the Pledgee toward the payment of such of the Liabilities as are in Default, and in such order of application, as the Pledgee may from time to time elect. No action of the Pledgee permitted hereunder shall impair or affect its rights in and to the Eligible Collateral. All rights and remedies of the Pledgee expressed hereunder are in addition to all other rights and remedies possessed by it, including, without limitation, those contained in the documents referred to in the definition of Liabilities in section 1 hereof.

(b) In any sale of any of the Eligible Collateral

after a Default or an Event of Default shall have occurred, the Pledgee is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable law (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders and purchasers or further restrict such prospective bidders or purchasers to persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Eligible Collateral), or in order to obtain such required approval of the sale or of the purchase by any governmental regulatory authority or official, and the Pledgor further agrees that such compliance shall not result in such sale's being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Pledgee be liable or accountable to the Pledgor for any discount allowed by reason of the fact that such Eligible Collateral is sold in compliance with any such limitation or restriction.

Section 7. Payment in Full. Upon the payment in full of all outstanding Liabilities, this Pledge Agreement shall terminate and the Pledgee shall forthwith assign, transfer and deliver to the Pledgor, against receipt and without recourse to the Pledgee, all Collateral then held by the Pledgee pursuant to this Pledge Agreement.

Section 8. No Waiver. No failure or delay on the part of the Pledgee in exercising any right or remedy hereunder or under any other document which confers or grants any rights in the Pledgee in respect of the Liabilities shall operate as a waiver thereof nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy of the Pledgee.

Section 9. Binding Effect; No Assignment or Delegation. This Pledge Agreement shall be binding upon and inure to the benefit of the Pledgor, the Pledgee and their respective successors and assigns, except that the Pledgor may not assign or transfer its rights hereunder without the prior written consent of the Pledgee (which consent shall not unreasonably be withheld). Each duty or obligation of the Pledgor to the Pledgee pursuant to the provisions of this Pledge Agreement shall be performed in favor of any person or entity designated by the Pledgee, and any duty or obligation of the Pledgee to the Pledgor may be performed by any other person or entity designated by the Pledgee.

Section 10. Governing Law. This Pledge Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements to be performed wholly within the State of New York.

Section 11. Notices. All notices, requests, instructions or documents hereunder shall be in writing and delivered personally or sent by United States mail, registered or certified, return receipt requested, with proper postage prepaid, as follows:

(a) If to the Pledgee:

Dime Community Bancorp, Inc.
209 Havemeyer Street
Brooklyn, New York 11211
Attention: Mr. Vincent F. Palagiano
Chief Executive Officer

with a copy to:

Thacher Proffitt & Wood
Two World Trade Center, 39th Floor
New York, New York 10048
Attention: W. Edward Bright, Esq.

(b) If to the Pledgor:

Employee Stock Ownership Plan Trust
of Dime Community Bancorp, Inc.
and Certain Affiliates
c/o The Dime Savings Bank of Williamsburgh
209 Havemeyer Street
Brooklyn, New York 11211
Attention: Mr. Vincent F. Palagiano
Chief Executive Officer

with copies to:

Marine Midland Bank
250 Park Avenue
New York, New York 10177
Attention: Mr. Richard A. Glover
Vice President

Thacher Proffitt & Wood
Two World Trade Center, 39th Floor
New York, New York 10048
Attention: W. Edward Bright, Esq.

or at such other address as either of the parties may designate by written notice to the other party. If delivered personally, the date on which a notice, request, instruction or document is delivered shall be the date on which such delivery is made, and, if delivered by mail, the date on which such notice, request, instruction or document is deposited in the mail shall be the date of delivery. Each notice, request, instruction or document shall bear the date on which it is delivered.

Section 12. Interpretation. Wherever possible each provision of this Pledge Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision hereof shall be prohibited by or invalid under such law, such provisions shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions hereof.

Section 13. Construction. All provisions hereof shall be construed so as to maintain (a) the ESOP as a qualified leveraged employee stock ownership plan under section 401(a) and 4975(e)(7) of the Internal Revenue Code of 1986 (the "Code"), (b) the Trust as exempt from taxation under section 501(a) of the Code and (c) the Trust Loan as an exempt loan under section 54.4975-7(b) of the Treasury Regulations and as described in Department of Labor Regulation section 2550.408b-3.

In Witness Whereof, this Pledge Agreement has been duly executed by the parties hereto as of the day and year first above written.

Employee Stock Ownership Plan Trust
of Dime Community Bancorp, Inc.
and Certain Affiliates

By Marine Midland Bank, as Trustee
and not in any other capacity

By: /s/ Richard A. Glover

Title: Vice President

Dime Community Bancorp, Inc.

By: /s/ Michael P. Devine

Title: Executive Vice President

EXHIBIT C
TO LOAN AGREEMENT
BY AND BETWEEN
EMPLOYEE STOCK OWNERSHIP PLAN TRUST OF
DIME COMMUNITY BANCORP, INC.
AND CERTAIN AFFILIATES
AND
DIME COMMUNITY BANCORP, INC.

FORM OF ASSIGNMENT

In consideration of the loan made by Dime Community Bancorp, Inc. ("Lender") to the Employee Stock Ownership Plan Trust of Dime Community Bancorp, Inc. and Certain Affiliates ("Borrower") pursuant to the Loan Agreement of even date herewith between the Lender and the Borrower ("Loan Agreement") and pursuant to the Pledge Agreement between the Lender and the Borrower of even date herewith pertaining thereto, the undersigned Borrower hereby transfers, assigns and conveys to Lender all its right, title and interest in and to those certain shares of common stock of the Lender which it shall purchase with the proceeds of the loan made pursuant to the Loan Agreement, and agrees to transfer and endorse to Lender the certificates representing such shares as and when required pursuant to the Loan Agreement or Pledge Agreement.

Employee Stock Ownership Plan Trust
of Dime Community Bancorp, Inc.
and Certain Affiliates

By Marine Midland Bank, as Trustee
and not in any other capacity

By: /s/ Richard A. Glover

Title: Vice President

June 26, 1996

EXHIBIT D
TO LOAN AGREEMENT
BY AND BETWEEN
EMPLOYEE STOCK OWNERSHIP PLAN TRUST OF
DIME COMMUNITY BANCORP, INC.
AND CERTAIN AFFILIATES
AND
DIME COMMUNITY BANCORP, INC.

FORM OF IRREVOCABLE PROXY

In consideration of the loan made by Dime Community Bancorp, Inc. ("Lender") to the Employee Stock Ownership Plan Trust of Dime Community Bancorp, Inc. and Certain Affiliates ("Borrower") pursuant to the Loan Agreement of even date herewith between the Lender and the Borrower ("Loan Agreement") and the Pledge Agreement between the Lender and the Borrower of even date herewith pertaining thereto, the undersigned Borrower hereby appoints the Lender as its proxy, with power of substitution, to represent and to vote those certain shares of common stock of the Lender which it shall purchase with the proceeds of the loan made pursuant to the Loan Agreement. This proxy, when properly executed, shall be irrevocable and shall give the Lender full power and authority to vote on any and all matters for which other holders of shares of common stock of the Lender are entitled to vote.

Employee Stock Ownership Plan Trust
of Dime Community Bancorp, Inc.
and Certain Affiliates

By: Marine Midland Bank, as Trustee
and not in any other capacity

By: /s/ Richard A. Glover

Title: Vice President

June 26, 1996

AMENDMENT NUMBER SEVEN

TO

THE DIME SAVINGS BANK OF WILLIAMSBURGH

401(k) SAVINGS PLAN

IN RSI RETIREMENT TRUST

Pursuant to Section 11.1 of The Dime Savings Bank of Williamsburgh 401(k) Savings Plan in RSI Retirement Trust ("Plan"), the Plan is amended as follows, effective as of May 31, 1996:

1. INTRODUCTION - A new paragraph shall be added immediately prior to the last paragraph, and the last paragraph shall be amended, to read in their entirety as follows:

Effective as of May 31, 1996, the Employer adopted resolutions ceasing matching Bank Contributions under section 3.4 of the Plan.

2. ARTICLE III - Section 3.4 of the Plan shall be amended to read in its entirety as follows:

3.4 Bank Contributions

Effective as of May 31, 1996, the Employer shall not make any contributions to the Plan to match Participant's Basic Contributions.

3. ARTICLE IV - The first paragraph of section 4.2 of the Plan shall be amended to read as follows:

If a Participant who is not fully vested in the Net Value of his Accounts terminates employment on or subsequent to the Restatement Date, the Units representing the nonvested portion of his Accounts shall constitute Forfeitures. Forfeitures shall be treated as employer contributions and shall be applied to reduce the amount of subsequent employer contributions (including Basic Contributions) at the end of the Plan Year or any other subsequent Plan Year until the amounts are completely utilized.

AMENDMENT NUMBER EIGHT

TO

THE DIME SAVINGS BANK OF WILLIAMSBURGH

401(k) SAVINGS PLAN

IN RSI RETIREMENT TRUST

Pursuant to Section 11.1 of The Dime Savings Bank of Williamsburgh 401(k) Savings Plan in RSI Retirement Trust ("Plan"), the Plan is amended as follows, effective as of June 26, 1996:

1. INTRODUCTION - A new paragraph shall be added immediately prior to the last paragraph to read in its entirety as follows:

Effective as of June 26, 1996, Pioneer Savings Bank, F.S.B. and its parent Conestoga Bancorp, Inc. were acquired by the Employer. In connection with this acquisition, the Employer amended the Plan to give credit to employees of specified "acquired companies" for purposes of vesting and eligibility to participate, and to permit immediate participation as of the date of such acquisition for eligible employees with respect to compensation for the full payroll period that includes the date of such acquisition.

2. ARTICLE I - The following new Section 1.4, the definition of Acquired Company, is added to the Plan to read as follows, and all references and cross-references are renumbered:

1.4 Acquired Company means any of the following companies which is acquired by, or merged or consolidated with, the Bank or its holding company:

1. Pioneer Savings Bank, F.S.B.
2. Conestoga Bancorp, Inc.

3. ARTICLE I - The following paragraph is added to the end of the definition of Compensation, Section 1.18:

For purposes of determining Basic Contributions, Compensation of an Employee of an Acquired Company shall include amounts received from the Acquired Company during the payroll period in which the date of the transaction by which such company became an Acquired Company occurs, if

such amounts would otherwise be considered to be Compensation under this Section 1.18.

4. ARTICLE I - The following new subsection (c) is added to section 1.47, Period of Service, as follows:

(c) For purposes of determining eligibility to participate and vesting of contributions under the Plan, the Period of Service of any individual who was employed by an Acquired Company on the date of the transaction by which such company became an Acquired Company, shall include service recognized for purposes of vesting and eligibility to participate under the Merged Plan of such Acquired Company.

5. ARTICLE I - The following new Section 1.37 is added to the Plan, and all references and cross-references are renumbered:

Merged Plan means a defined contribution plan permitting salary reduction contributions or, if none, other defined contribution plan of an Acquired Company.

6. ARTICLE II - The following sentence is added to the end of Section 2.3:

Employees of an Acquired Company who are eligible to participate on the date of the transaction by which such company became an Acquired Company, may also elect to participate as of the first day of the payroll period in which such transaction occurs.

AMENDMENT NUMBER NINE

TO

THE DIME SAVINGS BANK OF WILLIAMSBURGH

401(k) SAVINGS PLAN

IN RSI RETIREMENT TRUST

Pursuant to Section 11.1 of The Dime Savings Bank of Williamsburgh 401(k) Savings Plan in RSI Retirement Trust ("Plan"), the Plan is amended as follows, effective as of June 26, 1996:

1. INTRODUCTION - A new paragraph shall be added immediately prior to the last paragraph to read in its entirety as follows:

Effective June 26, 1996, the Pioneer Savings Bank, FSB Tax Deferral Savings Plan in RSI Retirement Trust ("Pioneer Plan") was merged with and into the Plan. Except and to the extent specifically required to the contrary under the terms of this Plan, the rights and benefits, if any, of a former employee of Pioneer Savings Bank, F.S.B. or Conestoga Bancorp, Inc. whose employment terminated prior to June 26, 1996, shall be determined in accordance with the provisions of the Pioneer Plan in effect prior to June 26, 1996.

2. ARTICLE I - The following new sentence is added to the end of Section 1.11 Bank Contributions:

Bank Contributions shall include bank contributions made prior to June 26, 1996 on behalf of an Employee in accordance with the provisions of the Pioneer Plan.

3. ARTICLE I - The following new sentence is added to the end of Section 1.13 Basic Contributions:

Basic Contributions shall include basic contributions made prior to June 26, 1996 on behalf of the Employee in accordance with the provisions of the Pioneer Plan.

4. ARTICLE I - The following new sentence is added to the end of Section 1.57, Rollover Contributions:

Rollover Contributions shall include rollover contributions made prior to June 26, 1996 on behalf of the Employee in accordance with the provisions of the Pioneer Plan.

5. ARTICLE VIII - The following new subsection (g) is added to section 8.4, Operational Provisions:

(g) A loan made in accordance with the provisions of the Pioneer Plan prior to June 26, 1996, shall be deemed to be a loan made in accordance with Article VIII of this Plan.

Severance Pay Plan

of

The Dime Savings Bank of Williamsburgh

Adopted on February 8, 1996
Effective on November 1, 1995

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ARTICLE I

PURPOSE

Section 1 Statement of Purpose.

The Dime Savings Bank of Williamsburgh adopts this Severance Pay Plan for the benefit of its eligible Employees. The Bank recognizes that, as a public company, it will be subject to the possibility of a negotiated or unsolicited change of control which may result in a loss of employment for some of its Employees and that it may acquire other companies in transactions which may result in a loss of employment for the employees of the Acquired Companies. The purpose of the Plan is to encourage the Bank's Employees and those of Acquired Companies to continue working for their employers with their full time and attention devoted to their employer's affairs by providing prescribed income security and job placement assistance in the event of an Involuntary Severance following a Change of Control.

ARTICLE II

DEFINITIONS

For purposes of the Plan, the following terms shall have the meanings assigned to them below, unless a different meaning is plainly indicated by the context:

Section 2.1 Acquired Company means any of the following companies which is acquired by, or merged or consolidated with, the Bank:

1. Pioneer Savings Bank, F.S.B.
2. Conestoga Bancorp, Inc.

Section 2.2 Acquired Employee means a person who is employed by an Acquired Company at the time when such company becomes an Acquired Company and who becomes an employee of the Bank immediately thereafter. An Acquired Employee whose employment by the Bank terminates for any reason and who is subsequently re-employed by the Bank shall not be considered an Acquired Employee following such re-employment.

Section 2.3 Bank means The Dime Savings Bank of Williamsburgh (or its successors or assigns, whether by merger, consolidation, sale of assets, statutory receivership, operation of law or otherwise) and any affiliate of The Dime Savings Bank of Williamsburgh which, with the approval of the Board of Directors of The Dime Savings Bank of Williamsburgh, and subject to such conditions as may be imposed by such Board, adopts this Plan.

Section 2.4 Board means the Board of Directors of The Dime Savings Bank of Williamsburgh.

Section 2.5 Cause means, with respect to the conduct of an Employee in connection with his employment with the Bank, personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist order in each case as measured against standards generally prevailing at the relevant time in the savings and community banking industry; provided, however, that following a Change of Control of the Bank or a company which owns 100% of the outstanding common stock of the Bank, an Employee shall not be deemed to have been discharged for Cause unless and until he shall have received a written notice of termination from the Board, accompanied by a resolution duly adopted by affirmative vote of a majority of the entire Board at a meeting called and held for such purpose (after reasonable notice to the Employee and a reasonable opportunity for the Employee to make oral and written presentations to the members of the Board, on his own behalf, or through a representative, who may be his legal counsel, to refute the grounds for the proposed determination) finding that in the good faith opinion of the Board grounds exist for discharging the Employee for "Cause".

Section 2.6 Change of Control means:

(a) with respect to The Dime Savings Bank of Williamsburgh:

(i) the occurrence of any event upon which any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee

benefit plan maintained for the benefit of employees of The Dime Savings Bank of Williamsburgh; (B) a corporation owned, directly or indirectly, by the stockholders of The Dime Savings Bank of Williamsburgh in substantially the same proportions as their ownership of stock of The Dime Savings Bank of Williamsburgh; or (C) any group constituting a person in which employees of The Dime Savings Bank of Williamsburgh are substantial members, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities issued by The Dime Savings Bank of Williamsburgh representing 25% or more of the combined voting power of all of The Dime Savings Bank of Williamsburgh's then outstanding securities; or

(ii) the occurrence of any event upon which the individuals who on the date the Plan is adopted are members of the Board, together with individuals whose election by the Board or nomination for election by The Dime Savings Bank of Williamsburgh's stockholders was approved by the affirmative vote of at least two-thirds of the members of the Board then in office who were either members of the Board on the date this Plan is adopted or whose nomination or election was previously so approved, cease for any reason to constitute a majority of the members of the Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of The Dime Savings Bank of Williamsburgh (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) the shareholders of The Dime Savings Bank of Williamsburgh (or, if The Dime Savings Bank of Williamsburgh is not then a stock form institution, the Board of The Dime Savings Bank of Williamsburgh) approve either:

(A) a merger or consolidation of The Dime Savings Bank of Williamsburgh with any other corporation, other than a merger or consolidation following which both of the following conditions are satisfied:

(I) either (1) the members of the Board of The Dime Savings Bank of Williamsburgh immediately prior to such merger or consolidation constitute at least a majority of the members of the governing body of the institution resulting from such merger or consolidation; or (2) the shareholders of The Dime Savings Bank of Williamsburgh own securities of the institution resulting from such merger or consolidation representing 80% or more of the combined voting power of all such securities then outstanding in substantially the same proportions as their ownership of voting securities of The Dime Savings Bank of Williamsburgh before such merger or consolidation; and

(II) the entity which results from such merger or consolidation expressly agrees in writing to assume and perform The Dime Savings Bank of Williamsburgh's obligations under the Plan; or

(B) a plan of complete liquidation of The Dime Savings Bank of Williamsburgh or an agreement for the sale or disposition by The Dime Savings Bank of Williamsburgh of all or substantially all of its assets; and

(b) with respect to any company which owns 100% of the outstanding common stock The Dime Savings Bank of Williamsburgh, any event that would be described in section 2.6(a) if the name of such company were substituted for "The Dime Savings Bank of Williamsburgh" therein; and

(c) with respect to an Acquired Company, the transaction by which such company becomes an Acquired Company.

In no event, however, shall the transaction by which The Dime Savings Bank of Williamsburgh converts from a mutual savings bank to a stock savings bank, or any transaction by which a company

wholly owned by The Dime Savings Bank of Williamsburgh becomes the parent company of The Dime Savings Bank of Williamsburgh be deemed a Change of Control.

Section 2.7 Employee means any person, including an Officer, who is employed by the Bank, other than: (a) a person who is compensated on an hourly rate basis; (b) a person who works for the Bank on a part-time or temporary basis; (c) an Employee receiving long-term disability benefits; or (d) a person who has an employment contract, change of control agreement or other agreement with the Bank or who is covered by other programs which provide severance benefits or by their terms exclude such person from participation in this Plan.

Section 2.8 FDI Act means the Federal Deposit Insurance Act, as the same may be amended from time to time, and the corresponding provisions of any successor statute.

Section 2.9 Involuntary Severance means (a) the discharge or dismissal of an Employee by the Bank other than for Cause, or the resignation by the Employee from his position with the Bank, which resignation the Employee is asked or compelled by the Bank to tender other than for Cause; or (b) termination of employment at an Employee's election within sixty (60) days after any action following a Change of Control which, either alone or together with other actions, results in: (i) the reduction in the Employee's Salary by more than 20%; (ii) the assignment of the Employee to a job requiring relocation of his residence in order to be able to commute without unreasonable difficulty, expense or inconvenience; (iii) the assignment of the Employee to duties or to an office or working space which involves unreasonable personal embarrassment; or (iv) a material adverse change in the Employee's title, position or responsibilities at the Bank.

Section 2.10 Officer means, in the case of an Employee, an officer of the Bank and in the case of an Acquired Employee, a person who is an officer of the Acquired Company immediately prior to the closing of the transaction pursuant to which such company becomes an Acquired Company.

Section 2.11 OTS means the Office of Thrift Supervision of the United States Department of the Treasury, and its successors.

Section 2.12 Plan means this Severance Pay Plan of The Dime Savings Bank of Williamsburgh, as the same may be amended from time to time.

Section 2.13 Plan Administrator means the Compensation Committee of the Board of Directors of The Dime Savings Bank of Williamsburgh.

Section 2.14 Plan Year means the calendar year.

Section 2.15 Salary means (a) in the case of an Employee, the highest basic annual rate of salary of the Employee for his services to the Bank (excluding overtime, bonuses and other forms of additional compensation) attained by the Employee during his employment with the Bank, and (b) in the case of an Acquired Employee, the highest basic annual rate of salary of an the Acquired Employee for his services to the Acquired Company (excluding overtime, bonuses and other forms of additional compensation) attained by the Employee during his employment with the Acquired Company.

Section 2.16 Service means service rendered by an Employee that is, or would be, recognized under the Retirement Plan of The Dime Savings Bank of Williamsburgh in RSI Retirement Trust for vesting purposes as of the date of the Employee's Involuntary Severance.

ARTICLE III

BENEFITS

Section 3.1 Severance Benefits for Employees.

(a) An Employee with at least one (1) year of Service whose employment with the Bank is terminated under circumstances constituting an Involuntary Severance, other than for Cause, as a result of, within twelve months following or within three (3) months prior to, a Change of Control with respect to the Bank or any company which owns 100% of the outstanding common stock of the Bank shall be entitled to the following benefits:

(i) if the Employee is or has, at any time after November 1, 1995, been an Officer of the Bank, he shall be entitled, as severance pay, to a weekly payment in an amount equal to one week's Salary, commencing with the first week following the date of the Employee's Involuntary Severance and continuing for twice the number of weeks as the Employee has whole years of Service, or, if less, for thirty-nine (39) weeks; or

(ii) if the Employee is not an Employee described in section 3.1(a)(i), he shall be entitled, as severance pay, to a weekly payment in an amount equal to one week's Salary, commencing with the first week following the date of the Employee's Involuntary Severance and continuing for the same number of weeks as the Employee has whole years of Service, or, if less, for twenty-six (26) weeks;

provided, however, that in no event shall any Employee described in section 3.1(a)(i) or (ii) receive, as severance pay under this Plan, less than four weeks' Salary.

(b) Each Employee who is entitled to payments under section 3.1(a)(i) or (ii) shall, for the duration of such payments, continue to be eligible for all of the benefits provided under the Bank's employee benefit plans and programs (excluding tax-qualified plans and other plans which by law must restrict participation to active employees) as if he were still an Employee and working at the Bank, except that he shall cease to accrue vacation and shall be paid a lump sum payment at the date of his Involuntary Severance in lieu of any unused accrued vacation.

(c) Each Employee who is entitled to benefits under section 3.1(a)(i) or (ii) shall also be entitled to outplacement services as follows:

(i) an Employee described in section 3.1(a)(i) shall be entitled to utilize the services of an outplacement counseling firm at the Bank's expense for assistance in preparing a resume, developing interviewing skills, identifying career opportunities and evaluating job offers and for access to office and secretarial facilities, provided that the fee for such services shall not exceed 12% of the Employee's Salary; and

(ii) if the Employee is not an Employee described in section 3.1(a)(i), he shall be entitled to utilize the services of an outplacement counseling firm at the Bank's expense, for assistance in preparing a resume, developing interviewing skills, identifying career opportunities and evaluating job offers, provided that the fee for such services shall not exceed 6% of the Employee's Salary or \$1,000, whichever is higher.

The outplacement firm utilized by any Employee or group of Employees shall be selected by the Plan Administrator or, if permitted by the Plan Administrator selected by the Employee or Employees subject to the Plan Administrator's approval.

Section 3.2 Severance Benefits for Acquired Employees.

(a) An Acquired Employee with at least one (1) year of Service whose employment with the Bank is terminated under circumstances constituting an Involuntary Severance, other than for Cause within twelve months following a Change of Control with respect to the relevant Acquired Company shall be entitled to the following benefits:

(i) if the Employee was an Officer of the Acquired Company, he shall be entitled, as severance pay, to a weekly payment in an amount equal to one week's Salary, commencing with the first week following the date of the Employee's Involuntary Severance and continuing for twice the number of weeks as the Employee has whole years of Service, or, if less, for thirty-nine (39) weeks; or

(ii) if the Employee is not an Employee described in section 3.1(a)(i), he shall be entitled, as severance pay, to a weekly payment in an amount equal to one week's Salary, commencing with the first week following the date of the Employee's Involuntary Severance and continuing for the same number of weeks as the Employee has whole years of Service, or, if less, for twenty-six (26) weeks;

provided, however, that in no event shall any Employee described in section 3.1(a)(i) or (ii) receive, as severance pay under this Plan, less than four weeks' Salary.

(b) Each Employee who is entitled to payments under section 3.1(a)(i) or (ii) shall, for the duration of such payments, continue to be eligible for all of the benefits provided under the Bank's employee benefit plans and programs (excluding tax-qualified plans and other plans which by law must restrict participation to active employees) as if he were still an Employee and working at the Bank, except that he shall cease to accrue vacation and shall be paid a lump sum payment at the date of his Involuntary Severance in lieu of any unused accrued vacation.

(c) Each Employee who is entitled to benefits under section 3.1(a)(i) or (ii) shall also be entitled to outplacement

services as follows:

(i) an Employee described in section 3.1(a)(i) shall be entitled to utilize the services of an outplacement counseling firm at the Bank's expense for assistance in preparing a resume, developing interviewing skills, identifying career opportunities and evaluating job offers and for access to office and secretarial facilities, provided that the fee for such services shall not exceed 12% of the Employee's Salary; and

(ii) if the Employee is not an Employee described in section 3.1(a)(i), he shall be entitled to utilize the services of an outplacement counseling firm at the Bank's expense, for assistance in preparing a resume, developing interviewing skills, identifying career opportunities and evaluating job offers, provided that the fee for such services shall not exceed 6% of the Employee's Salary or \$1,000, whichever is higher.

The outplacement firm utilized by any Employee or group of Employees shall be selected by the Plan Administrator or, if permitted by the Plan Administrator selected by the Employee or Employees subject to the Plan Administrator's approval.

Section 3.3 Vesting.

The benefits to be provided under this Article III of the Plan to an Employee shall be completely vested and nonforfeitable upon the occurrence of a Change of Control with respect to the Bank or any company which owns 100% of the outstanding common stock of the Bank.

Section 3.4 Indemnification.

The Bank shall indemnify, hold harmless and defend each Employee against costs or expenses, including reasonable attorneys' fees, incurred by him or arising out of any action, suit or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce his rights under this Plan; provided, however, that the Employee shall have substantially prevailed on the merits pursuant to a judgment, decree or order of a court of competent jurisdiction or of an arbitrator in an arbitration proceeding, or in a settlement. For purposes of this Agreement, any settlement agreement which provides for payment of any amounts in settlement of the Bank's obligations hereunder shall be conclusive evidence of the Employee's entitlement to indemnification hereunder, and any such indemnification payments shall be in addition to amounts payable pursuant to such settlement agreement, unless such settlement agreement expressly provides otherwise.

ARTICLE IV

ADMINISTRATION

Section 4.1 Named Fiduciaries.

The term "Named Fiduciary" shall mean (but only to the extent of the responsibilities of each of them) the Plan Administrator and the Board. This Article V is intended to allocate to each Named Fiduciary the responsibility for the prudent execution of the functions assigned to him or it, and none of such responsibilities or any other responsibility shall be shared by two or more of such Named Fiduciaries. Whenever one Named Fiduciary is required by the Plan to follow the directions of another Named Fiduciary, the two Named Fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the Named Fiduciary giving the directions shall be deemed his sole responsibility, and the responsibility of the Named Fiduciary receiving those directions shall be to follow them insofar as such instructions are on their face proper under applicable law.

Section 4.2 Plan Administrator.

The Plan Administrator shall subject to the responsibilities of the Board, have the responsibility for the day-to-day control, management, operation and administration of the Plan. The Plan Administrator shall have the following responsibilities:

(a) To maintain records necessary or appropriate for the administration of the Plan;

(b) To give and receive such instructions, notices, information, materials, reports and certifications as may be necessary or appropriate in the administration of the Plan;

(c) To prescribe forms and make rules and regulations consistent with the terms of the Plan and with the inter-

pretations and other actions of the Committee;

(d) To require such proof or evidence of any matter from any person as may be necessary or appropriate in the administration of the Plan;

(e) To prepare and file, distribute or furnish all reports, plan descriptions, and other information concerning the Plan, including, without limitation, filings with the Secretary of Labor and employee communications as shall be required of the Plan Administrator under ERISA;

(f) To determine any question arising in connection with the Plan, including any question of Plan interpretation, and the Plan Administrator's decision or action in respect thereof shall be final and conclusive and binding upon all persons having an interest under the Plan;

(g) To review and dispose of claims under the Plan filed pursuant to section 4.3 and appeals of claims decisions pursuant to section 4.4;

(h) If the Plan Administrator shall determine that by reason of illness, senility, insanity, or for any other reason, it is undesirable to make any payment to the person entitled thereto, to direct the application of any amount so payable to the use or benefit of such person in any manner that the Plan Administrator may deem advisable or to direct in the Plan Administrator's discretion the withholding of any payment under the Plan due to any person under legal disability until a representative competent to receive such payment in his behalf shall be appointed pursuant to law;

(i) To discharge such other responsibilities or follow such directions as may be assigned or given by the Board; and

(j) To perform any duty or take any action which is allocated to the Plan Administrator under the Plan.

The Plan Administrator shall have the power and authority necessary or appropriate to carry out his responsibilities.

Section 4.3 Claims Procedure.

Any claim relating to benefits under the Plan shall be filed with the Plan Administrator on a form prescribed by it. If a claim is denied in whole or in part, the Plan Administrator shall give the claimant written notice of such denial, which notice shall specifically set forth:

- (a) The reasons for the denial;
- (b) The pertinent Plan provisions on which the denial was based;
- (c) Any additional material or information necessary for the claimant to perfect his claim and an explanation of why such material or information is needed; and
- (d) An explanation of the Plan's procedure for review of the denial of the claim.

In the event that the claim is not granted and notice of denial of a claim is not furnished by the 30th day after such claim was filed, the claim shall be deemed to have been denied on that day for the purpose of permitting the claimant to request review of the claim.

Section 4.4 Claims Review Procedure.

Any person whose claim filed pursuant to section 4.3 has been denied in whole or in part by the Plan Administrator may request review of the claim by the Plan Administrator, upon a form prescribed by the Plan Administrator. The claimant shall file such form (including a statement of his position) with the Plan Administrator no later than 60 days after the mailing or delivery of the written notice of denial provided for in section 4.3, or, if such notice is not provided, within 60 days after such claim is deemed denied pursuant to section 4.3. The claimant shall be permitted to review pertinent documents. A decision shall be rendered by the Plan Administrator and communicated to the claimant not later than 30 days after receipt of the claimant's written request for review. However, if the Plan Administrator finds it necessary, due to special circumstances (for example, the need to hold a hearing), to extend this period and so notifies the claimant in writing, the decision shall be rendered as soon as practicable, but in no event later than 120 days after the claimant's request for review. The Plan Administrator's decision shall be in writing and shall specifically set forth:

- (a) The reasons for the decision; and
- (b) The pertinent Plan provisions on which the decision is based.

Any such decision of the Plan Administrator shall be binding upon the claimant and the Bank, and the Plan Administrator shall take appropriate action to carry out such decision.

Section 4.5 Allocation of Fiduciary Responsibilities and Employment of Advisors.

Any Named Fiduciary may:

(a) Allocate any of his or its responsibilities (other than trustee responsibilities) under the Plan to such other person or persons as he or it may designate, provided that such allocation and designation shall be in writing and filed with the Plan Administrator;

(b) Employ one or more persons to render advice to him or it with regard to any of his or its responsibilities under the Plan; and

(c) Consult with counsel, who may be counsel to the Bank.

Section 4.6 Other Administrative Provisions.

(a) Any person whose claim has been denied in whole or in part must exhaust the administrative review procedures provided in section 4.4 prior to initiating any claim for judicial review.

(b) No bond or other security shall be required of the Plan Administrator, or any officer or Employee of the Bank to whom fiduciary responsibilities are allocated by a Named Fiduciary, except as may be required by ERISA.

(c) Subject to any limitation on the application of this section 4.6(c) pursuant to ERISA, neither the Plan Administrator, nor any officer or Employee of the Bank to whom fiduciary responsibilities are allocated by a Named Fiduciary, shall be liable for any act of omission or commission by himself or by another person, except for his own individual willful and intentional malfeasance.

(d) The Plan Administrator may, except with respect to actions under section 4.4, shorten, extend or waive the time (but not beyond 60 days) required by the Plan for filing any notice or other form with the Plan Administrator, or taking any other action under the Plan.

(e) Any person, group of persons, committee, corporation or organization may serve in more than one fiduciary capacity with respect to the Plan.

(f) Any action taken or omitted by any fiduciary with respect to the Plan, including any decision, interpretation, claim denial or review on appeal, shall be conclusive and binding on the Bank and all interested parties and shall be subject to judicial modification or reversal only to the extent it is determined by a court of competent jurisdiction that such action or omission was arbitrary and capricious and contrary to the terms of the Plan.

ARTICLE V

MISCELLANEOUS

Section 5.1 Rights of Employees.

No Employee shall have any right or claim to any benefit under the Plan except in accordance with the provisions of the Plan. The establishment of the Plan shall not be construed as conferring upon any Employee or other person any legal right to a continuation of employment or to any terms or conditions of employment, nor as limiting or qualifying the right of the Bank to discharge any Employee.

Section 5.2 Non-alienation of Benefits.

The right to receive a benefit under the Plan shall not be subject in any manner to anticipation, alienation, or assignment, nor shall such right be liable for or subject to debts, contracts, liabilities, or torts.

Section 5.3 Non-Duplication of Benefits.

No provisions in this Plan shall be deemed to duplicate any compensation or benefits provided under any agreement, plan or program covering the Employee to which the Bank is a party and

any duplicative amount payable under any such agreement, plan or program shall be applied as an offset to reduce the amounts otherwise payable hereunder.

Section 5.4 Construction.

Whenever appropriate in the Plan, words used in the singular may be read in the plural; words used in the plural may be read in the singular; and the masculine gender shall be deemed equally to refer to the feminine gender or the neuter. Any reference to a section number shall refer to a section of this Plan, unless otherwise stated.

Section 5.5 Headings.

The headings of sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of the Plan, the text shall control.

Section 5.6 Governing Law.

Except to the extent preempted by federal law, the Plan shall be construed, administered and enforced according to the laws of the State of New York applicable to contracts between citizens and residents of the State of New York entered into and to be performed entirely within such jurisdiction.

Section 5.7 Severability.

The invalidity or unenforceability, in whole or in part, of any provision of this Plan shall in no way affect the validity or enforceability of the remainder of such provision or of any other provision of this Plan, and any provision, or part thereof, deemed to be invalid or unenforceable shall be reformed as necessary to render it valid and enforceable to the maximum possible extent.

Section 5.8 Termination or Amendment.

The Bank intends to keep this Plan in effect, but, subject to the provisions of section 4 hereunder, the Bank expressly reserves the right to terminate or amend the Plan, in whole or in part, at any time by action of the Board; provided, however, that no such amendment or termination which adversely affects the current or prospective rights of any Employee shall be effective earlier than six (6) months after written notice thereof is given to such Employee.

Section 5.9 Required Regulatory Provisions.

The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Bank:

(a) Notwithstanding anything herein contained to the contrary, in no event shall the aggregate amount of compensation payable to any person under Article III of this Plan exceed the three times such person's average annual total compensation for the last five consecutive calendar years to end prior to his termination of employment with the Bank (or for his entire period of employment with the Bank and its predecessors, if less than five calendar years).

(b) Notwithstanding anything herein contained to the contrary, any payments to the Employee by the Bank, whether pursuant to this Plan or otherwise, are subject to and conditioned upon their compliance with section 18(k) of the FDI Act and any regulations promulgated thereunder.

(c) Notwithstanding anything herein contained to the contrary, if the Employee is suspended from office and/or temporarily prohibited from participating in the conduct of the affairs of the Bank pursuant to a notice served under section 8(e)(3) or 8(g)(1) of the FDI Act, the Bank's obligations under this Plan shall be suspended as of the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Bank, in its discretion, may (i) pay to the Employee all or part of the compensation withheld while the Bank's obligations hereunder were suspended and (ii) reinstate, in whole or in part, any of the obligations which were suspended.

(d) Notwithstanding anything herein contained to the contrary, if the Employee is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under section 8(e)(4) or 8(g)(1) of the FDI Act, all prospective obligations of the Bank under this Plan shall terminate as of the effective date of the order,

but vested rights and obligations of the Bank and the Employee shall not be affected.

(e) Notwithstanding anything herein contained to the contrary, if the Bank is in default (within the meaning of section 3(x)(1) of the FDI Act, all prospective obligations of the Bank under this Plan shall terminate as of the date of default, but vested rights and obligations of the Bank and the Employee shall not be affected.

(f) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Bank hereunder shall be terminated, except to the extent that a continuation of this Plan is necessary for the continued operation of the Bank: (i) by the Director of the OTS or his designee or the FDIC, at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in section 13(c) of the FDI Act; (ii) by the Director of the OTS or his designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Bank or when the Bank is determined by such Director to be in an unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

If and to the extent that any of the foregoing provisions shall cease to be required by applicable law, rule or regulation, the same shall become inoperative automatically as though eliminated by formal amendment of the Plan.

Section 5.10 Withholding.

Payments from this Plan shall be subject to all applicable federal, state and local income withholding taxes.

Section 5.11 Status as Welfare Benefit Plan Under ERISA.

This Plan is an "employee welfare benefit plan" within the meaning of section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and shall be construed, administered and enforced according to the provisions of ERISA.

Retirement Plan for Board Members

of

Dime Community Bancorp, Inc.

Adopted on February 8, 1996
Effective on June 26, 1996

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RETIREMENT PLAN FOR BOARD MEMBERS

OF

DIME COMMUNITY BANCORP, INC.

ARTICLE I

DEFINITIONS

The following definitions shall apply for the purposes of this Plan unless a different meaning is plainly indicated by the context:

Section 1.1 Annual Compensation means, on any date for any Board Member, the amount of compensation paid to such Board Member for service as a Board Member during the twelve (12) month period ending on such date, including retainer payments, fees paid solely on the basis of attendance at meetings as a Board Member and any amounts thereof deferred at the request of the Board Member, but excluding compensation in the form of stock options, appreciation rights or restricted property, or other special forms of remuneration. In the case of a Board Member who is a non-employee director and who later becomes an employee-director, "Annual Compensation" means the amount of such compensation during the twelve (12) month period immediately preceding service as a employee-director.

Section 1.2 Bank means The Dime Savings Bank of Williamsburgh, a federal stock savings bank, and any successor thereto.

Section 1.3 Beneficiary means the Person or Persons designated by the Participant or Retired Participant to receive a survivor benefit under one of the optional forms of retirement allowance provided under section 3.3. If more than one Person is designated, each shall have an equal share unless the Participant or Retired Participant directed otherwise.

Section 1.4 Board means the Board of Directors of the Company.

Section 1.5 Board Member means any individual who is a voting member of the Board or a voting member of the Board of Directors of the Bank or a voting member of the board of directors of a Participating Company.

Section 1.6 Change of Control of the Bank means any of the following events:

(a) the occurrence of any event upon which any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan maintained for the benefit of employees of the Bank; (B) a corporation owned, directly or indirectly, by the stockholders of the Bank in substantially the same proportions as their ownership of stock of the Bank; or (C) any group constituting a person in which employees of the Bank are substantial members, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities issued by the Bank representing 25% or more of the combined voting power of all of the Bank's then outstanding securities; or

(b) the occurrence of any event upon which the individuals who on the date the Plan is adopted are members of the Board, together with individuals whose election by the Board or nomination for election by the Bank's stockholders was approved by the affirmative vote of at least two-thirds of the members of the Board then in office who were either members of the Board on the date this Plan is adopted or whose nomination or election was previously so approved, cease for any reason to constitute a majority of the members of the Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Bank (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(c) the shareholders of the Bank (or, if the Bank is not then a stock form institution, the Board of the Bank) approve either:

(i) a merger or consolidation of the

Bank with any other corporation, other than a merger or consolidation following which both of the following conditions are satisfied:

(A) either (1) the members of the Board of the Bank immediately prior to such merger or consolidation constitute at least a majority of the members of the governing body of the institution resulting from such merger or consolidation; or (2) the shareholders of the Bank own securities of the institution resulting from such merger or consolidation representing 80% or more of the combined voting power of all such securities then outstanding in substantially the same proportions as their ownership of voting securities of the Bank before such merger or consolidation; and

(B) the entity which results from such merger or consolidation expressly agrees in writing to assume and perform the Bank's obligations under the Plan; or

(ii) a plan of complete liquidation of the Bank or an agreement for the sale or disposition by the Bank of all or substantially all of its assets; and

(d) with respect to any company which owns 100% of the outstanding common stock the Bank, any event that would be described in section 1.6(a), (b) or (c) if the name of such company were substituted for "the Bank" therein.

In no event, however, shall the transaction by which the Bank converts from a mutual savings bank to a stock savings bank, or any transaction by which a company wholly owned by the Bank becomes the parent company of the Bank be deemed a Change of Control of the Bank.

Section 1.7 Code means the Internal Revenue Code of 1986 (including the corresponding provisions of any succeeding law).

Section 1.8 Committee means the Compensation Committee of the Board and any successor thereto.

Section 1.9 Company means Dime Community Bancorp, Inc. and any successor thereto.

Section 1.10 Participant means a Board Member who satisfies the eligibility requirements set forth in section 2.1 and whose participation in the Plan has not terminated pursuant to section 2.2.

Section 1.11 Participating Company means any savings bank, savings and loan association, bank, corporation, financial institution or other business organization or institution which, with the prior approval of the Board, and subject to such terms and conditions as may be imposed by the Board, shall adopt this Plan for the benefit of members of its board of directors.

Section 1.12 Person means an individual, a corporation, a bank, a savings bank, a savings and loan association, a financial institution, a partnership, an association, a joint-stock company, a trust, an estate, any unincorporated organization and any other business organization or institution.

Section 1.13 Predecessor Board means, with the prior approval of the Board and subject to such terms and conditions as may be imposed by the Board, the board of trustees or the board of directors of a Participating Company, prior to the date such a company became a Participating Company.

Section 1.14 Plan means the Retirement Plan for Board Members, as amended from time to time. The Plan may be referred to as the "Retirement Plan for Board Members of Dime Community Bancorp, Inc."

Section 1.15 Reorganization Date means the effective date of the transaction pursuant to which The Dime Savings Bank of Williamsburgh becomes a wholly-owned subsidiary of the Company.

Section 1.16 Retired Participant means a former Participant who is receiving a retirement allowance under this Plan or who is entitled to receive a retirement allowance under this Plan at a future date.

Section 1.17 Spouse means an individual who is legally married to a Participant or Retired Participant.

Section 1.18 Years of Service means the period beginning on the first day of the month in which an individual becomes a Board Member and ending on the last day of the month in which such individual ceases to be a Board Member, but excluding (a) any period during which the individual was a salaried officer

of the Company or any Participating Company, and (b) any period during which the individual was a salaried officer of any other institution whose board of directors or board of trustees is considered a Predecessor Board. The Years of Service of an individual with two or more non-consecutive periods of service as a Board Member shall be equal to the sum of such non-consecutive periods. For purposes of determining an individual's Years of Service, service as a member of a Predecessor Board shall be deemed service as a Board Member. The maximum number of Years of Service of any Board Member for purposes of the Plan shall be 10.

ARTICLE II

ELIGIBILITY

Section 2.1 Participation.

A person who is a Board Member on the Reorganization Date shall become a Participant in the Plan on the Reorganization Date. A person who becomes a Board Member after the Reorganization Date shall become a Participant in the Plan immediately upon becoming a Board Member. Any person who was a Board Member prior to the Reorganization Date, but who ceased to be a Board Member prior to the Reorganization Date, shall not be eligible for benefits under this Plan unless he again becomes a Board Member after the Reorganization Date.

Section 2.2 Termination of Participation.

Participation in the Plan shall cease on the date a Participant ceases to be a Board Member for whatever reason.

ARTICLE III

RETIREMENT BENEFITS

Section 3.1 Normal Benefits.

(a) Any Participant who terminates service as a Board Member after attaining age 65 shall be entitled to a normal retirement allowance from the Bank, commencing as of the first day of the month following the month in which he ceases to be a Board Member, in an annual amount equal to his Annual Compensation as of the date on which he ceases to be a Board Member multiplied by a fraction, the numerator of which is his Years of Service and the denominator of which is 10.

(b) A Participant who ceases to be a Board Member prior to attaining age 65 but after completing 10 Years of Service shall be entitled to a deferred retirement allowance beginning on the first day of the month following the date he attains age 65, in an annual amount equal to his Annual Compensation as of the date on which he ceases to be a Board Member. In lieu thereof, such person may elect to have a retirement allowance commence as of the first day of any month after the later of (i) the month in which he attains age 55 or (ii) the month in which he ceases to be a Board Member, and the amount of the retirement allowance shall be equal to the amount payable at age 65 multiplied by a factor specified in Appendix A. Any such election shall be made at least 30 days prior to termination of service as a Board Member.

Section 3.2 Payments.

Retirement allowances under section 3.1 shall be paid in monthly installments, each installment being one-twelfth of the annual retirement allowance. The first payment shall be made in accordance with section 3.1 and installments shall continue until the Retired Participant's death.

Section 3.3 Optional Forms of Retirement Allowance.

(a) With the approval of the Committee and on such terms and conditions as the Committee may prescribe, a Participant or Retired Participant entitled to a retirement allowance under section 3.1 may elect, at any time prior to termination of service as a Board Member, to convert the allowance otherwise payable on his account into any one of the following optional forms of retirement allowance:

(i) Option 1 (100% Survivor Option). A reduced retirement allowance payable during his life, with the provision that after his death an amount equal to his reduced retirement allowance shall continue during the life of, and shall be paid to, such person, if then living, as he shall have named as his Beneficiary in his written election of the option.

(ii) Option 2 (50% Survivor Option). A reduced retirement allowance payable during his life, with the

provision that after his death an amount equal to one-half of his reduced retirement allowance shall continue during the life of, and shall be paid to, such person, if then living, as he shall have named as his Beneficiary in his written election of the option.

(iii) Option 3 (5, 10 or 15 Year Term Certain). A reduced retirement allowance payable during his life, with the provision that an amount equal to his reduced retirement allowance shall continue to be paid for a term certain elected by the Participant or Retired Participant of 5, 10 or 15 years from the commencement of such retirement allowance, and, in the event of his death before the end of such term, the same amount shall continue to be paid for the remainder of such term to the person (or persons) whom he shall have named as his Beneficiary (or Beneficiaries) in his written election of the option or any change thereof.

(b) Where Option 1 or Option 2 has been elected, if payments begin during the Retired Participant's lifetime and if the Beneficiary is living at the date of the Retired Participant's death, then the payments to the Beneficiary shall commence as of the first day of the month after the month in which the Retired Participant died and shall continue during the lifetime of the Beneficiary, the last installment being payable on the first day of the month during which the Beneficiary dies. Where Option 3 has been elected, if payments begin during the Retired Participant's lifetime, and if the Participant or Retired Participant dies prior to the expiration of the term elected, then the payments to the Beneficiary shall commence as of the first day of the month after the month in which the Participant or Retired Participant died, and payments shall continue for the remainder of such term.

(c) If Option 1 or Option 2 has been elected and the designated Beneficiary dies after the retirement allowance has commenced to be paid to the Retired Participant who designated him but before the death of such Retired Participant, the amount of the reduced retirement allowance to which such Retired Participant is then entitled shall remain unchanged and all payments shall cease upon the death of the Retired Participant.

(d) The retirement allowance payable to a Participant or Retired Participant electing one of the optional forms of retirement allowance set forth in section 3.3(a) shall be determined by multiplying the retirement allowance otherwise payable under section 3.1 by the appropriate adjustment factor set forth in Appendix B.

(e) Any election under this section 3.3 shall be made in writing in the form and manner prescribed by the Committee, shall be revocable until termination of service as a Board Member and shall thereafter be irrevocable.

Section 3.4 Payments of Small Amounts.

Notwithstanding any other provision of the Plan, if the present value of the retirement allowance payable to a Participant or Retired Participant and his Beneficiary shall at any time after termination of service as a Board Member and prior to the commencement of payment thereof be less than \$10,000, then the Committee may direct that it be paid in such lump sum in lieu of all other benefits under the Plan. For purposes of this section 3.4, present values shall be determined using the interest rate and mortality assumptions then in use under section 415 of the Code for purposes of valuing lump sum payments under tax-qualified defined benefit plans, assuming payment would begin at the later of age 65 or the date of termination of service.

Section 3.5 Automatic Death Benefit for Spouse.

If (a) a Participant or Retired Participant who is entitled to a retirement allowance under section 3.1 should die prior to the commencement of such retirement allowance and prior to electing an optional form of retirement allowance under section 3.3 or (b) a Participant who is not entitled to a retirement allowance under section 3.1 should die while a Board Member, and if such Participant or Retired Participant is survived by a Spouse, there shall be paid to such surviving Spouse, until such Spouse dies, a monthly survivor's allowance in an amount equal to that amount which would have been provided to such Spouse had the Participant or Retired Participant retired immediately prior to his death (whether or not he would have been eligible for retirement) and had he effectively elected to take Option 2 under section 3.3 with his Spouse as his Beneficiary and with payments commencing on the first day of the month following his death.

Section 3.6 Beneficiaries.

(a) A Participant or Retired Participant may designate a Beneficiary or Beneficiaries to receive any survivor benefits payable upon his death under an optional form of benefit elected pursuant to section 3.3.

(b) If the Participant or Retired Participant elects Option 1 or Option 2 under section 3.3, he may only designate one Beneficiary and such Beneficiary must be a natural person. Any designation shall be made in writing in the form and manner prescribed by the Committee, shall be revocable until the retirement allowance commences to be paid, and shall thereafter be irrevocable.

(c) If the Participant or Retired Participant elects Option 3 under section 3.3, he may designate one or more Beneficiaries who may be, but need not be, natural persons. Any such election shall be made in writing in the form and manner prescribed by the Committee, shall be revocable until the retirement allowance commences to be paid, and shall thereafter be irrevocable; provided, however, that the Participant or Retired Participant may change or revoke the Beneficiary or Beneficiaries designated at any time or from time to time, but such changes or revocations shall be effective only if received by the Committee prior to the Participant's or Retired Participant's death.

(d) A Beneficiary designated by a Participant or Retired Participant to receive a survivor benefit, other than a benefit payable for such Beneficiary's life, may designate a Beneficiary of his own to receive such survivor benefit in the event the Beneficiary designated by the Participant or Retired Participant dies prior to receiving complete payment of such survivor benefit. If a Participant or Retired Participant who has elected Option 3 dies without a Beneficiary, then the present value of any unpaid installments shall be paid to the estate of such Participant or Retired Participant in lieu of all other payments. If a Beneficiary of a deceased Retired Participant entitled to payments under Option 3 dies without a Beneficiary, then the present value of any unpaid installments shall be paid to the estate of such Beneficiary in lieu of all other payments. In determining such present values, the interest rate and life expectancy tables prescribed under section 415 of the Code for purposes of valuing lump sum payments under tax-qualified defined benefit plans shall be used.

Section 3.7 Payment upon Change in Control.

Upon a Change of Control of the Bank, each Board Member shall be entitled to an immediate lump sum payment of the present value of a single life annuity, commencing upon a Change of Control of the Bank and continuing for life in an annual amount equal to his Annual Compensation multiplied by a fraction (not greater than one) the numerator of which is his Years of Service and the denominator of which is 10. In determining such present values, the interest rate and life expectancy tables prescribed under section 415 of the Code for purposes of valuing lump sum payments under tax-qualified defined benefit plans shall be used.

ARTICLE IV

ADMINISTRATION

Section 4.1 Duties of the Committee.

The Committee shall have full responsibility for the management, operation, interpretation and administration of the Plan in accordance with its terms, and shall have such authority as is necessary or appropriate in carrying out its responsibilities. Actions taken by the Committee pursuant to this section 4.1 shall be conclusive and binding upon the Bank, the Company, the Participating Companies, Participants, Retired Participants and other interested parties.

Section 4.2 Liabilities of the Committee.

Neither the Committee nor its individual members shall be deemed to be a fiduciary with respect to this Plan; nor shall any of the foregoing individuals or entities be liable to any Participant or Retired Participant in connection with the management, operation, interpretation or administration of the Plan, any such liability being solely that of the Company.

Section 4.3 Expenses.

Any expenses incurred in the management, operation, interpretation or administration of the Plan shall be paid by the Company. In no event shall the benefits otherwise payable under this Plan be reduced to offset the expenses incurred in managing, operating, interpreting or administering the Plan.

ARTICLE V

AMENDMENT AND TERMINATION

Section 5.1 Amendment and Termination.

The Board shall have the right to amend the Plan, from time to time and at any time, in whole or in part, and to terminate the Plan; provided, however, that no such amendment or termination shall reduce the accrued benefits of, or impose more stringent vesting requirements on any benefits accrued by, any Participant, Retired Participant or Beneficiary through the date of the amendment or termination of the Plan.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.1 Plan Documents.

The Secretary of the Board shall provide a copy of this Plan to each Board Member who becomes a Participant in the Plan.

Section 6.2 Construction of Language.

Wherever appropriate in the Plan, words used in the singular may be read in the plural, words in the plural may be read in the singular, and words importing the masculine gender shall be deemed equally to refer to the feminine or the neuter. Any reference to an article or section shall be to an article or section of the Plan, unless otherwise indicated.

Section 6.3 Non-Alienation of Benefits.

The right to receive a benefit under the Plan shall not be subject in any manner to anticipation, alienation or assignment, nor shall such rights be liable for or subject to debts, contracts, liabilities or torts.

Section 6.4 Indemnification.

The Company shall indemnify, hold harmless and defend each Board Member, Participant, Retired Participant and the Beneficiaries of each, against their reasonable costs, including legal fees, incurred by them, or arising out of any action, suit or proceeding in which they may be involved, as a result of their efforts, in good faith, to defend or enforce the terms of the Plan.

Section 6.5 Severability.

A determination that any provision of the Plan is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

Section 6.6 Waiver.

Failure to insist upon strict compliance with any of the terms, covenants or conditions of the Plan shall not be deemed a waiver of such term, covenant or condition. A waiver of any provision of the Plan must be made in writing, designated as a waiver, and signed by the party against whom its enforcement is sought. Any waiver or relinquishment of any right or power hereunder at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 6.7 Notices.

Any communication required or permitted to be given under the Plan, including any notice, direction, designation, comment, instruction, objection or waiver, shall be in writing and shall be deemed to have been given at such time as it is delivered personally or 5 days after mailing if mailed, postage prepaid, by registered or certified mail, return receipt requested, addressed to such party at the address listed below, or at such other address as one such party may by written notice specify to the other party:

(a) if to the Company:

Dime Community Bancorp, Inc.
209 Havemeyer Street
Brooklyn, New York 11211

Attention: Corporate Secretary

(b) if to any party other than the Company,
to such party at the address last furnished
by such party by written notice to the Company.

Section 6.8 Operation as an Unfunded Plan.

The Plan is intended to be (a) a contractual obligation of the Company to pay the benefits as and when due in accordance with its terms, (b) an unfunded and non-qualified plan such that the benefits payable shall not be taxable to the recipients until such benefits are paid and (c) a plan covering persons who are independent contractors of the Company. The Plan is not intended to be subject to or comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended, or of section 401(a) of the Code. The Company may establish a trust to which assets may be transferred by the Company in order to provide a portion or all of the benefits otherwise payable by the Company under the Plan; provided, however, that the assets of such trust shall be subject to the claims of the creditors of the Company in the event that it is determined that the Company is insolvent or that grounds exist for the appointment of a conservator or receiver. The Plan shall be administered and construed so as to effectuate these intentions.

Section 6.9 Required Regulatory Provisions.

Notwithstanding anything herein contained to the contrary, any benefits paid by the Company, whether pursuant to this Plan or otherwise, are subject to and conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. Section 1828(k), and any regulations promulgated thereunder.

Section 6.10 Governing Law.

The Plan shall be construed, administered and enforced according to the laws of the State of New York applicable to contracts between citizens and residents of the State of New York entered into and to be performed entirely within such jurisdiction, except to the extent that such laws are preempted by federal law.

Appendix A

Early Commencement Factors

Number of Years Payments Commence Prior to Age 65	Factor
0	1.0000
1	.9205
2	.8496
3	.7860
4	.7289
5	.6774
6	.6308
7	.5885
8	.5500
9	.5149
10	.4829

Appendix B

Factors for Determining Optional Benefit Forms under Section 3.3

Age	Option 1	Option 2	Option 3		
			5 Year Certain	10 Year Certain	15 Year Certain
50	90.0%	94.7%	99.6%	98.4%	97.1%
51	89.4	94.4	99.6	98.3	96.6
52	88.8	94.1	99.6	98.2	96.2
53	88.2	93.7	99.5	98.1	95.8
54	87.6	93.4	99.5	98.0	95.4
55	87.0	93.0	99.4	97.9	95.0
56	86.4	92.7	99.3	97.5	94.2
57	85.8	92.4	99.2	97.1	93.4
58	85.2	92.0	99.1	96.7	92.6
59	84.6	91.7	98.9	96.3	91.8
60	84.0	91.3	98.8	95.9	91.0
61	83.2	90.8	98.6	95.2	90.0
62	82.4	90.4	98.4	94.5	89.0
63	81.6	89.9	98.2	93.8	88.0
64	80.8	89.4	98.0	93.1	87.0
65	80.0	88.9	97.8	92.4	86.0
66	79.3	88.5	97.4	91.4	84.4
67	78.6	88.0	97.1	90.4	82.8
68	77.9	87.6	96.7	89.4	81.2
69	77.2	87.1	96.4	88.4	79.6
70	76.5	86.7	96.0	87.4	78.0
71	75.9	86.3	95.4	85.8	76.0
72	75.3	85.9	94.8	84.2	74.0
73	74.7	85.5	94.2	82.6	72.0
74	74.1	85.1	93.6	81.0	70.0
75	73.5	84.7	93.0	79.4	68.0

For Options 1 and 2, the survivorship factors shown above assume that the Participant (or Retired Participant) and the Beneficiary are the same age. For each whole year that the Beneficiary is older than the Participant (or Retired Participant), add Factor B in the case of Option 2, to the percentage shown above (but never go above 99.0%). For each whole year that the Beneficiary is younger than the Participant (or Retired Participant), subtract Factor B in the case of Option 2, from the percentages shown above. Factor B for all members for Option 1 is .7% for the first 10 years, .5% for the next 10 years and .3% for over 20 years, and Factor B for Option 2 is .4% for the first 10 years, .3% for the next 10 years and .2% for over 20 years.

YEAR	JUN-30-1996	JUN-30-1996
	1,056,380	17,055
	115,130	
	0	
498,655	96,132	
	96,024	
		583,227
		7,812
	1,371,821	
		950,114
		5,000
39,196		
		22,708
0		
		0
		145
		212,926
1,371,821		
	39,654	
	11,665	
	1,300	
	52,619	
	22,508	
	23,516	
29,103		
		2,979
	164	
	3,521	
	13,478	
7,297		
	0	
	(1,032)	
	6,265	
	0	
	0	
	7.98	
	6,551	
	0	
	4,671	
	8,109	
	5,174	
	1,023	
	14	
	7,812	
	7,812	
	0	
	0	

Includes interest bearing escrow accounts of \$133,950 at June 30, 1996
Includes reserve of \$668 acquired from Conestoga Bancorp, Inc.