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Comptroller of the Currency  
Administrator of National Banks

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Northeastern District  
340 Madison Avenue, Fifth Floor  
New York, New York 10017

Licensing Department (212) 790-4055  
Fax (301) 333-7015

**Conditional Approval #718**  
**January 2006**

December 5, 2005

Mr. Stephen R. Brown  
Senior EVP, CFO & Treasurer  
Hudson Valley Holding Corporation  
21 Scarsdale Road  
Yonkers, New York 10707

Re: Application to merge New York National Bank, Bronx, New York with and into NYNB Bank, National Association (in organization), Yonkers, New York under the charter of the latter and the title of "New York National Bank II", Yonkers, New York

OCC Application Number: 2005 NE 02 0016

Dear Mr. Brown:

This is to inform you that today, the Office of the Comptroller of the Currency ("OCC") approved the proposal to merge New York National Bank ("the Bank") with and into NYNB Bank, National Association (an interim bank) under the charter of the latter and the title of "New York National Bank II." This transaction is the first step of a two-step transaction. Immediately following this merger, New York National Bank II will convert to a New York state bank, which will be owned by Hudson Valley Holding Corporation. Hudson Valley Holding Corporation is currently a one-bank holding company, the parent company of Hudson Valley Bank.

This approval is granted based on a review of all information available, including commitments and representations made in the application, the merger agreement and those of your representatives, and is subject to the following condition:

1. The Bank: (i) shall give ADC Kiefer of the New York Metro West supervisory office at least sixty (60) days prior written notice of the Bank's intent to significantly deviate or change from its business plan or operations<sup>1</sup> and (ii) shall obtain the OCC's written determination of no objection before the Bank engages in any significant deviation or change from its business plan or operations. The OCC may impose additional

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<sup>1</sup> If such deviation is the subject of an application filed with the OCC, no separate notice to the supervisory office is required.

conditions it deems appropriate in a written determination of no objection to the Bank's notice.

This condition of approval is a condition "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818. As such, the condition is enforceable under 12 USC 1818.

In addition, the approval is granted with the understanding that upon consummation of the merger, the resulting bank will immediately convert to a state bank.

The OCC reviewed the proposed transaction under the criteria of the Bank Merger Act, 12 U.S.C. § 1828(c), and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have any anticompetitive effects. The OCC considered the financial and managerial resources of the banks, their future prospects, and the convenience and needs of the communities to be served. In addition, the Bank Merger Act requires the OCC to consider "...the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities, including in overseas branches," 12 U.S.C. § 1828(c)(11). We considered these factors and found them consistent with approval under the statutory provisions.

The Community Reinvestment Act ("CRA") requires the OCC to take into account the applicants' record of helping to meet the credit needs of the community, including low- and moderate-income ("LMI") neighborhoods, when evaluating certain applications, including merger transactions that are subject to the Bank Merger Act. 12 U.S.C. § 2903; 12 C.F.R. § 25.29. The OCC considers the CRA performance evaluation of each institution involved in the transaction. A review of the record of these applicants and other information available to the OCC as a result of its regulatory responsibilities revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including LMI neighborhoods, is less than satisfactory.<sup>2</sup>

The OCC's analysis and approval of this application considered the CRA record of performance for New York National Bank, which received an "Outstanding" rating at its last CRA PE dated December 18, 1997. In support of that rating, the OCC found that New York National Bank showed a good loan-to-deposit ratio, good lending in its assessment area, and good lending to borrowers of different incomes and to businesses of different sizes. The OCC also found that New York National bank showed an excellent geographic distribution of loans. The OCC is unaware of any information that would indicate New York National Bank's recent record of CRA performance is less than satisfactory. In addition, the OCC found no fair lending concerns at New York National Bank. In sum, the OCC determined that the applicant's record of performance was consistent with approval under CRA.

The OCC, Board of Governors of the Federal Reserve (FRB) and Federal Deposit Insurance Corporation (FDIC) received comments from a community organization protesting the

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<sup>2</sup> Since NYNB Bank, National Association is a newly established interim bank, it does not have a record of CRA performance.

acquisition of NYNB Bank, National Association by Hudson Valley Holding Corporation (HVHC), a pending application before FRB. The comments provided were with respect to the lending practices and patterns of Hudson Valley Bank. The commenter also requested an extension of the comment period and a public hearing to obtain information on Hudson Valley Bank. Hudson Valley Bank is not a party to the application pending before the OCC nor does the OCC have supervisory or regulatory authority over Hudson Valley Bank. Accordingly, after considering the regulatory provisions in 12 C.F.R. §§ 5.10 and 5.11, the OCC found no basis to grant an extension of the comment period or to hold a public hearing. The OCC notes that Hudson Valley Bank's most recent CRA public Performance Evaluation ("PE") dated December 1, 2004 and conducted by the Federal Deposit Insurance Corporation assigned a "Satisfactory" rating. In support of that rating, the FDIC found Hudson Valley Bank showed good responsiveness in meeting community credit needs and providing banking services, but that it needed to improve its community development investing. Hudson Valley Bank's PE disclosed no fair lending concerns.

As a reminder, the Northeastern District Office must be advised in writing in advance of the desired effective date for the merger, so it may issue the necessary certification letter. The effective date must follow the applicable Department of Justice's injunction period and any other required regulatory approval.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- A Secretary's Certificate for each institution, certifying that a majority of the board of directors approved.
- An executed merger agreement with Articles of Association for the resulting bank attached.
- A Secretary's Certificate from each institution, certifying that the shareholder approvals have been obtained, if required.

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

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If you have any questions, please contact Wai-Fan Chang, Licensing Analyst, at (212) 790-4055.

Sincerely,

*/s/ Beverly L. Evans*

Beverly L. Evans  
Director for District Licensing

Enclosure: Survey Letter